SUCCESSION PLANNING, ENTREPRENEURIAL ORIENTATION, BUSINESS DEVELOPMENT SERVICES AND PERFORMANCE OF SMALL AND MEDIUM FAMILY BUSINESSES IN MACHAKOS COUNTY, KENYA

BY

ANGELA MWIKALI NYALITA

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DECLARATION

I, Angela Mwikali Nyalita, hereby declare that this thesis entitled **"Succession planning, entrepreneurial orientation, business development services and performance of small and medium family businesses in Machakos County, Kenya"** is my original work. It has not been submitted to any other college, institution or university for any academic award such as Certificate, Diploma or Degree.

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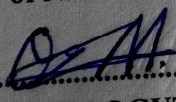**Reg. No: D80/61522/2011**

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This PhD thesis prepared by Angela Mwikali Nyalita was developed with our guidance and has been submitted for examination with our approval as the university supervisors.
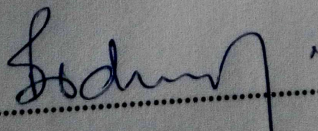
Signed: .... Date 27/11/2015

DR. JAMES GATHUNGU, PhD CPS (K)

Department of Business Administration

School of Business

University of Nairobi

Signed: .... Date. 27/11/2015

PROF. MARTIN OGUTU, PhD

Department of Business Administration

School of Business

University of Nairobi

Signed: .... Date. 27/11/15.

PROF. BITANGE NDEMO, PhD

Department of Business Administration

School of Business

University of Nairobi

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DEDICATION

I dedicate this doctoral thesis to my sons Bobby Tsuma and Billy Mwiti for their love and encouragement during the study. May this be an inspiration that you may aim to achieve higher academic excellence and honours in your lives. I also dedicate this work to my dad Marco Kilonzo and my mum Secunda Marco for educating and providing me with guidance and support that encouraged and enabled me to aspire for higher academic achievement. The work is also dedicated to late Mzee Japhlet Thambu (The General) for his words of wisdom and support. Finally and most important I dedicate this work to my pastors Carol Wanjau and Muriithi Wanjau (Pastor M) of Mavuno Church for their prayers and encouragement through their Bible teachings.

May God bless you all

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ABBREVIATIONS AND ACRONYMS

BDS   Business Development Services

CEO   Chief Executive Officer

CFA   Confirmatory Factor Analysis

EO   Entrepreneurial Orientation Schemes

FB   Family Businesses

FOE   Family Owned Businesses

GDP   Gross Domestic Product

GEM   Global Entrepreneurship Monitor

GoK   Government of Kenya

IFERA   International Family Businesses Research Academy

KIHBS   Kenya Integrated Household Budget Survey

NGO   Non Governmental Organization

OECD   Overseas Economic Development Cooperation

ROA   Return on Asset

ROE   Return on Equity

ROS   Return on Sales

SMEs   Small and Medium Businesses

SP   Succession Planning

UNIDO   United Nations Industrial Development Organization

USA   United States of America

WB   The World Bank

WEF   Women Businesses Fund

ABSTRACT

Succession planning is a major problem that affects the performance of family-owned businesses in Kenya leading to their deaths, only one in three family businesses makes it from the first to the second generation. Family owned businesses continue to form the backbone of most of the national economies, especially in Kenya. This study sought to contribute to knowledge and based on the view that succession planning, entrepreneurial orientation, and business development services affect firm performance. Building on existing theoretical frameworks and literature, the study seeks to find out the influence of entrepreneurial orientation and business development services on the relationship between succession planning and firm performance. The study looked at the family businesses in Machakos County, Kenya. It is anchored on the family systems theory, stewardship theory; resource based theory, and agency theory. The study applied positivist research paradigm, a cross sectional survey design. Both secondary and primary data was collected using a semi-structured questionnaire; the sample size was 139. The study applied both descriptive and inferential statistics to analyze the data and test the study hypotheses created from the study objectives. The study found that succession planning, though lowly applied in family businesses had a statistical significance on performance; entrepreneurial orientation whose presence among family businesses was observed to be high had significant effect on the relationship between succession planning and firm performance statistically. However, the study observed that business development services are mildly applied within these firms and did not have a statistically significant effect on the relationship between succession planning and firm performance. Finally, the joint effect of succession planning, entrepreneurial orientation, and business development services on firm performance was found to be greater than that of individual variables and, therefore, it is the best model for the study. The study concludes that succession planning, entrepreneurial orientation, and business development services positively affect the firm performance of family businesses. The findings of this study support and add knowledge to previous studies on family businesses. The results supports the resource based theory in that firms need resources to better their performance, the agency theory that the firms need to outsource human skills, the systems theory that there should be a balance in all systems in a family business. Finally, stewardship theory is also supported in that the workers must contribute positively to the growth of the business to enable it carry on the founder's vision and be passed to other generations. The study recommends all stakeholders in entrepreneurship, policy, and practice and family business owners to enhance the application of succession planning, entrepreneurial orientation, and business development services in the County. The study suggests further studies targeting the three variables in varying environment to assess their outcomes and relationship towards their inclusion in the entrepreneurship theories and family business theories.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Understanding the entrepreneurial orientation, business development services, and succession planning in family businesses can improve performance of the firms (Debicki et al., 2009). More than 90% of small and medium enterprises (SMEs) are family businesses (Astrachan & Shanker, 2003). Family businesses are an integral part of the socioeconomic environment and source of national income for any country (Aron, 2009). The prominence and impact of family businesses on the economy is well recognized, contributing to an estimated 70 - 90% of worldwide Gross Domestic Product (GDP) annually (Forbes, 2014).

The family businesses are important because of their contributions to the economy and also due to the commitment they show to local communities. These businesses bring long-term stability, the responsibilities they feel as owners and the values for which they stand (Mazzola et al., 2008). Succession Planning (SP) appears to be where most family businesses failures occur (Handler & Kram, 1988). Such occurrences have stimulated interest in the current study where the study proposes that use of both business development services (BDS) and Entrepreneurial Orientation (EO) in firms could lead to fewer failures in these companies.

The conceptualization in this study is anchored on the family systems theory, which models family businesses as three overlapping and interdependent subsystems (Gersick, 1997). These are the family system, the ownership system, and the business system, which interact to create family business dynamics. The theory helps to

explain how and why individuals may change and how conflict may arise and get resolved. The other theory is the stewardship theory; it recognizes that owners of family businesses often exhibit a commitment to the mission of the family firm. The theory extends beyond self-interest and is motivated to leave a positive legacy to succeeding generations (Poza, 2009).

The resource-based theory by Penrose (1959) is also used to guide the study. Entrepreneurs have individual specific resources that facilitate the recognition of new opportunities. Some entrepreneurs are more able to recognize and exploit opportunities than others because they have better access to information and knowledge (Nganga et al., 2011).The study is anchored on the agency theory developed by Jesen and Meckling (1976). Family Businesses (FB) may involve other people who are not members of the family, this is because they have unique skills. These non-family members play a fundamental role in the business and can also contribute significantly to the agency costs (Dyer, 2006).

Given the family involvement in firm ownership and management, family firms may significantly reduce agency costs and potentially enhance firm performance. Family firms are unique due to the way operate in three systems which are the family, the ownership and the business. The three systems of the business must be work together for the success of the enterprise. If there is no balance, and then conflicts arise, and this affects the performance of the firm (Colli, 2003). In Kenya, family businesses are estimated to contribute approximately the bigger percentage of the GDP whose estimate was USD 32.417 billion in the year 2010 (Rodrigo, 2013). These family businesses generate 60% of the country's employment and 78% of all new job

creation (Waweru et al., 2001). Small and Medium Businesses (SMES) in Machakos County are drivers of economic growth, providing employment, linkages across various sectors, poverty eradication and promotion of innovation. To improve performance of SMEs the Machakos County has organized investment forums and plans are in place to create a trade enhancement center. The entrepreneurs are supported by providing incubation centers for innovation and conducting feasibility studies on the viability of particular value addition factories in the various wards (Machakos County strategic plan, 2012). This study on how BDS and EO activities influence the relationship between succession planning and performance of the family businesses will assist in promoting the growth of the of the SME sector.

1.1.1 Concept of Entrepreneurship

Entrepreneurship is the process of searching out opportunities in the marketplace and arranging resources required to exploit these opportunities for long term gains. An entrepreneur is an individual who undertakes the creation, organization, ownership, and risk of a business Schumpeter (1991). Concept of entrepreneurship has assumed super importance for accelerating economic growth both in developed and developing countries. It promotes capital formation and creates wealth in country. The entrepreneur shifts economic resources out of lower and into higher productivity and greater yield.

All of the interest and vision cannot make up for a total lack of applicable skill. As the head of a company, whether he has employees or not, an entrepreneur must be able to wear many hats and do so effectively. For instance, if he wants to start a business that creates mobile games, he should have specialized knowledge in mobile technology, the gaming industry, game design, mobile app marketing or programming. An

entrepreneur needs resources to invest, his investment may be something less tangible, such as the time one spends or the skills or reputation one brings with them. It also tends to involve a significant investment of assets with a clear value, such as cash, real estate or intellectual property. Success is critical for success of any organization. Successful entrepreneurship is characterized by quick and stable growth. This means hiring other people to do specialized jobs. For this reason, entrepreneurship requires extensive organization and delegation of tasks. It is important for entrepreneurs to pay close attention to everything that goes on in their firms, they must learn to hire the right people for the right jobs and let them do their jobs with minimal interference from management (Aldrich, 1999).

Entrepreneurship requires risk. The measurement of this risk equates to the amount of time and money one invest into a business. However, this risk also tends to relate directly to the rewards involved. An entrepreneur who undertakes groundbreaking innovations risks everything on an assumption that something revolutionary will work in the market. It can be very risky if such revolutionary is wrong. Access to resources by founders is an important predictor of opportunity based entrepreneurship and new venture growth (Alvarez & Busenitz, 2001).This theory stresses the importance of financial, social and human resources Thus, access to resources enhances the individual's ability to detect and act upon discovered opportunities (Brockhaus, 2004).

1.1.2 Concept of Succession Planning

Succession planning is a process of identifying and preparing internal family members with the potential to fill key business leadership positions in a firm (Esuha & Fletcher, 2000). Succession planning begins from the time the business starts, and it

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increases the availability of knowledgeable and able employees who are prepared to take over these roles as they become available (Handler, 1994).Successful succession can provide a family owned business with a competitive edge over the non-family owned firms by enabling the continued use of accumulated knowledge of household members (Bjuggren & Sund, 2001). The factors affecting succession are the willingness to take over, potential rewards from the business, successor's abilities and personal goals and family harmony (Venter et al., 2005).

Family businesses are business that are owned and managed by at least one family member and operated by the founder where there is anticipation that the business will be passed to the next generation. In these businesses the owners have majority shares , meaning that they have control over their businesses (Handler & Kram, 1988). Succession planning is the process by which the management control is transferred from one family member to another (Sharma et al., 2009). These family members could be sons, daughters, wife, husband, grandchildren, and other relatives. Most SMEs are a family business, and family succession is a major determinant of their survival and development (Esuha & Fletcher, 2000).

The unique systems interaction in family activities makes them more complex to manage. The interaction takes on more complicated direction within the small and medium enterprises where the family businesses are heavily concentrated (Sharma, 2004). There is a high possibility of family businesses failure; this problem has made the issue of succession planning to be the most important in a family business (Lam, 2009). Succession within the SME sector is expected to be a major determinant of business survival and growth. The main reason for the failure is mainly the inability

of the firm to overcome the loss of key contributors (Lussier & Sonfield, 2004). Families that prepare their children to take over have better performance than those who do not (Drozdow, 1998). The newer generation is more entrepreneurial oriented bringing in new ideas and new business opportunities. Succession is the most important concern of family businesses enterprises (Lam, 2009). In a study on entrepreneurial succession, Davis (1968) takes the entrepreneur as an important person who has an ability to take risks and innovate, and also sees that the newly formed organization is operating successfully after succession.

Davis (1968) regarded succession planning as the most fundamental and stable unit of social organization in traditional society. Family businesses may have advantages in knowledge integration that is as a result of organizational adaptation, the family setting kindles denser social interactions and a stronger willingness to integrate knowledge compared to nonfamily firms. The family firms can create just as much shareholder value by investing in lower-return projects as their nonfamily counterparts because their use of patient capital enables them to postpone gains. Such advantages are likely associated with greater long-term economic value creation by family firms (Chirico & Sirmon, 2010).

1.1.3 Concept of Entrepreneurial Orientation

Entrepreneurial orientation is the dynamic process of wealth creation. Individuals create wealth by taking major risks such as time, financial, and social career they commit to provide value for some product or service (Ronning, 2006). The product or service may be old or new or unique, the entrepreneur infuses value creation by receiving and allocating the necessary skills and resources. Innovation is at the heart of entrepreneurship; it helps the family businesses in coping with a rapidly changing

environmental condition (Drucker, 1985; Schumpeter, 1991). Entrepreneurship has been an area of increased research and attention in recent years has been on the entrepreneurial orientation. The entrepreneurial behavior is characterized by risk-taking, innovation, and pro-activeness (Covin & Slevin, 1991). EO is important in SMEs operations, this is due to the high-level involvement and influence of the owner-manager in the day to day running of the businesses and hence influences how business development services are used (Wiklund & Shepherd, 2003).

Covin and Slevin (1991) argued that entrepreneurship is an essential feature of high-performing firms. FOBs aim to protect family wealth for future generations therefore risk is carefully managed and minimized (Zahra & Covin, 1995). This study used the EO factors that consist of pro-activeness, risk-taking, and innovativeness. Some of the factors are very similar to those in BDS and hence could have a direct relationship with some BDS aspects like training, product development, market access and financial services.

1.1.4 Concept of Business Development Services

Business Development Services (BDS) is an array of strategic non-financial business services aimed at improving firm's performance (McVay & Miehlbradt, 2002). BDS are designed to serve small individual firms that have high risks of environmental factors (Okeyo et al., 2014). It is provided for free or at subsidized rates by development based organizations such as associations or cooperatives, Non-Governmental Organizations (NGOs), medium finance institutions, individuals, government agencies. Framework for business development services consists of market access, infrastructure facilities, development of policy, input supply, training, and technical assistance, technology and product development (UNDP, 2004).

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Efficiency and effectiveness of a firm especially SMEs is enhanced by factors related to market access, infrastructure facilities, procurement services, and financial services (Brijlal, 2008). Basic training and technical assistance services for SMEs include basic courses in entrepreneurship and business functions such as bookkeeping and marketing. BDS have expanded to include mentoring, product development, access to information, and communication technology.

Direct BDS interventions have also been featured as inputs, market development activities such as participation in trade fairs and exhibits, development of promotional and advertising materials (Mazanani & Fatoki, 2011). Brijlal (2008) suggests that BDS is primarily a function, seeking to both address market failure by providing information required by businesses, providing or facilitating the provision of consultancy services, providing or encouraging skills and business training; and to improve equity by engaging in technology transfer and development, and providing subsidized access to infrastructure and financial services.

Harper (2001) found out that market imperfections are a good justification for the government to support the SME sector. The SMEs significantly contribute to socio-economic growth despite the competition from large established enterprises. The SME sector without government or donor support can increasingly jeopardize their growth and survival. The focus on BDS is important because they contribute to economic growth, employment generation as well as poverty alleviation. BDS seeks to raise the profitability and enhance the growth and competitiveness of enterprises, which directly raise incomes (Harper, 2001).

Business development services interventions to SMEs can lead to enhanced economic security and incomes, thus permitting entrepreneurs to invest in nutrition, housing, health, and education of their families. Equally, BDS delivered to SMEs can lead to employment generation, thus absorbing excess labor, innovation and adding value to goods and services, flexibility in responding to dynamic and volatile markets and fiscal contributions to hard-pressed governments. The great majority of SMEs are not financially sustainable. The persistent lack of financial resources often results in changes to the services delivered and target groups, mutation into private companies to survive or indeed termination of activities. Based on empirical analyzes, BDS explains variances in business competencies and performance in terms of efficiency and novelty (Eikebrokk & Olsen, 2009).

1.1.5 Firm Performance

Firm performance measures are defined as metrics employed to measure the efficiency and effectiveness of actions. However, the definition remains an issue for debate in business research (Morris *et al.,* 1997). The treatment of performance in research settings is perhaps one of the thorniest issues confronting the academic researcher today (Chandler & Hanks, 1993). A diverse range of measures used constitutes on additional sources of methodological heterogeneity (Venkatraman & Ramanujam, 1986).

The most common financial measures are profit margin and rate of return which are quantitative. Stone and Banks (1997) suggests that there are other qualitative measures of performance which complement the hard measurement practice these are customer satisfaction, employee job satisfaction among others. Customer based measures have become more popular because of an endeavor by the firm to offer

quality customer improvements, which ultimately lead to company profits (Stone & Banks, 1997). For small firms, the main purpose is to stay in business, and so, the best measure would then be subjective to both financial and non-financial measures. Firms have unique performance capabilities and the ability to build powerful and distinctive cultures, whose value proposition gives them an advantage in the marketplace (Musuva et al*., 2013). The narrowest conception of business performance centers on the use of simple outcome-based financial indicators that are assumed to reflect the fulfillment of the economic goals of the firm.

Typical of this approach would be to examine such indicators as sales growth, profitability (Chandler & Hanks, 1993). The current study used a combination of qualitative and quantitative factors to measure firm's performance. Some of the qualitative factors the current study used to measure performance are customer satisfaction, new products introduced and employee turnover. The quantitative factors used are sales growth, new assets, return on investment, and profit growth. Business performance is a valid indicator to assess the effectiveness of business succession (Morris *et al*., 1997).

1.1.6 Small and Medium Businesses in Kenya

In Kenya, SMEs have been defined by the World Bank as formally registered business, employing between 5 to 150 employees, with a yearly turnover of between Kenya Shillings 8 to 100 million, an asset base of at least Kenya Shillings 4 million (World Bank, 2008). Outcomes from a study by Handler (1994) suggests that majority of SMEs are family owned businesses, most of the businesses are owned and managed by the owner-manager who personally engages himself in the everyday

running of the business and makes use of hands on management style. In developing countries family businesses are equated to SMEs in public and policy discussions (Fatoki, 2012). The small and medium businesses play an important role in the Kenyan economy. SME in Kenya employ over 74% of the population and contributes up to 18.4 % of the country's gross domestic (Economic Survey, 2006). Despite their significance past statistics indicates that 3 out of 5 businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 1999). SMEs often suffer due to poor succession planning, poor infrastructure facilities, market access, and lack of skills, inability to use technology for product development, competition and problems in securing low-cost finances.

The issues and problems limiting SMEs acquisition of financial services include lack of tangible security coupled with inappropriate legal and regulatory framework that does not recognize innovative strategies for lending to SMEs. Limited access to formal finance due to poor and insufficient capacity to deliver financial services to SMEs continues to be a constraint on the growth and expansion of the sector. Formal financial institutions perceive SMEs as high risk and commercially unviable. As a result, only a few SMEs access credit from formal financial institutions (Fatoki, 2012).

Mead (1998) observes that the health of the economy as a whole has a strong relationship with the health and nature of micro and small enterprises sector. When the state of the economy is less favorable, the opportunities for profitable employment expansion in SMES are limited. However, the impact of devolution on SMEs development depends on the architecture of the regulatory and institutional

framework inclined to support SMEs in any economy (Nelson, 1997). Various types of assistance have been provided the SMEs to boost their growth and development by making them more profitable. Several organizations including business associations, voluntary organizations and other non-governmental organizations have set up programs to enhance the factors that influence the development of SME. Despite a large number of assistance programs, the growth and development of SME has not been satisfactory. Ventures have collapsed as soon as assisting organizations pull out of the project, and remaining ones have not grown (Ong'olo & Odhiambo, 2013).

The SME sector in Kenya has received significant focus over the last four decades in terms of research and policy (Bowen *et al.*, 2009). The current policy framework in Kenya supports economic growth in the manufacturing sector, with the key focus being the SMEs (GoK, 2010). On the development of SMEs, the Sessional Paper No. 2 of 2005 indicates that substantial funds have been spent to implement government policies and programs to build institutions specifically aimed at promoting the SME Sector. In alignment with the vision 2030, Kenya government has built on the sectors and cascaded BDS and EO activities to stimulate economic growth and development.

The success of SMEs is linked to entrepreneurial orientation, business development services that are in line with the government substantial effort to support the SMEs (Ong'olo & Odhiambo, 2013). In spite of the problems associated with SMEs, there are successful family businesses in Kenya, for example Bidco Oil Refineries run by a second generation, Ramco Group run by third generation, the Kenyatta family and Nakumatt supermarket chain (Forbes, 2014). All these businesses started as SMEs and have grown to big firms now. However, there are also classical cases of family

businesses that have failed to move to the next generation. Examples of this are the late Gerishon Kirima's real estate business (Daily Nation, 2009), Kenneth Matiba's business, Francis Thuo and Partners and Discount securities (Aron, 2009) among many others.

1.1.7 Family Owned Small and Medium Businesses in Machakos County

The small and medium businesses in Machakos County play an important role in providing employment, goods, and services and revenue to both local and national government. Most of these businesses are small and are involved in buying and selling of goods, hence are not generating much employment as opposed to if they were involved in value addition. Other businesses are also involved in service delivery just a few are involved in manufacturing. Most of the businesses are found in Machakos town and a few others major trading centers within the County. Quite a number of businesses involved in transport are along the Mombasa highway (Machakos County strategic plan, 2012).

Despite their contribution, these businesses are faced with challenges like to poor succession planning, infrastructure facilities, market access, lack of skills, lack of technology, insecurity, competition, low capital investments. The challegies leads to high rate of failures of these SME (Kisaka & Mwewa, 2014). Past statistics that are also applicable to the County indicate that 3 out of 5 businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 1999). The currently, Machakos County is focusing on economic growth and development in the SME manufacturing sector (Machakos County strategic plan, 2013). The county's key objective is to establish a vibrant business economy supported by functioning infrastructure and social amenities for the transformation of the County into a regional

service hub and expansion of exports. The County has built on the sectors and cascaded BDS and EO activities to stimulate economic growth and development. To support SMEs, the County Government of Machakos has embarked on provision and maintenance of quality infrastructure, security, housing, transport, relevant technical skills in value addition. In addition to this the county has also embarked on policy research services, industrial development and investment, creation of a conducive and enabling environment for enhanced county competitiveness and increased private sector investment and industrial transformation.

The firms are in various activities such as agriculture, transport, professional services, retail shops, educational institutes, manufacturing, and hotels & restaurants. Majority of the businesses are small and medium and are found in the Machakos City. Most of these firms are engaged in trade and provision of services (Machakos County strategic plan, 2012). There are a few successful family businesses like Mulley's supermarkets, Lukenya group of schools, Garden Hotel, Mutula Kilonzo & Co Advocates, Kasandas wholesalers, Kutui beer distributors among others. There are also classical cases of family businesses that have failed to move to the next generation (Kisaka & Mwewa, 2014). It is, therefore, important to understand the dynamics of SMEs due to their contribution to the county development, the growth, survival, and also for the development of SMEs support policy by the county government. The success of SMEs is majorly linked to entrepreneurial orientation and business development services (Matsuno *et al.,* 2002). The study current study focuses on empirical inquiry to investigate the effects of succession planning, entrepreneurial orientation, business development services on the performance of SMES in Machakos County.

1.2 Research Problem

Succession planning is a very important aspect in dealing with the performance of family businesses. Western scholars heavily recommended succession planning as a way of preventing conflicts in family businesses in case of unexpected occurrences like death or illness (Ward, 2006). Studies have shown that succession is the most problematic and neglected issue in many family businesses (Bachkaniwala *et al.,* 2001). The key concern over time in these businesses has been largely the high failure rates in trans-generational succession (Handler & Kram, 1988). Failure in succession represents a serious problem not only for family businesses and their employees but also for the prosperity of an economy. Intergenerational succession represents a crucial point in the lifecycle of any family business and, as such, has been a primary focus of research.

The SMEs play an important role in the Kenyan economy, according to the Economic Survey (2006) the sector contributed over 50 percent of new jobs created in the year 2005. Despite their significance, past statistics indicates that 3 out of 5 SMEs businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). In recognition of the role the SMEs play especially employment and provision of goods and services, the Government enacted the SMEs Act. The Act is aimed at providing an enabling policy and legal environment for the businesses (GoK, 2007). Despite these interventions, the sector is still characterized by low graduation and high failure rates which impede their potential to contribute to economic development (Bowen, 2009). Given the importance of SME family businesses to the Kenyan economy and the exposure to risks owing to their collapse, there was a need to conduct an empirical inquiry to investigate the relationship between succession

planning and firm performance. The context of this study is the family-owned businesses in Machakos County. The business in Machakos County are dominated by problems such as conflicts between business affairs and family affairs. In spite of the importance of succession planning, there is little research on family businesses succession and performance in Machakos County. Business performance is a valid indicator to assess the effectiveness of business succession (Morris *et al*., 1997). Some scholars have argued that there is a direct linear relationship between succession planning and firm performance (Westhead & Cowling, 1997). Other scholars argued that the relationship between two variables can be enhanced by introducing of moderating variable (Fatoki, 2012).

Studies on the relationship between succession and performance as well as business development services and performance have been carried out and documented the findings. Empirical studies on the nature of the relationship between succession planning and firm performance have produced conflicting results. Studies have attributed the poor performance of family businesses to poor succession planning, family conflicts, poor management, and lack of capital among others (Drozdow, 1973). In their study Morris *et al*. (1997) found out that the relationship within the family has the single greatest impact on successful succession between generations of family businesses. In a study on succession strategy and performance of small and medium family businesses in Nairobi, Maalu *et al.* (2013) noted a strong relationship between SME performance and succession. In their study, Okeyo *et al*. (2014) found out that there was a positive relationship between EO and SME performance.

However, the BDS factor has conflicting results in that it does not have a positive impact on performance in spite of its importance. Eikebrokk and Olsen (2009) in a study of how business development services affect the performance of firms found out that training of the workers improves efficiency. The workers equip themselves with better skills hence increased productivity, and this contributes to SMEs growth. Bowen *et al*. (2009) concluded that relevant training or education is positively related to business success. Education and training equip workers with the knowledge that is useful in managing any firm. Jeremy *et al.* (2009) found out that EO is the cornerstone of entrepreneurship in family businesses and contributes to the growth of these firms.

Entrepreneurs need to be risk takers, be more innovate and proactive for their firms to survive environmental turbulence. A study by Berry and Sweeting (2006) on the effectiveness of business development services, found out that use of business development services improves the performance. Better market access and technical assistance are crucial for SME growth, survival, and profitability. The current study also focused on family businesses SMEs in Machakos County while most of the studies done focused on the SMEs sector. Most studies tend to lump family businesses under SMEs, thus ignoring the heterogeneity among the family businesses.

There remains yet unresolved issues in context, the methodology and concepts used by other researchers. No known study that examined the joint effects of entrepreneurial orientation and business development services on the relationship between succession planning and performance of the family business in Machakos County. As a result of this knowledge gaps, the current study sorts to establish the

influences of business development services and entrepreneurial orientation on the relationship between succession planning and performance of family businesses in Machakos County. This gap, therefore, led to the research question on what is the influence of entrepreneurial orientation and business development services on the relationship between business succession planning and firm's performance?

1.3 Research Objectives

The main objective of this study was to determine the influence of entrepreneurial orientation and business development services to the relationship between business succession planning and firm's performance.

Specific objectives were:

i. To determine the influence of succession planning on the performance of family businesses in Machakos County.

ii. To determine the influence of entrepreneurial orientation on the relationship between succession planning and performance of family businesses in Machakos County

iii. To establish the influence of business development services on the relationship between succession planning and performance of family businesses in Machakos County.

iv. To establish the joint effect of business development services, entrepreneurial orientation, and succession planning to the performance of family businesses in Machakos County.

1.4 Value of the Study

The main objective of this study was to determine the influence of entrepreneurial orientation and business development services to the relationship between business succession planning and firm's performance. The other objectives were to determine the influence of succession planning on performance, and also to determine the influence of entrepreneurial orientation on the relationship between succession planning and performance. The othe objective is to establish the influence of business development services on the relationship between succession planning and performance of family businesses, and finally to establish the joint effect of business development services, entrepreneurial orientation, and succession planning to performance.

 The results of this study have shed light to scholars and researchers on the nature of relationships and influence of various variables on the firm performance of family businesses. The current study has made a significant contribution to family business theory advancement. The study is premised on family systems theory, stewardship theory, resource based theory, and agency theory. The results of this study established that resources positively influence the performance of family businesses. The family systems, agency and stewardship theories are also critical in performance, the family businesses cannot do without the help of professionals who are non-family members and finally all the systems of family businesses must work together for better performance of the business. The current study, therefore, adds value to scholars and researchers for the provision of new insights for reference purposes.

Most policy makers like the government and NGOs have interests in supporting SMEs of which are recognized to be key to the economic development especially creation of employment. The findings of the study revealed that entrepreneurial orientation had a higher influence on performance individually while succession planning, entrepreneurial orientation, and business development services had a higher influence on performance when combined. Succession planning, business development services has less impact on performance and therefore managers use efficient combinations of variables to get improved performance. It is also important for policy makers to create an enabling environment in terms of policies that supports succession planning.

The efforts continue to bear fruits even for generations to come, this can only be achieved by understanding the factors affecting performance of SMEs. Programs could be set up to prepare family businesses from collapsing when the founders exit the business. The findings of the study also are of great benefit in terms of managerial practice. Trade associations and business managers also will benefit from the study in understanding the importance of succession planning in determining the performance and the continuity of a family. The study will assist family businesses professionals in understanding the importance of succession planning and also to manage the business transition, with a view of decreasing the deaths of these family businesses.

The study aimed at improving generalization of family businesses by looking at family business SMES, succession challenges, entrepreneurial orientation, business development services, and firm performance. Research on the influence of business development and entrepreneurial factors to the relationship between succession

planning and firm performance offers new contributions in improving the death rates. The study will help to provide a road map for identifying key success factors that can be used by family businesses. There are many conflicting findings that have emerged regarding performance of family businesses when same variables were used. Possible reasons for such conclusions are the different theoretical as well as methodological approaches employed. Also the lack of consensus surrounding the definition of a family firm on the exploration of family firm's characteristics and performance and due to the studies being done in difference parts of the world which have totally different environment. This study aimed at bringing the knowledge gap closer by using a different methodology, study concepts, and context to come up with research findings.

1.5 Structure of the Thesis

This thesis comprises six chapters. The first chapter presents the background on the study, research problem, research objectives and value of the study. Chapter two provides the literature review pertaining succession planning, entrepreneurial orientation, business development services, and family business performance. Also, the chapter covers resource based theory, stewardship theory, agency theory, and systems theories. It also discusses empirical research relevant to succession planning, entrepreneurial orientation, business development services, and performance. The chapter outlines the research's conceptual model and the research hypotheses.

Chapter three presents the research methodology, which includes research philosophy, population, research design, and data collection and data analysis techniques. Chapter four presents the research findings, results and analysis, firm demographics,

measurement model and structural model analysis results and testing of research hypotheses. Chapter five presents a discussion of the findings and chapter six offers a summary of the findings, research conclusions, study implications, study limitations, and recommendations for future research.

1.6 Definition of Terms

For the purposes of the current study, the working definitions of terms are as follows:

Entrepreneurship: Is the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit.

Small and Medium Businesses-These are licensed businesses employing less than 150 workers, have annual turnover of less than Kenya shillings 10million.

Family businesses-is a business in which one or more members of one or more families have a significant ownership interest and significant commitments toward the business' overall well-being.

Entrepreneurial orientation– This has been used in the study as a moderating variable. It is the process of wealth creation through innovation,risk taking and proactiveness.

Business development services- This has been used in the study as a moderating variable. In the context of this study, business development services are defined as those non-financial services and products offered to entrepreneurs the services are primarily aimed at skills transfer or business advice.

Succession planning-This has been used in the study as independed variable. Succession is a process than of transferring ownership and management control to the successor who is a family member.

Perfomance- This has been used in the study as depended variable. It is the measurement of business efficiency and effectiveness. The study has used multidimensional construct to cover both financial and non financial indicators of performance.

1.7 Chapter Summary

Chapter one mainly presented the back ground of the study which covers the contribution and importance of the family businesses. It also covers the concepts of the study which include succession planning, business development services, and entrepreneurial orientation on performance of family businesses. The chapter also has a brief introduction of small and medium businesses in Kenya and Machakos County; this covers their contributions and importance of the SMEs. The research problem which identifies the knowledge gap, the research objectives and the value of the study are also covered in the chapter. Finally the chapter indicates the structure of the thesis which indicates the flow of the thesis and definition of terms.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents literature review on the theoretical underpinning and empirical studies relevant to the study. It highlights studies on succession planning, entrepreneurial orientation, business development services, and performance, indicating the linkages between the variables. It also presents a conceptual framework and the hypothesis of the study.

2.2 Theoretical Foundation for the Study

The current study is anchored on family systems theory developed by Gersick (1997), It is also linked to stewardship theory by Donaldson and Davis (1993), the resource based theory by Penrose (1959) and agency theory developed by Jensen and Meckling (1976). The study assessed the characteristic of succession planning, entrepreneurial orientation, and business development service about their impact on firm performance. While previous research may have focused on singular theoretical perspectives, the current research applied family systems theory, integrated with views and extensions of the Resource Based View (RBV), stewardship theory, and agency theory, all of which consider firm-specific analysis.

The researcher investigated SP, EO and BDS factors that support the performance of family-owned firms within the context of Machakos County and incorporating extensions of the theories. Nwoka *et al.* (2009) observed that the researcher presents the theoretical framework to place their research within the perspective of other studies in the same discipline.

2.2.1 Family Systems Theory

Family systems theory emphasizes that the overlap among the three sub-systems often creates conflict among family businesses actors because of different perspectives on family businesses issues (Gersick et al, 1997). Family systems theory deals with human behavior that views the family as an emotional unit and uses systems thinking to describe the complex interactions in the unit. It is the nature of a family that its members are intensely connected emotionally. People solicit each other's attention, approval, and support and react to each other's needs, expectations, and distress. The emotional interdependence presumably evolved to promote the cohesiveness and cooperation families require protecting, shelter and feed their members.

The emotional system affects most human activity and is the principal driving force in the development of conflicts in a family business (Brown, 2008). A family member who has an ownership stake in the business but is not involved in management is likely to have a different perspective on dividend policy. On the other hand the family member who has ownership and also serves as the Chief Executive Officer (CEO). The family owner not involved in the management of the business may prefer high dividend payouts while the family CEO may prefer to retain earnings to reinvest in the business, this could be a source of conflict among family members. Figure 2.1 shows the governance structures.

Figure 2.1 Basic Governance Structure
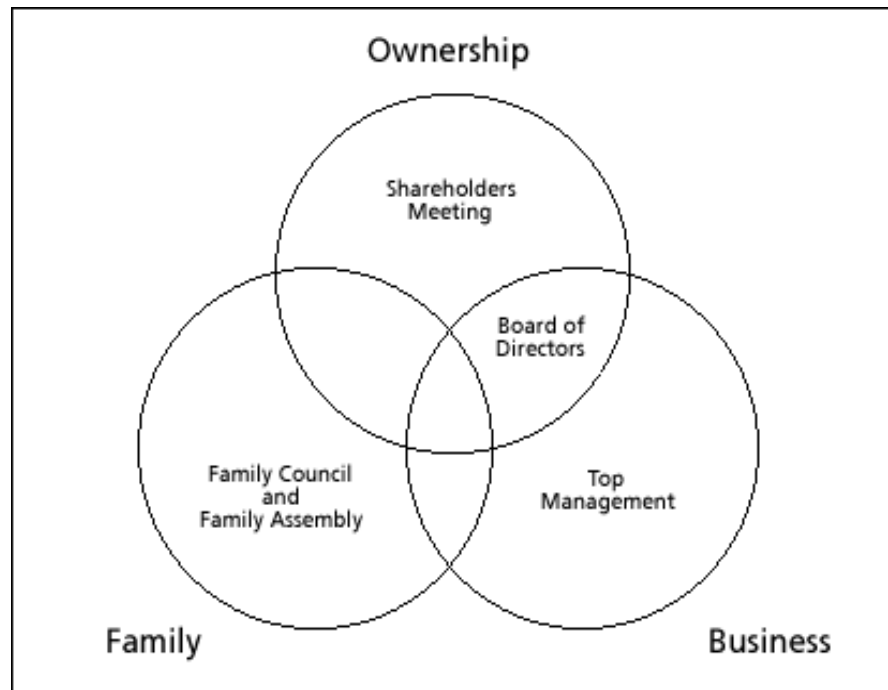
Figure 2.1 represents system involved within a family business. The family consists of individuals who are part of the family and may or may not be in the management or may also be the owners. It is important to recognize that each individual has their own different internal system and set of values, needs, and goals. Ownership in most cases is usually in the hands of the family members. It is concerned with liquidity, profitability from the operating business. Finally business includes the management personnel, board members and anyone who works in the business. Individuals in this may be owners, family members or even non family members (Gersick et al., 1997).

Marion and Uhl-Bien (2001) advise leaders to foster interaction in such situations to enable system participants to work through conflicting constraints to develop collaborative solutions that meet individual and organizational needs. They argue that solutions that emerge through interaction among the players in systems are likely to be more innovative than ones enveloped by a command and control leader (Tagiuri & Davis, 1992). Further, the emergence of common understanding through such interaction leads to a degree of dynamic stability underneath the edge of the chaos of such complex systems.

This is consistent with family business consultants and academics offer to family business leaders, who are encouraged to create family councils to discuss family issues and boards of directors that include family owners and independent non-family directors to work through business issues (Poza, 2009). Eisenhardt (1989) application of complexity theory to leadership also supports the resource-based view of the family business. While family businesses often possess some valuable resources that create competitive advantage, none is more important than their human and intellectual capital. Marion and Uhl-Bien (2001) also touched briefly on how complex systems evolve over time another key principle of complexity theory and advise leaders to be cognizant of changes taking place.

All three of the major sub-systems of family businesses transition through well documented life-cycles. Each evolutionary stage of development comes with its own set of challenges including capitalization of the business, dividend policy, ownership structure, product life cycles, growth, strategic planning, governance, renewal, and family roles and relationships (Hughes Jr. & Hughes, 2004).

The most important implication of founders from a complexity theory perspective is they are most effective in creating firms effectiveness if they focus on productive interactions (Gersick *et al.*, 1997). The focus is particularly helpful for entrepreneurs of family enterprises, however, as they often have achieved their success through vision, passion, sheer determination, and independent decision making. Only about a third of family businesses survive under family control from the first to the second generation of ownership. Perhaps the founding owner's failure to plan for succession contributes to this factor that inhibits successful succession. Family firms could reap the benefits from an overlap between family and business, provided that they learn from conflicting situations (Marion & Uhl-Bien, 2001).

2.2.2 The Stewardship Theory

The Stewardship theory was developed by Donaldson and Davis (1991) is a new perspective that helps to understand the existing relationships between ownership and management of the company. The business vision needs to be developed and implemented and potentially altogether changed by successive generations to provide growth, better performance, and eventually success of the business. Stewardship theory assumes that managers are stewards whose behaviors is aligned with the objectives of their principals (Eisenhardt, 1989). The theory argues and looks at a different form of motivation for managers, who are loyal to the company and interested in achieving high performance, non financial motivators drive the managers.

The theory also argues that an organization requires a structure that allows harmonization to be achieved most efficiently by managers and owners. One of the assumptions of stewardship is that it is static, it considers the relationship of manager at a single point in time. Therefore it does not reflect the motivation that agents may have to deviate from an agent position towards that of steward. When an agent and steward gets together, the first behaves opportunistically and the second feels betrayed, and this results in a situation where the two parties end up adopting an agent position (Van, 2006).

The theory assumes that there is no conflict of interest between managers and owners and that the goal of governance is to find the mechanisms and structure that facilitate the most effective coordination between the two parties. Stewardship theory holds that there is no inherent problem of executive control, meaning that managers tend to be responsible for their actions (Donaldson, 1990). Stewardship theory assumes that becoming a steward is the result of a rational process. In this rational process, the individual evaluates the pros and cons of one position versus the other. Le Brown & Steier (2004) contributions to stewardship literature argue that stewards are not altruistic, but that there are situations where executives perceive that serving shareholders' interests also serves their interests.

In this situation, agents would recognize that the company's performance directly impacts perceptions of their individual performance. In being effective, the stewards of the organization contribute to the growth of their careers (Daily *et al.,* 2003).

2.2.3 The Resource Based Theory

The resource based theory of entrepreneurship by Penrose (1959) argues that access to resources by founders is an important predictor of opportunity based entrepreneurship and new venture growth this theory stresses the importance of financial, social, and human resources. Family businesses have distinct capabilities that provide a competitive advantage due to the tackiness rooted in their resources. Barney (1991) classifies resources as assets, capabilities, processes, education, information, knowledge used by the firm to improve its performance. Family owned businesses are capable of leveling their human capital, social capital, patient financial capital, and survivability capital and governance structures.

Human capital can be beneficial because it forms an opportunity to obtain deep firm-specific knowledge, higher commitment, and friendly relationships. Human capital can enhance the preference to employ family members instead of better suited external professionals. Social capital reflects a network based on obligations, norms and trust embedded in the family firm (Sirmon & Hitt, 2003).A strong network facilitates communication and provides financial and knowledge resources. Family businesses have a stronger incentive to manage effectively their capital as they conduct business they have a long-term orientation that enables them to manage their finances more effectively.

Survivability capital results from the first three capital resources while enabling a firm to survive in a period of scarcity. Finally, governance structures could influence the costs to monitor processes of agency costs. The intangible capital sources described could be leveraged to overcome firm weaknesses. Application of systems theory to

leadership also supports the resource-based view of the family business. While family businesses often possess some valuable resources that create competitive advantage, none is more important than their human and intellectual capital (Hughes Jr & Hughes, 2004). The Resource-based theory of entrepreneurship argues that access to resources by founders is an important predictor of opportunity based entrepreneurship and new venture growth (Alvarez & Busenitz, 2001). This theory stresses the importance of financial, social, and human resources.

Thus, access to resources enhances the individual's ability to detect and act upon discovered opportunities (Shane, 2000). Financial, social, and human capital represents three classes of theories under the resource based entrepreneurship theories. Empirical research has showed that the founding of new firms is more common when people have access to financial capital (Blanchflower *et al.,* 2001). By implication, this theory suggests that people with financial capital are more able to acquire resources to exploit effectively entrepreneurial opportunities and set up a firm to do so (Shane, 2003). Family firms enjoy certain resources and advantages that are rare and hard to imitate.

While organizations may benefit from accessing financial, human, and social resources from the family, from a resource based view perspective, it is those family specific resources that are rare and inimitable that will make the distinctive contribution. Sirmon *et al.* (2007) examine firms' strategic responses to the threat of imitation and find that those firms that are best able to create hybrid governance structures those that integrate the best of family and nonfamily firms are often best suited to meet the threat of imitation.

Studies done by Hurst and Lusardi (2004) demonstrated that most founders start new ventures without much capital and that financial capital is not significantly related to the probability of being nascent entrepreneurs. This apparent confusion is due to the fact that the line of research connected to the theory of liquidity constraints, generally aims to resolve founder's access to capital. In their view Naldi et al., (2012) did not rule out the possibility of starting a firm without much capital. Therefore, founders access to capital is an important predictor of new venture growth but not necessarily important for the founding of a new venture. Research shows that some persons are more able to recognize and exploit opportunities than others because they have better access to information and knowledge (Anderson & Miller, 2003).

On the other hand the family firms, are embedded in a larger social network structure that constitutes a significant proportion of their opportunity structure. The literature on this theory shows that stronger social ties to resource providers facilitate the acquisition of resources and enhance the probability of opportunity exploitation. Studies have suggested that it is important for nascent founders to have access to entrepreneurs in their social network, as the competence these people have represents a kind of cultural capital that nascent ventures can draw upon in order to detect opportunities (Aldrich & Cliff, 2003).

Underlying the human capital factors such as education and experience are importance in the growth of family businesses (Korunka *et al*., 2003). Empirical studies show that human capital factors are positively related to being an entrepreneur (Shane & Venkataraman, 2000). The knowledge gained from education and

experience represents a resource that is heterogeneously distributed across individuals and in effect central to understanding differences in opportunity identification and exploitation (Anderson & Miller, 2003).

2.2.4 Agency Theory

Agency theory is employed to explore the relationship between a firm's ownership and management structure and its financial performance (Schulze *et al.*, 2001). Agency relationships occur when the principals hire the agent to perform a service on the principals' behalf. Principals commonly delegate decision making authority to the agents; family ownership is not necessarily an indicator of family management. Family firms trust in external managers because capable and competent family members are missing, or family members cannot come to an agreement about which member should lead the company. To overcome these problems, family firms employ external managers. In this case, the relationship between the principal and the agent seems to be similar to non-family firms this appearance is deceptive (Gartner *et al.*, 2004).

Families are highly interested in the performance and future of the business; this is because most of their wealth is tied to it. Where a separation of ownership and control exist agency control, mechanisms are aligned to the goals of managers with those of owners (Chrisman *et al.*, 2004). The agency theory assumes that there is no conflict of interest between the principal and the agent, and also there is a smooth flow of information between the two. Family members may have competing goals and values; different views within the family about the distribution of ownership, compensation, risk, roles and responsibilities may lead to competition among family members.

Family involvement in business has the potential to either increase or decrease financial performance due to agency costs (Chua, 1992). Lower agency costs in family firms could be due to high trust and shared values among family members. Governance arrangements of family firms do not remove nor reduce agency costs due to altruism, which makes it difficult or even impossible for families to effectively monitor family members who work in the firm. Altruism means treating people for who they are rather than what they do, this is often seen as the cornerstone value in family firms. Altruism can cause parents to threaten their children with moral hazards, parents, therefore, undermines effective monitoring (Schulze *et al*., 2001).

Altruistic behavior is particularly manifest in family firms and may well provide benefits to organizations that prioritize socio emotional wealth creation. Family members often assume the role of stewards who, by investing in the firm over the long term, create an enduring value for stakeholders. Agency theory is linked to financial benefits; it posits that when the same people own and manage a firm there will be no agency costs. Agency threat is likely to be pronounced in family firms, because control over the firm's resources makes it possible for owner managers to be unusually generous to their children and relatives (Jensen & Meckling, 1976).

There is a possibility in a context of innovations the combination of family owner and family manager may be the most promising environment for the development of new products because long-term support for innovation projects is guaranteed. External managers may help increase knowledge in innovation projects, but they also increase the threat of opportunistic behavior, which is not present with family managers. Agency theory, therefore, complements the family systems complex theory

it increases opportunity recognition and even entrepreneurial success (Schulze *et al*., 2001). The study therefore proposes to use agency theory to demonstrate that the performance of family businesses depends on the agencies. This is due to the fact that not all family members have the required skills, and also in case of conflict among members of the family an agent can be appointed to manage the business.

2.3 Succession Planning and Firm Performance

Studied linking family succession and firm performance are rare yet the succession is critical in the survival of the businesses (Venter *et al*., 2005). In a study of SMEs family businesses succession, strategy and performance done by Donnelley (1988) found out that there is a positive relationship between succession and firm performance a great succession strategy leads to better performance. However, this study was not done in Machakos County and did not use variable the current study is using. A study by Noor *et al*. (2010) examined the relationship between family successions attributes and firm performance among Malaysian SMEs firms. They found out that succession planning had a positive impact on firm performance. The study was carried out in a developed country and did not use the same research methodology as the current study.

A study by Motwani *et al.* (2006) explored succession planning in SMEs. The study reported the results from a survey of 368 family-owned SMEs concerning the importance, nature, and extent of succession planning. The study categorized SMEs according to their annual revenues, the total number of employees, and number of family members employed by the firm, significant differences were found between larger and smaller firms. Consistent with the extant literature, the findings reveal that

most family members join the firm for altruistic reasons. Issues related to family relationships are rated as significantly more important in firms in which more family members were employed by the firm. The findings show that regardless of their size, it is important for family-owned businesses to develop a formal plan for succession, communicate the identity of the successor, and provide training and mentoring to the successor.

Maalu *et al.* (2013) examined the nature of business succession strategies and their influence on the performance of small and medium family businesses in Nairobi. The study sampled 249 SMEs through a structured questionnaire and interviews. Data was analyzed using linear regression and thematic content analysis. The results indicated that family owned businesses did not explicitly document their succession strategy but made significant unwritten plans for generational succession. The study did not indicate a strong and significant relationship between succession and firm performance.

From results of the case studies, the firms that went through smooth succession recorded significant growth after the transition. Bjuggren and Sund (2001) studied the relationships between the succession and firm performance. The study investigated the impact of family characteristics in corporate decision making and the results of these decisions on the firm performance. They found that, around transition period the firm's performance fell by four per cent. The study also revealed that the CEOs performance of the firm fell in fast growing large firms that have a high skilled labor force. The study focused on decision making as a variable and also did not involve SMEs.

Veyselk and Glaister (2008) investigated the dynamics of the succession process for FOBs that have already taken the succession decision and have selected their successors. The objective of the study is to delineate the factors behind the succession process by investigating selection, training, and entry mode of successors as well as the involvement of family members and stakeholders in the succession process. Data from the predecessors of 408 FOBs in Turkey reveals a number of insightful findings regarding major characteristics of the FOB succession process including the views of predecessors on the succession process, successor selection criteria and the post-succession period. The study found out that selection, training and entry mode of successors determined   the performance of the business

Gudmundson *et al*. (1999) empirically investigated the relationship between succession issues and business performance and found out that proper succession planning positively affects the performance of a firm; this study was not done in Kenya. Both empirical and theories on the relationship between SP and FP suggest that BDS and EO plays a big role in firm performance. There is a research gap in terms of concepts and context which is the main focus of this study.

2.4 Succession Planning, Entrepreneurial Orientation, and Firms Performance

Previous studies employ the construct of business performance to examine a variety of entrepreneurship content and process issues. Some empirical studies done have expressed concerns about the relationship between EO and Performance (Lumpkin & Dess, 2001; Wiklund & Shepherd, 2003). They suggested that EO may affect firm performance; however environment or other organizational factors also play an important role. Awang *et al.* (2009) in his study found that EO was significant and

has a positive relationship with performance. The findings strongly supported the resource based view when the main effect of EO and the moderating effect of environment showed a significant change in the relationship. Brockhaus (2004), in a comprehensive study conducted under the auspices of the Family Owned Business Institute at a large Midwest US university to establish the relationship between entrepreneurial orientation and firm performance in family businesses. The study used a questionnaire that was mailed to 4000 SMEs to collect information pertaining succession planning from the firms that were five years and above.

The study found out that innovative, risk taking improves the performance of family businesses. A study by Awang (2009) examined the relationships between EO and firm performance where the external environmental factors was moderating factor found out that SMEs that have EO capability were more proactive in conducting market intelligence to look at the current market opportunities. EO positively influences the innovation behavior as it encourages the organization to seek additional knowledge to improve business performance. Zahra and Covin (1995) in their study of family firms found out in successful firm owners focus on radical innovation, whereas external managers get involved with the execution and implementation of incremental innovation.

 Radical innovation was seen as the source of growth, whereas incremental innovation functioned to secure the base. Casillas *et al.* (2011) in their study on entrepreneurial orientation and environmental dimensions of 317 family businesses in Spain found out that there is moderating effect of environment on the relationship between involvement of the next generation and EO. The hostile environment could lead to

differences in entrepreneurial behavior it enhances risk and decreases proactiveness. Zellweger and Sieger (2012) in their study of the relationship between entrepreneurial orientation and firm performance found out that successful family firms show varying levels of EO. It was not consistently high but low to moderate instead. High levels of EO are thus not a necessary condition for success. Family firms are less risk-friendly than other firms, and if they are to take a risk, it is associated with a lower level of performance.

A study by Chirico and Sirmon (2010) on resource orchestration in family firms, investigated how entrepreneurial orientation, generational involvement, and participative strategy affect performance. The study was based on 199 Swiss family firms, results indicated that increased generational involvement, unless managed carefully, negatively moderates the relationship between entrepreneurial orientation and performance relationship. The study used a participative strategy to mitigate the negative effects of generational involvement and also enables family firms to bundle effectively and leverage on the heterogeneous yet complementary knowledge and experiences of multigenerational family members to convert entrepreneurial opportunities into high-performance outcomes. The theory suggests that realizing the benefits of EO in family firms is a complicated matter, jointly affected by generational involvement and participative strategy.

2.5 Succession Planning, Business Development Services and Performance

The concept of business development services are aimed at enhancing acquisition and optimizing the use of resources thus increasing sales, or reducing costs so that businesses can grow and become more profitable (Miehlbradt & McVay, 2003). The

BDS contributes to development goals such as economic growth, employment generation as well as poverty alleviation. Okeyo *et al.* (2014) in their study of 150 Small and Medium enterprises examined how market access, procurement services and infrastructure facilities (BDS) affect the performance of small and medium manufacturing enterprises in Kenya. The study adopted a cross sectional survey design and examined primary data, linear regression was used to interrogate relationships between independent variables and performance.

The joint effect of the three variables on the performance of studied firms was found to be greater than their individual effect. The study concluded that since procurement services and infrastructure facilities showed a positive influence on performance of small and medium manufacturing enterprises in Kenya, these enterprises should adopt strategies that enhance procurement and improve infrastructure facilities to experience. Kisaka and Mwewa (2014) studied the effects of micro-credit, micro-savings and training on the growth of small and medium enterprises in Machakos County in Kenya. A survey research design was applied to study eight types of business categories and used a structured questionnaire to collect data from 100 businesses.

Multiple regression analysis was used to determine the relationships between micro-credit, micro-savings, training, and growth of SMEs. The study found out that joint effect of all the variable had a positive contribution to SMEs growth, but the effect of training which is a BDS aspect was not statistically significant. A study by Nelson (1997) on BDS observed that use of BDS improved the performance of the SMEs business. BDS are crucial services to SMEs that help to improve performance;

therefore BDS is important for sustainability and competitiveness of the business in the long-run. Berry and Sweeting (2006) study on the effect of business advisers on the performance of SMEs in United Kingdom, found out that in general there is positive association between access to business advice and SME turnover growth. Jayawarna *et al.* (2007) similarly reported a positive association between training commitment and performance, especially among SMEs engaged in manufacturing, they caution that such an association in only significant for formal training, unlike either informal or more generic training solutions.

Similarly, in his study Eikebrokk and Olsen (2009) reported a positive relationship between training, competence, and performance among SMEs involved in e-business activities. The training explains variances in e-business competencies and performance in terms of efficiency. Out of all these studies, none of them has the combination like EO, BDS, SP that current study has and specifically to determine the performance of family-owned businesses (Berry & Sweeting, 2006). Therefore, more empirical investigations into the relationship between succession issues and BDS are what the current study is investigating.

2.6 Succession Planning, Entrepreneurial Orientation, Business Development Services and Firm Performance

A business can achieve market orientation's full potential when driven by EO and BDS. (Matsuno *et al,.* 2002) argued that BDS led to improved SME business growth, access to finance, access to markets, financial management, workforce management and corporate governance which resulted in increase in their overall revenue. They found out that EO drives market orientation, which results in improved performance

of family businesses. In their study Wiklund and Shepherd (2005) explained that EO and BDS facilitate organization member's ability and willingness to recognize the need to reduce uncertainty, both BDS and EO dimension contributes to better firm performance. Ngugi and Bwisa (2013) study of factors influencing growth of group owned small and medium enterprises within Yatta district, explored the influence of technology, product quality, access to finance and markets on growth of the group. The study adopted quantitative and qualitative exploratory research design, and they sampled comprised 10% of 256 groups the data was collected through desk research, interview and by observation. The study found out that technology associated with increased growth of the firms. The study also recommended   training the groups on emerging technologies and the machines.

Mazanani and Fatoki (2011) the effectiveness of business development services providers in improving access to debt finance by start-up SMEs in South Africa. This study investigates the effectiveness of business development services by the providers in improving access to finance by start-up SMEs empirically. Data was collected through the use of self-administered questionnaire. Data analysis included descriptive statistics, correlation and regression analysis. The study found out that one of the challenges facing start-ups were non-availability of debt financing.

The results indicated that most start-up SMEs were not aware of the BDS programs and those who are using the services recorded better performance in their firms. The recommendations focused on using and improving the awareness of the program by start-up SMEs. In a study on succession planning of successor selection in South Africa, Venter *et al*. (2005) found out that the performance of family businesses

depends on successor process. Perfomance also depends on willingness of the successor to take over, successor capabilities, formal education and the reward of the successor. A case study of five family businesses study in Germany done by Leenen (2005) established that crucial factors for successful innovations in family businesses were long-term orientation. The aim was to sustain family wealth by capital investments, a positive attitude towards leverage of resources, complementing a lack of human resources, and a financially healthy firm with agreement between family members.

2.7 Summary of Literature and Knowledge Gaps

The studies reviewed in sections 2.3 to 2.6 present mixed findings on the effect of succession planning, entrepreneurial orientation, business development services on performance. The mixed results were because of different methodologies used, the definition of variables and contextual factors. These studies have not tested the causal relationships of all the variables and their joint influence on succession planning, entrepreneurial orientation, and business development services on performance. This study addressed the identified gaps by investigating the joint effect of succession planning, entrepreneurial orientation, business development services, and firm performance of family businesses in Machakos County Kenya.

A proposition emerges that the joint effects of SP, EO, and BDS have a greater response to performance than each of the individual proposition, this study, therefore, addressed this unique family businesses gaps. Table 2.1 presents a summary of previous studies and knowledge gaps.

Table 2.1 Summary of Literature and Knowledge Gaps

Study	Focus	Methodology	Findings	Knowledge gaps	Current Study Focus
Gathungu *et al*. (2014).	Critical review, EO, Networking, External Environment and FP	Study review	EO and networking and environment play a great role to improve firm performance.	Did not focus on Machakos County, and did not use personal interviews to collect data	Machakos county SMES, incorporate SP and BDS
Okeyo *et al*. (2014).	Role of EO, BDS, environment to performance of SMEs in Kenya	Cross sectional survey design Used primary data collected from a sample	EO and BDS play a great role in improving performance of SMEs	Research did not incorporate SP and did not use personal interviews to collect data	Incorporate SP and done in Machakos
Kisaka and Mwewa (2014)	Effects of micro-credit, micro-savings and training on the growth of SMEs in Machakos County in Kenya	Survey research design	Joint effect of all the variable had a positive contribution to SMEs growth, but the effect of BDS was not statistically significant	Research did not incorporate OE and only focused on groups of SMEs	Machakos County Family businesses, incorporate SP, EO, and BDS
Maalu *et al.* (2013)	Nature of business succession strategies and their influence on the performance of small and medium family businesses in Nairobi	Cross sectional survey design and case study	No strong relationship between SP & FP, and significant growth of firms after transition	Research did not incorporate OE and was not done in Machakos	Machakos county SMES, incorporate SP, EO, and BDS

Study	Focus	Methodology	Findings	Knowledge gaps	Current Study Focus
Mazanani and Fatoki, (2011).	BDS and firm performance	Survey design	BDS does not improve firm performance	EO and SP not incorporated. Not done in Kenya and did not use personal interviews to collect data	Samples from Kenya and incorporate SP
Chirico and Simon, (2010)	Effect of succession planning on performance family firms	Surveying firms, secondary data for private family firms were not readily available	Generational involvement, unless managed well, negatively affects performance	Study Based on 199 Swiss family businesses	Samples from Machakos County
Eikebrokk and Olsen (2009)	Effects of BDS on firms performance	Literature review, triangulation of qualitative and quantitative	Training improves efficiency, productivity and hence the SMEs growth	Not done in Kenya, didn't not incorporate EO, and did not use personal interviews to collect data	EO in Kenyan context
Bowen *et al.* (2009)	Challenges faced by SMEs	cross sectional survey design	Relevant training or education is positively related to business success.	Study did not incorporate EO	Incorporate both EO and BDS
Jeremy *et al.* (2009)	Differences between family and nonfamily firms on the EO	Content analysis of shareholder letters from S&P 500 firms	EO is a cornerstone of entrepreneurship in Family Businesses hence it improves their performance	Study not done in Kenya, and did not use personal interviews to collect data	Incorporate BDS as moderator, focus in Machakos county.

Study	Focus	Methodology	Findings	Knowledge gaps	Current Study Focus
Jayawarna *et al*. (2007)	Role of training on performance of manufacturing SMEs	Cross sectional survey design	Positive relationship training and SME performance	Study not done in Kenya, and did not use personal interviews to collect data	Samples from Kenya and incorporate SP

Source: Researcher (2015)

2.8 Conceptual Framework

Conceptual frame work of this study is grounded on various theoretical theories including resource based theory, family systems theory, agency theory and stewardship theory. The independent variable is succession planning, the dimensions include successor training, family harmony and reward from the business. Family system theory suggest that for a family business to perform better the three systems which is the family, the business and firm must work together, conflicts must be resolved as they arise (Brown, 2008).

Business development services where represented by training, research, and marketing. Emerging issues related to effect of business development services on performance have been developed, these are based on empirical studies (Okeyo et al., 2014). Other theoretical perspectives on entrepreneurial orientation and performance have also been developed basing them on empirical studies (Gathungu et al., 2014). Agency theory complements the family systems complex theory it increases opportunity recognition and even entrepreneurial success (Schulze *et al*., 2001). External managers may help increase knowledge in innovation projects, but they also increase the threat of opportunistic behavior, which is not present with family managers.

Entrepreneurial orientation represents innovation, proactiveness, and risk taking. Resource based theory suggest that firm must have resources to innovate and for training. Development of is key in innovation and firm should also be prepares to take financial risks by borrowing to invest more in the business (Hughes Jr & Hughes,

2004). Finally, performance is represented by sales growth, increase profits, return on asset, and return on sales, new assets, customer satisfaction, new products, and employee's turnover. In the framework succession planning is the independent variable, EO and BDS are the moderating variables that influence the relationship. Succession planning has been hypothesized to have an effect on the firm performance, and the EO and BDS also have been hypothesized to enhance the relationships between SP and firm performance. The hypothesized operational variables guide the study in answering pertinent gaps included in the literature. The emerging proposition of the knowledge gap has therefore led to the formulation of the conceptual model as an area of further study as shown in Figure 2.2.

Figure 2.2 Conceptual Model

H1

Moderating variable

	Entrepreneurial Orientation • Innovativeness • Risk taking • Proactiveness	

Succession Planning
- Successor training
- Conflict resolution plans
- Contingency plan
- Shared vision
- Documented transition
- Non-family member as an impartial advisor
- Professional communication

H2

H3

Business Development Services
- Business incubations
- Market access
- Training & Technical assistance

H4

Firm Performance

Financial
- Sales growth
- Increase profits
- Return on asset
- Return on sales
- New assets

Non financial
- Customer satisfaction
- New products
- Employees turnover

Independent Variable   **Moderating Variable**   **Dependent Variable**

Source: researcher (2015)

The conceptual model figure 2.2 proposed that succession planning influences performance of a firm. The model further proposed that entrepreneurial orientation has a moderating influence on the relationship between succession planning and firm performance. Another linkage that was suggested was the influence of the business development services on the relationship between succession planning and firm performance. Lastly, the model investigated the joint influence of succession planning, entrepreneurial orientation, business development services on firm

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performance. In the conceptual model Succession planning is the independent variable, while business development services and entrepreneurial orientation were the moderating variable. Lastly the firm performance is the depended variable of the study.

2.9 Conceptual Hypotheses

The study sought to address one broad research objective; this was to determine the influence of entrepreneurial orientation and business development services on the relationship between business succession planning and firm's performance. Further Four specific objectives were formulated to address the main objective of the research. These were to determine the influence of succession planning on the performance of family businesses; the second objective was to determine the influence of entrepreneurial orientation on the relationship between succession planning and performance of family businesses.

The third objective was to establish the influence of business development services on the relationship between succession planning and performance of family businesses. The last objective was to establish the joint effect of business development services, entrepreneurial orientation, and succession planning to the performance of family businesses in Machakos County. From these objectives, four hypotheses corresponding to each research objective were formulated and stated as follows:

H_1 There is a significant relationship between succession planning and performance of family businesses in Machakos County.

H₂ There is a moderating effect of entrepreneurial orientation on the relationship between succession planning and performance of family businesses in Machakos County.

H₃ There is a moderating effect of business development services on the relationship between succession planning and performance of family businesses in Machakos County.

H₄ There is a combined joint effect of succession planning, business development services, and entrepreneurial orientation on performance of family businesses in Machakos County.

The study hypothesized that succession planning has a positive influence on the performance of family businesses. It also hypothesized that entrepreneur orientation has a positive moderating influence on the relationship between succession planning and performance of family businesses. A further hypothesis was that business development services have a positive moderating influence on the relationship between succession planning and performance of family businesses. Finally, the study hypothesized that a positive joint effect of business development services, entrepreneurial orientation, and succession planning to the performance of family businesses is greater than the individual effect of each variable. These hypotheses were subjected to statistical testing that enabled the study to arrive at conclusions that would address the research question and research objectives.

2.10 Chapter Summary

Chapter Two mainly presented literature and theoretical review. It looked at previous studies on succession planning, entrepreneurial orientation, business development services and firm performance in family businesses setting. Various predictive models are reviewed and compared in the chapter. From these objectives four hypotheses corresponding to each are discussed. Hypothesis one stating that there is the positive influence of succession planning on the performance of family businesses, hypothesis two states that there is a positive moderating effect of entrepreneurial orientation on the relationship between succession planning and performance of family businesses.

Hypothesis three states that there is a positive moderating effect of business development services on the relationship between succession planning and performance of family businesses. Finally hypothesis four indicates a joint effect of succession planning, business development services, and entrepreneurial orientation on performance of family businesses. Chapter Three details the research methodology, research design, population and sample design, data collection methods, research procedure and data analysis.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the philosophical foundation of the study design. It also outlines the research methodology, population, sampling frame, data collection, and analysis methods to be used. It also addresses the issues of reliability and validity of the study. The chapter also presents the operationalization of the study variables.

3.2 Philosophical Foundation of the Study

Research philosophy forms the foundation of knowledge that is a set of beliefs about a specific segment of reality (May 2001). This is what leads to reality which is ontology and study of the theories of this knowledge is epistemology, which helps to understand what it means to know and how one comes to a state of knowledge about a phenomena (Mugenda & Mugenda, 2003). Positivism argues for continued use of the most logical, dominant, or relevant framework and can be used to compliment the interpretive studies. The quantitative perspective derives from a positivist epistemology holds that there is an objective reality that can be expressed numerically, with explanatory and predictive power.

It also maintains that knowledge should be based on facts of reality, thus is predicted on observations and experiments. It focuses on immediate experience, personal knowledge, and individual interpretation, the researcher is independent of that which is being researched (Saunders *et al*., 2007). The current study adopted a positivistic philosophy as it aims to offer explanations rather than descriptions. Positivistic

Philosophy uses both quantitative and qualitative approach which aims at uncovering causal laws that explain the patterns of a research phenomenon (Kothari, 2004).It also starts from hypothesis statements and was backed by facts obtained in data sourced from respondents and secondary data obtained from family businesses in Machakos County.

3.3 Research Design

The study employed a multi design approach due to the complexities involved in the study of family businesses, the designs used are cross sectional design and an in depth interviews to unearth issues that a survey would not get. This involves probing, observation and interviewing to get very detailed information. The multi-study design allowed the researcher to integrate literature, in-depth interviews, pilot study and the survey to collect data. Maalu et al, (2013) used a cross sectional survey and integrated it with a case study.   Cross sectional design which involves making observations of a sample at one point in time (O'Sullivan & Abel, 2007).

Cross sectional studies have been found to capture the population characteristics in their free and natural occurrence and are not biased (Cooper and Schindler (2002) suggested that research concerned with finding out what, when, and how much of phenomena, need to apply descriptive research design. The study research design supported the desired objectivity and allowed logistical flexibility for data collection and data analysis for hypothesis testing to come up with the objective conclusion. Aosa (1992), Awino (2011) and Munyoki (2007) used cross sectional survey design in their studies that they observed as reliable in studying the business field. To

complement the cross sectional survey, the researcher used case studies to facilitate in- depth personal. Interviews have the ability to explored hidden meanings and behaviors in family businesses which may explain better the relationships succession planning and firm performance. Due to absence of time and resources to carry out a longitudinal study, case studies have the ability to provide information required. The businesses to be studied where carefully selected to ensure balance of characteristics such as ethinicity, sectors, and success in transition. The case study was useful in the current study in increasing the conceptual validity (Torres & Momsen, 2004).

3.4 Population of the Study

The population of the study was drawn from all SMEs family businesses in Machakos County. The county has a relatively high concentration of businesses with different practices due to different cultural and ethnic background of the businesses owners. Machakos County also has the advantage of different communities living together, with different cultural differences and this allows for generalization of the study. Brockhaus (2004) recommends that studies intending to focus on succession planning in family businesses should consider demographic descriptors such as size and age of the firm.

 The researcher considered samples of licensed family businesses that have been in operation for more than five years and have five or more employees. The licensing is a sign of formality which is important in the studies of this nature. The researcher tried to get a listing of all family businesses in Machakos County, but such a list did not exist, all the businesses are lumped up together. The researcher got a trade listing

that has been used by Kisaka and Mwewa (2014) in their study of SMEs in Machakos County. It showed that there are 5311 SMEs. The list was important because it shows formality of the businesses, the physical address, contacts, business description such as small and medium, and telephone numbers of the owners which was critical in the study. All these firm characteristics helped to sort out the family businesses that qualified for the study. However, this listing includes the micro firms which were not part of the current study.

Handler (1989) pointed out that lack of clear criteria for distinguishing family enterprises from other types of business makes research sampling very difficult. The implications of such a conclusion are potentially problematic from a methodological perspective. The researcher did a pilot study to ensure the population involved met the characteristics of family businesses, which included age of the business, size of the business as confirmed by the license fee paid, number of employees and annual turnover and second generation. The screening also involved traceability and willing to participate in the study.

To arrive to the final population of the study, the researcher omitted the firms that did not meet the characteristics of the family businesses. The family business SMEs where identified as being 212, this number is by no means considered to be the total SMEs family businesses but is considered a good representation. Studies by Bowen et al., (2009) Maalu et al., (2013) and Okeyo et al., (2014) used the same method to get the population of the study.

3.5 Sampling Design

A good sample size for a population survey is determined by the estimated percentage prevalence of the population of interest, the desired confidence level, and the acceptable margin of error (Kate, 2006). The sample size was determined using the sample size for the study was calculated using the formula as proposed by Kish (1965).

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{212}{1+212(0.05^2)}$$

n = 138.56

n = 139

Where:

n = the desired sample size-

N= is the population size

e =is the level of precision. (5%)

Sekaran (2006) observed that the error of tolerance should between 95% and 99% confidence level and the margin of error of 0.05% and 0.01 respectively, the study used confidence level of 95% hence the margin of error of 0.05%. The study used a sample size of 139 family businesses. Kish (1965) suggests that a sample size of 30 to 200 is sufficient when the distribution of the approaches normality.

There are two categories of family businesses, the small and medium the licensing data. Through the amount of licensing fees each pays the SMEs were categorized into small and medium. The amount of the licensing fees paid, therefore, was used to stratify the SMEs in to small and medium, from the stratification about 80% of family businesses are small, and 20% are medium

Small scale firms: $n1 = 0.8*139$ $= 112$

Medium scale firms: $n2 = 0.2*139$ $= 27$

Total firms $= 139$

Selection from each stratum was done using a simple random sampling. Numbers were assigned to each stratum and the numbers were randomly picked.

3.6 Data Collection

Data collection was done by use of survey method were a questionnaire was used. Case studies were also used by the researcher to collect data, in depth interviews were conducted to get the information required by use of interview guide attached in appendix v. The researched collected information from four families, the Fifth one declined the last minute due to the founder unavailability.

3.6.1 Survey Data Collection

The unit of analysis was family businesses and the respondents were business owners and top managers who were non family members just in case the owner was not present or was busy. The researcher has initially proposed to collect data from two respondents, the founder and a top non family member manager, this did not work well because most of the owners were quite busy and delegated the function to their

trusted managers. The respondents were selected based on the fact that the SMEs are run by owner managers and so they play an important role in determining the performance of the family businesses, Maalu et al, (2013) used similar method of data collection. Primary data was collected using a semi-structured questionnaire as the main research instrument. The questionnaire was adopted from similar relevant studies with some modifications aimed at addressing the specific context. It was structured into personal profile of the respondents, organizational profile and information addressing research questions that were inform of a five point type Likert scale ranging from 5 - denoting a very large extent to 1 - denoting Not at all.

Chirico and Sirmon (2010) expressed methodological challenges concerning family businesses especially from only one respondent. Simons (1993) identified questionnaire as a crucial instrument for data collection, it is preferred because it can be filled by many people at the same time, hence saving time and cost. A few respondents took more than a month to return the questionnaires. To enhance the response rate researcher took the initiative to visit the firms and administer the questionnaire in person, this was in addition to what had been delivered before.

The researcher got an introduction letter from the Machakos County government and from the University of Nairobi, this two documents enhanced the response rate of the study. Administering questionnaires in person enhances the response rate and enables the researcher to get credible responses (Sharma *et al.*, 2009). A similar method of data collection was used by Namada *et al.* (2014) in their study.

3.6.2 Case Study Data Collection

To validate the data and get more indepth information, the researcher conducted personal interviews in families the selection took in to consideration of successful succession, ethnicity, business sector and types of business. Interview guide was developed to cover the same areas as the survey, only that it provides detailed information regarding the relationship between the succession planning and performance of family businesses. The focus in the personal interview was the family group members who are involved in the running of the business. The family members being interviewed requested for confidentiality of the information given, the researcher gave an assurance that the information will only be used for academic purposes.

According to Maalu et al., (2013) collecting detailed information can be tedious. To avoid fatigue the researcher had two section one in the office and the other in a restaurant which is a more relaxed informal setting. Both methods of data collection provided an opportunity for triangulation of the findings to enhance the validity of the research findings Nunnaly, (1978); Yin, (1994); Awino, (2011) used triangulation to complement the survey design.

3.7 Tests of Validity

Validity is the extent to which a test measures what it is supposed to measure. The question of validity is raised in the context of the three points namely the form of the test, the purpose of the test and the population for whom it is intended. There are three techniques for validating data namely constructing validity, content validity, and

criterion-related validity. Errors of measurement that affect validity are systematic or constant errors (Cooper & Schindler, 2006). The study sought to measure the content validity of the questionnaire that was validated by the supervisors, lecturers, and colleagues from the University. The validation was done during the departmental, open forum, and doctoral presentations. A pilot test was done to test the instrument by administering the questionnaire to six respondents to see if they could answer the questions without problems. The respondents expressed fears on giving the actual financial reports and they also said that the questionnaire was too long, and some information was too confidential. The feedback got was used to make adjustments on the questionnaire accordingly.

3.8 Reliability Test

Reliability is the degree to which a test consistently measures whatever it measures without random errors (Gay, 1987). Reliability is a measure of relevance and correctness of the instruments used. The reliability of the instrument was estimated using Cronbach's Alpha Coefficient (Cochran, 1977). The test was done to assess the internal consistency or homogeneity among the research instrument items. Measurements are reliable to the extent that they are repeatable, and that any random influence which tends to make measurements different from time to time is a source of measurement error (Gay, 1987). Table 3.1 shows the summary of the Cronbach's alpha test.

Table 3.1 Summary of Cronbach's Alpha Test Results

Variable	Measure	Cronbach's Alpha	Cronbach's Alpha standardized	NO. of items
Succession planning	Successor training Conflict resolution plans Contingency Plan Shared vision Documented transition Non-family member as an impartial advisor Professional communication	0.845	0.846	10
Entrepreneurial orientation	Innovativeness Risk taking Proactiveness	0.816	0.817	17
Business development service	Business incubations Market access Training and Technical Assistance	0.759	0.757	12
Financial Firm performance	Sales growth Increase profits Return on asset Return on sales New assets Customer satisfaction New products Employees turnover	0.709	0.712	20

Source: Field Data (2015)

The alpha coefficient ranges in value from 0 to 1 and a high coefficient implies there is consistency among items in measuring the concept of interest (Mugenda & Mugenda, 2003). Nunnally (1978) argued that a value of 0.70 is recommended. For the purpose of this study the alpha coefficient of the samples was put at 0.70. Table 3.1 shows that succession planning had a reliability coefficient of 0.845 while entrepreneurial orientation had a reliability coefficient of 0.816. Further, Business development service had a reliability coefficient of 0.759 and finally the firm

performance was observed to have a coefficient of 0.709. The reliability coefficients of all this study variables were above 0.867. The study measurement scale had a high level of internal consistency.

3.9 Sampling Adequacy

The study established the validity of study variables by applying sampling adequacy to test it. This validity test enabled the identification of the applicable items that were appropriate for further analysis. Table 3.2 below shows Kaiser-Meyer-Olkin (KMO) test of sampling adequacy and Bartlett's test of sphericity.

Table 3.2 Sampling Adequacy and Sphericity Tests

Factors	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	Bartlett's Test of Sphericity		
		Approx. Chi-Square	df	Sig.
Succession Planning	.705	12.864	4	.021
Entrepreneurial Orientation	.716	31.573	5	.000
Business Development Services	.822	14.367	3	.045
Firm Performance	.734	45.559	6	.000

Source: Field Data (2015)

Table 3.2 shows the results of sampling adequacy. The KMO measure of sampling adequacy is said to have a thresh hold of 0.7 as established by Williams *et al*. (2012). From the study findings, succession planning has a KMO coefficient of 0.705 while entrepreneurial orientation has one of 0.716; business development services 0.822 and firm performance 0.734. This results is an indication that none of the study variables

data was inadequately sampled or lacking in representation. Bartlett's test of sphericity is an assessment of the hypothesis that the correlation matrix is an identity matrix; i.e. all diagonal elements are 1 and all off-diagonal elements are 0, implying that all of the variables are uncorrelated. The output is usually explained by the significance values realized in the data model. All the variables included in the study met the required guidelines of significance of less than 0.05 and succession planning realized a chi-square of 12.864 and a p-value of 0.021 while entrepreneurial orientation had chi-square of 31.573 (sig. 0.000); business development services chi-square of 14.367 (sig. 0.045); and firm performance chi-square of 45.559 (Sig. 0.000) this implied that the population of the study was normally distributed.

3.10 Tests of Statistical Assumptions

The study tested the various statistical assumptions to ensure validity and that the study regression model meets all the assumptions. This assumption included testing of normality, homoscedasticity, Collinearity, Multi- Collinearity, and linearity

3.10.1 Normality Test

The study carried out a graphical normality test on the variables of succession planning and firm performance. For value of the Shapiro-Wilk Test to be greater than 0.05; it shows a normal distribution of the data. If it is below 0.05, the data is assumed to deviate significantly from a normal distribution. Therefore, the study confirms the earlier observations that the study variables satisfy the normality assumption. To determine normality graphically, the study used observations from a Kolmogolov–Smirnov and Shapiro Wilk Normality tests presented in Tables 3.3

Table 3.3 Succession Planning Test for Normality

AvgSP		Kolmogorov-Smirnov[d]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
avgFP	1.90	.192	9	.200[*]	.959	9	.793
	2.00	.274	4	.	.939	4	.650
	2.20	.260	2	.			
	2.50	.236	3	.	.977	3	.708
	2.70	.260	2	.			
	3.20	.385	3	.	.750	3	.090
AvgEO							
avgFP	4.06	.343	3	.	.842	3	.220
	4.18	.211	3	.	.991	3	.217
	4.24	.260	2	.			
	4.29	.260	2	.			
	4.41	.260	2	.			
	4.47	.260	2	.			
	4.59	.260	2	.			
AvgBDS							
avgFP	1.33	.260	2	.			
	1.42	.260	2	.			
	1.50	.260	2	.			
	1.58	.260	2	.			
	1.67	.361	3	.	.807	3	.132
	1.75	.175	3	.	1.000	3	1.000
	1.83	.351	7	.009	.831	7	.081
	2.00	.260	2	.			
	2.17	.260	2	.			
	2.42	.252	3	.	.965	3	.640
a. Lilliefors Significance Correction							
b. avgFP is constant when AvgBDS = 1.92. It has been omitted.							
c. avgFP is constant when AvgBDS = 3.42. It has been omitted.							
d. Lilliefors Significance Correction							
i. Lilliefors Significance Correction							

Source: Field Data (2015)

As presented in Tables 3.3, the study found that the z – values in both of the two tests indicate p-values that were greater than 0.05 (p >0.05), an indication that there is normality in the data used in the study.

3.10.2 Homoscedasticity Test

Another regression assumption is the homogeneity of variance which was examined through a scatter plot of the residuals against the predicted values. The aim was to evaluate whether the homogeneity of variance assumption holds. The test of this assumption was as presented in Figure 3.1.

Figure 3.1 Homoscedasticity Test Scatter Plot
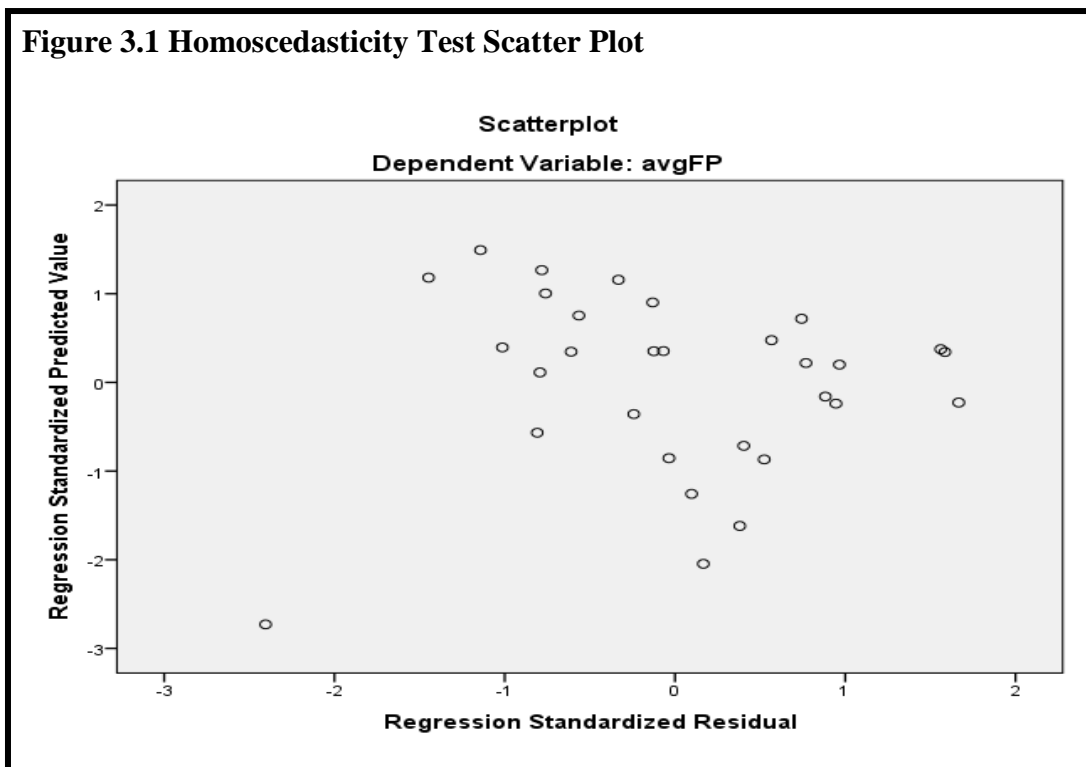
Source: Field Data (2015)

Figure 3.1 shows the generated scatter plot with standardized predicted values on the horizontal axis and standardized residuals on the vertical axis for the succession planning, entrepreneurial orientation, business development services and firm performance variables. It is expected that if homogeneity of variance assumption is met, there should be no pattern to the residuals plotted against the predicted values. In the scatter plot, it was observed that there was no pattern in the scatter plot, which

suggests a lack of heteroscedasticity, (i.e. the homogeneity of variance assumption is upheld in the model). Therefore, the model satisfies the homoscedasticity assumption.

3.10.3 Collinearity Testing

The study also looked at the collinearity assumption in linear regression assessed on the study variables, and the following outcomes were presented in Table 3.4

Table 3.4 Collinearity Test Coefficients

Model			AvgEO	avgSP	AvgBDS	avgFP
1	**Correlations**	**avgEO**	1.000	.196	.237	.601
		avgSP	.196	1.000	.311	.200
		avgBDS	.311	.311	1.000	172
	Covariance's	**avgEO**	.018	-.002	-.003	-
		avgSP	-.002	.009	-.003	-
		avgBDS	-.003	-.003	.017	-
a. Dependent Variable: avgFP						

Source: Field Data (2015)

Table 3.4 shows that the independent variables coefficients entrepreneurial orientation, succession planning and business development services have low correlation coefficients of 0.196, 0.311, and 0.237, 0.200, 0.601 and 0.172. An indication that there is a correlation between the variables but too low to be an indicator of the presence of collinearity (for variables to indicate collinearity, the correlation ought to be at 0.80 level and above). A similar correlation of the variables' covariance showed low negative coefficients of -0.002, -0.003, and -0.009, an indication of low covariance that discourages any notion of the presence of collinearity. Table 3.5 indicates the further collinearity diagnostics.

Table 3.5 Collinearity Diagnostics Test

Model	Dimension	Eigen value	Condition Index	Variance Proportions			
				(Constant)	avgSP	AvgBDS	AvgEO
1	1	3.929	1.000	.00	.00	.00	.00
	2	.037	10.275	.01	.97	.18	.01
	3	.029	11.545	.06	.03	.82	.05
	4	.004	29.852	.93	.00	.00	.94
a. Dependent Variable: avgFP							

Source: Field Data (2015)

Table 3.5 shows that none of the independent variables had any cases of collinearity as they all had different variances, and their eigen values indicated lack of collinearity. The analysis of the Eigen values and the variance proportions indicates that the study model has no collinearity, hence satisfies the non-collinearity assumption. This assumption was further checked through multicollinearity analysis presented in Table 3.6

Table 3.6 Multi-Collinearity Diagnostics Test

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.479	.543		2.723	.011		
	avgEO	.525	.134	.622	3.922	.001	.908	1.102
	avgSP	.076	.095	.128	.793	.435	.879	1.137
	avgBDS	-.101	.130	-.126	-.779	.443	.869	1.150
a. Dependent Variable: avgFP								

Source: Field Data (2015)

Table 3.6 shows that succession planning, entrepreneurial orientation, and business development services variables recorded a tolerance of 0.879, 0.908, 0.869 respectively and VIFs of 1.137, 1.102, and 1.150 respectively. A tolerance of less than 0.20 or 0.10 and a VIF of 5 or 10 and above indicates a multicollinearity problem. The observed tolerance is higher than 0.20/0.10 (SP=0.879; OE=0.908; BDS=0.869) and the VIF is less than 5 or 10 (SP=1.137; OE=1.102; BDS=1.150), an indication that the multicollinearity problem is deficient in this the regression model.

3.10.4 Linearity Test

The study carried out the linearity test to find out whether the model fits the linearity assumption in linear regression. This test was achieved by carrying out normal P-P plot presented in Figure 3.2

Figure 3. 2 Succession Planning and Firm Performance P-P plot

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: avgFP
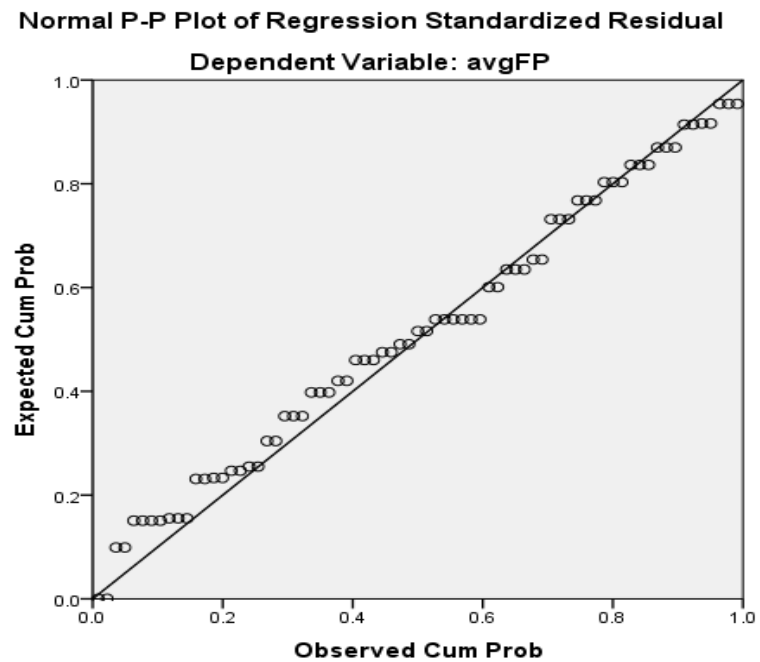
Source: Field Data (2015)

Figure 3.2 shows that the data was linear and normally distributed. The data points were close to the diagonal line, a clear indication of normality and all symmetrically clustered around the horizontal line. This test is an indication that the study data is devoid of systematic errors and achieves the linearity assumption.

3.11 Operationalization of Variables

This section describes the operationalization of the research variables as depicted in the conceptual model. Operationalization is the process of creating a definition for a concept that can be observed and measured, which enables a researcher to measure

variables quantitatively. It defines a concept so as to make the theoretical concept clearly distinguishable or measurable and to understand it in terms of empirical observations (Zikmund, 2003). In his study, Munyoki (2007) pointed out that any variable can take any form, either independent or dependent variable that all depends on the research objectives. Table 3.7 shows how the study variables are operationalized.

Table 3.7 Operationalization of Variables

Variable	Operational Indicator	Rating Measurement	Measurement analysis	Hypothesis	Questionnaire item
Succession planning (Independent)	Successor training and capability Family harmony Reward Conflict resolution Contingency Plan Shared vision Documented transition	5 point Likert scale	Descriptive, Pearson correlation, Linear Regression	H_1: There is a significant influence of succession planning on performance of family businesses	Section B Q16(a-j)
Entrepreneurial orientation (Moderating)	Innovativeness Risk taking Proactiveness	5 point- Likert scale	Descriptive, Pearson correlation, Multi Linear Regression	H_2: There is a significant moderating effect of EO on the relationship between succession planning and performance of family businesses	Section C Q17(a-k)
Business development services (Moderating)	Business incubations Market access Training and Technical Assistance	5 point-Likert scale	Descriptive, Pearson correlation, multiple Linear Regression	H_3: There is a significant moderating effect of business development services on the relationship between SP and performance of FB	Section D Q18(a-l)

Variable	Operational Indicator	Rating Measurement	Measurement analysis	Hypothesis	Questionnaire item
Firm Performance (Dependent)	Non Financial Sales growth Increase profits Return on asset Return on sales New assets Employees turnover Financial Sales growth New assets Increase profits Return on sale	5 point-Likert scale	Descriptive, Pearson correlation, multiple Linear Regression	H_4: There is a combined joint effect of succession planning, business development services and entrepreneurial orientation on performance	Q19(q-t)

Source: Researcher (2015)

Table 3.7 shows the four variables in the study namely succession planning as independent variable, entrepreneurial orientation and business development services for moderating variables and firm performance being the dependent variable. Brown *et al*. (2001) suggests that a study must be operationalized to test the relationships. One of the operationalization methods is by use of Likert scale where the respondents are asked to indicate the extent of agreement with the statement. In the current study the levels of agreement are 5, Where 1= Not at all 2= little extent 3= some extent 4= large extent 5= very large extent. The idea was to assign each response a scale value indicating the extent; the score is then summed up.

3.12 Data Analysis

After the data coding, data entry and a prelude to data analysis, data was explored to isolate, identify and rectify any inconsistency. The data from the survey was screened to check for editorial errors and analyzed to derive the information relating to the variables. All questionnaires were allocated serial numbers and any anomalies detected were corrected at this stage. Data was collected from two sources, the researcher got mean responses computed to come up with mean response of each firm, therefore the firms specific response profile was 73. The data was coded to arrive to required fomat, each question was then coded for identification purposes. The data was then entred in to SPSS version 20 from which the hypothesis of the study were tested. Data analysis was conducted to follow Sekaran (2006) stages using descriptive statistics, simple linear regression and multiple linear regressions; the normality of the distribution was checked using Skewness and Kurtosis.

The characteristic of the firms and the respondents were summarized by use of descriptive statistics that include frequency distribution, mean, median and standard deviation. Descriptive statistics was used to obtain a general understanding of the respondents' characteristics such as age, tenure of service, gender, and education. Descriptive statistics provides the basic features of the data collected on the variables and the impetus for conducting further data analyzes (Mugenda & Mugenda, 2003). The analysis used was multivariate where measures of dispersion especially variance, standard deviation, and range was used to explore the underlying features of the data on SMEs in Machakos County, Kenya.

Data analysis included a search for trends, patterns, and relationships in the data (Saunders *et al*., 2007). These are relevant in answering the research questions and testing the hypotheses. On the other hand, inferential statistics including correlation and regression analysis were used to draw inferences from a sample of the population. Factor analysis was done to establish the relationships among the study variables. Factor analysis procedure was used to measure the influence of EO and BDS on the relationship between SP and firm performance. Factor analysis was done to reduce the study variables to a smaller number that could be easily interpreted. Statistical Package for Social Sciences (SPSS) version 20 was used to analyze the data. Simple linear regression analysis was used to test the relationship of models H_1, while H_2, H_3, H_4 were tested using multiple regression analysis as used by Okeyo et al, (2014), because the predictors were more than one.

This technique allows for the determination of the overall fit of the model and the relative contribution of each predictor variable. The output generated from this the SPSS include parameters such as coefficient of determination (R) , Coefficient of variation (R^2) to test the nature of relationship, levels of significance (p-value) to test significant link, t-statistics, beta coefficients (β), Correlation to test if relationship between the variables exist. The hypothesis were accepted if $P<0.05$ and rejected if $0.05< P$. The relationship in the hypothesis was determined using the regression method as follows:

H$_1$: There is a significant influence of succession planning on the performance of family businesses.

$$\textbf{H}_1 \text{ was modeled as: } FP_1 = \alpha + \beta_1 SP_1 + \varepsilon$$

H$_2$: There is a significant moderating effect of entrepreneurial orientation on the relationship between succession planning and performance of family businesses.

$$\textbf{H}_2 \text{ was modeled as: } FP_2 = \alpha + \beta_2 SP_2 + \beta_3 EO_1 + \varepsilon$$

H$_3$: There is a significant moderating effect of business development services on the relationship between succession planning and performance of family businesses.

$$\textbf{H}_3 \text{ was modeled as: } FP_3 = \alpha + \beta_4 SP_3 + \beta_5 BDS_1 + \varepsilon$$

H$_4$: There is a significant joint effect of succession planning, business development services and entrepreneurial orientation on the performance of family businesses.

$$\textbf{H}_4 \text{ was modeled as: } FP_4 = \alpha + \beta_6 SP_4 + \beta_7 EO_2 + \beta_8 BDS_2 + \varepsilon$$

Where; Y = Firms performance (FP),

α= Constant (Intercept),

β_1 to β_8 =Regression coefficients of the explanatory variable SP, EO, BDS respectively

ε = Error term or disturbance,

SP = Succession planning

EO = Entrepreneurial orientation

BDS= Business Development Services

The level of confidence was considered to be 95%. The F-Tests was used to ascertain the significance of the regression coefficients in each of the analytical models were applied (Masinde, 1994). Pearson's correlation coefficient (r) was used to determine nature and the strength of the relationship between the variables, with r ranging from -1 to +1. They were used to determine the goodness of fit by indicating if the proportions of the family business performance explained by the predictor variables were greater than, equal to or less than the population of each predictor variable. A summary of research objectives, hypotheses, analytical models and statistical tests is presented in Table 3.8

Table 3.8 Summary of Research Objectives, Hypotheses, Analytical Models and Statistical Tests

Objective	Hypothesis	Analysis Model	Interpretation of results
Objective 1 Determine the effect of succession planning and on performance of family owned businesses	**H_1:** SP has influence on performance of family owned businesses	Simple linear Regression analysis. $FP_1 = \alpha + \beta_1 SP_1 + \varepsilon$ FP_1 = Firms performance α = intercept β_1 = Coefficient of succession planning, SP_1 = succession planning, ε = Error term	If P ≤0.05, then significant relationship. If R>0 then the relationship is significant
Objective 2 To determine the effect of entrepreneurial orientation on the relationship between succession planning and performance of family businesses	**H_2:** EO has an influence on the relationship between SP and performance of family owned businesses	Multiple Regression Analysis $FP_2 = \alpha + \beta_2 SP_2 + \beta_3 EO_1 + \varepsilon$ FP_2 = Firms performance α = intercept/constant SP_1 = succession planning EO_1 = Entrepreneurial orientation $\beta_{1\&}\beta_2$ = Coefficient of EO and SP, ε = Error term	If SP*EO has a P ≤0.05, then significant moderating relationship. If β_5>0 signifies positive moderating effect
Objective 3 To establish the effect of business development services on the relationship between succession planning and performance of family businesses	**H_3:** BDS has an effect on the relationship between SP and performance of family owned businesses	Multiple Regression Analysis $FP_3 = \alpha + \beta_4 SP_3 + \beta_5 BDS_1 + \varepsilon$ FP = Firms performance α = intercept SP = succession planning BDS = Business development Services $\beta_{4\&}\beta_5$ = Coefficient of SP and BDS, ε = Error term	If SP*BDS has a P ≤0.05, then significant moderating effect If β_9>0 signifies positive moderating effect
Objective 4 Examine the joint effect of succession planning, entrepreneurial orientation and business development Services on	**H_4:** There a greater joint effect of SP, BDS, EO on performance of family-owned businesses than individual	Multiple Regression Analysis $FP_4 = \alpha + \beta_6 SP_4 + \beta_7 EO_2 + \beta_8 BDS_2 + \varepsilon$ FP_4 = Firms performance α = intercept SP_4 = is the composite index succession planning EO_2 = is the composite index of entrepreneurial	If adjusted R^2 is > than individual R^2 values for SP, EO, BDS, then the joint influence is greater than individual influence. If overall p-value ≤

Objective	Hypothesis	Analysis Model	Interpretation of results
performance of family owned businesses	effect of EO and BDS	orientation BDS_2 = is the composite index business development Services B_6 and β_8- are the regression coefficients ε -is the error term	0.05, then the relationship is Significant.

Source: Researcher (2015)

Table 3.8 shows a summary of research objectives, hypotheses, analytical models, and statistical tests. A better fit of the regression model line has r^2 closer to 1. Rummel, (2002) suggested that correlation coefficients ranging from 0.00 to 0.01 represent no correlation, those ranging from 0.02-0.029 represent weak correlation, 0.30-0.69 represent moderate correlation, 0.70-0.89 represent strong correlation while 0.90-0.93 represent very strong correlations.

The information collected from case study was qualitative by nature and so it was not computable by arithmentically. It was measured by way of thematic conceptual content analysis, where the researcher used the variables of the study to guide the analysis. The key guiding factor was succession planning, businesses development, entrepreneurial orientation, and performance. A similar study was done by Masinde, (1994) in his study. Table 3.9 shows the comparisons carried out.

Table 3.9 Data Triangulation

Objective	Statistical Analysis	Case Analysis
Objective 1: **Objective 1** Determine the effect of succession planning and on performance of family owned Businesses.	Linear Regression and correlation analysis	Trace performance in relation to succession planning.
Objective 2: To determine the moderating effect of entrepreneurial orientation on the relationship between succession planning and performance of FB	Multiple Regression and correlation analysis	Trace the influence of EO moderating valuables to firm performance
Objective 3 To establish the effect of business development services on the relationship between succession planning and performance of FB	Multiple Regression and correlation analysis	Examination of the influence of BDS moderating valuables to firm performance
Objective 4 Examine the joint effect of succession planning, entrepreneurial orientation and business development Services on performance of FB	Multiple Regression and correlation analysis	Trace performance in relations to the joint effect of SP, EO and BDS

Source: Researcher (2015)

Table 3.9 shows the both case study and statistical analysis. A confirmatory factor analysis was carried out to test whether measures of a construct are consistent with a researcher's understanding of the nature of that construct. The researcher also used explanatory factor analysis to confirm further the relationship between the variables. The researcher validated the findings by analyzing responses from the study interviews

3.13 Chapter Summary

Chapter Three focused on the methodology used in conducting the study. It also describes the research philosophy, research design, the population of the study, data collection instruments, data collection method, reliability, and validity of the data instruments.

The chapter further presented operationalization of study variables and analytical techniques and models. The analytical techniques used included are descriptive statistics, regression analyzes, correlation analyzes, and hypotheses testing. Chapter Four presents tests of multiple regression assumptions, findings of descriptive data analysis and interpretation of results. The chapter also deals with case study data analysis and findings.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

Chapter four represents data analysis and findings. The study was done to investigate the influence of entrepreneurial orientation and business development services on the relationship between succession planning and performance of family businesses. The survey data was analyzed using the statistical program for social sciences (SPSS) version 20. The study used both descriptive and inferential statistics for data analysis and hypothesis testing. Descriptive statistics include means, frequency tables, and standard deviations.

The test for the data was done to ensure it meets the basic assumption of statistical analysis that includes reliability, the goodness of fit, normality, homogeneity, and multicollinearity. The hypotheses of the study were tested using simple and multiple regressions. Correlations were also conducted to show relationships between variables. The case study data was analyzed by way of thematic conceptual content since it was not possible to analyze arithmetically.

4.2 Study Response Rate

The study targeted a sample size of 139 firms; questionnaires were filled by the respondents from each firm. Figure 4.1 shows the final outcomes of the response rate realized in the study.

Table 4.1 Study Response Rate

Response Groups	Frequency	Response Rate
Responded	73	53%
Discarded Incomplete Responses	20	14%
Failed to Respond	46	33%
Total	139	100%

Source: Field Data (2015)

Table 4.1 presents the study realized an overall response rate of 53% (73) with 14% (20) of the respondents failing to respond to the questionnaires; 33% (46) returned questionnaires that were deemed incomplete and so were discarded. Lam *et al*. (2004) obtained 9% response rate from a total of 2986 questionnaires; this response rate was considered satisfactory given the nature of the questionnaire and email method of administration. The non-response rate for not participating in the survey was as a result of 74 the firms were no longer in existence, which is common in small business research.

In a study by Brockhaus (2004) got a low response of 14% The study found out that small businesses may not perceive the time spent completing the survey as a value-added activity compared to other tasks and that family-owned businesses are typically reluctant to participate in cross-sectional study. The failed to respond of 33% in the current study was as a result of closure of 26 businesses and the remaining 20 opted not to participate in the study due to the perception on time wastage and secrecy in family businesses. Mugenda and Mugenda (2003) observed that a 50% response rate

is adequate for a study, 60% is good for a study, and 70% is excellent for the study analysis. The response rate (53%) of current study was considered adequate.

4.3 General Characteristics

This section shows the general findings of the information acquired from descriptive statistics, mainly means and standard deviation. The general information shows the observed key characteristics of both firms and the respondents involved in the study. It covers both company profile and respondent characteristics.

4.3.1 Company Profile

The firm characteristics were categorized in terms of age, the number of employees, form of business, ownership, and sector. The findings were indicated in Table 4.2.

Table 4.2 Firm Characteristics

Establishment Period	Frequency	Percent %
1970-1980	19	26%
1981-1990	36	49.3%
1991-2000	10	13.7%
2001-2010	8	11%
Total	**73**	**100.0%**
Number of Employees employed in the business		
0-30	60	82.2%
31-60	7	9.6%
61-90	2	2.7%
above 120	4	5.5%
Total	**73**	**100%**
Form of Business		
Sole proprietor	9	12.3%
Partnership	2	2.7%
Corporation	62	84.9%
Total	**73**	**100%**
Sectors of the Business		
Service	33	45.2%
Commerce	40	54.8%
Total	**73**	**100%**
Proportion of Business owned by Founder Family		
Greater than 50%	73	100%
Total	**73**	**100%**

Source: Field Data (2015)

Table 4.2 shows that most (49.3%) of the firms were established between 1981- 1990, 26.0% of the family businesses were established between 1970-1980, 13.7% between 1991-2000, while 11.0% were established between 2001-2010. The finding shows that the businesses have been there for long, this gave sufficient information on succession.

The family businesses mostly employed 0-30 employees whereby 82.2% of the firms had this number of employees. A further 9.6% of the businesses have 31-60 employees while 2.7% have 61-90 employees while 5.5% had above 120 employees. Handler (1994) found out that most family businesses are SMEs and are significant in employment creation. As presented in Table 4.2, the study found that most of the businesses (84.9%) are limited companies while only 2.7% of the institutions are partnerships, and 12.3% are sole proprietorships.

 The findings were supported by   personal interview that most of the businesses started as sole proprietorships, but as they grow they change to limited companies. Most of the businesses (55%) were in trade mainly providing goods while, only 45% of the institutions were in the service industry. On business ownerships, all the firms involved in the study had a greater than 50% ownership, an indication that the families have control of their businesses (Handler & Kram, 1988).

4.3.2 Respondents Characteristics

This section discusses the characteristics of the sample acquired from the target population. The demographic information indicates the key characteristics of the respondents involved in the study such gender of founders and successors, the highest level of education and age of children for founder and successor. The findings were indicated in Table 4.3

Table 4.3 Demographics Characteristics

Respondents characteristics	Frequency	Percent
Founder Gender		
Male	73	100.0%
Total	**73**	**100%**
Founder position in the Business		
CEO/MD	6	8.2%
Board Members (BOD)	43	58.9%
Advisor	16	21.9%
Other	8	11.0%
Total	**73**	**100.0%**
The founder's level of education		
Diploma	35	47.9%
Certificate	38	52.1%
Total	**73**	**100.0%**
Founder age (years)		
31-60	7	9.6%
Over 60	66	90.4%
Total	**73**	**100.0%**
Age of founders children (Years)		
21-40	43	58.9%
41-60	30	41.1%
Total	**73**	**100.0%**
Current Successor Gender		
Male	68	93.2%
Female	5	6.8%
Total	**73**	**100.0%**
Position of Current Successor		
CEO/MD	30	41.1%
Board Members (BOD)	38	52.1%
Advisor	5	6.8%
Total	**73**	**100.0%**
Successor Level of Education		
Graduate	53	72.6%
Diploma	15	24.7%
Certificate	2	2.7%
Total	**73**	**100.0%**
Successor Age		
Under 30	5	6.8%
31-60	68	93.2%
Total	**73**	**100%**
Successor Experience in years		
0-5	31	42.5%
6-10	42	57.5%
Total	**73**	**100%**

Source: Field Data (2015)

Table 4.3 indicates that all the founders in the study were male. The findings were as a result of the businesses being registered under the man's name. The study also found that most of the business founders are Board Members (BOD) within their firms this is at 58.9%, while 21% of these act as advisors, 8.2% acts CEO/MD and 11.0% of them are in other positions. The findings implies that the businesses are being managed by the second generation. The study further looked at the founder's level of education; most of the founders (52%) had certificate level of education while 35% had diploma level of education. The findings indicates that the business founders have an average level of education since some of these businesses were set up in by the earlier years when education level of a diploma or certificate was considered very high.

These levels of education indicate that the business founders were trained and skilled in their undertakings in case they chose to be involved in managing their businesses. Most of the founders (90.4%) were above 60 years of age, only 9.6% of the founders whose businesses were involved in the study were aged between 31-60 years, while none of the founders were less than 30 years. The findings indicates that the founders have enough accumulated wealth of skills and experience to manage the businesses. The majority the children of the firm founders were between the age of 21- 40 years (58.9%) with afew of them lying in the age gap of 41-60 years (41.1%).

The children are old enough be able to manage the businesses. The personal interviews results shows that the founders feel competent to leave the businesses to mature sons or daughters, at least the one who are married. On gender, 93.2% of the successors were male while only 6.8% of these were female, an indication of the high

levels of female segregation within the family business. From the personal interview, it emerged that only one founder passed the family businesses to his unmarried daughter. The founders said that their daughters, when married, are expected to inherit what the families of husbands own. The study observed that most of the business successors occupy the board members positions (52.1%) and a significantly large number are either managing directors or chief executive officers (41.1%), only a small percentage of the successors had taken up the role of advisors (6.8%) within their institutions. The interviews findings showed that most of the successors are either employed elsewhere or run their own preferred business. Others have no interest in the business at all; they are just forced into its operation while their interest is elsewhere.

One case is where the successor said that his father forced him to be in the family hotel businesses, with his passion being in information technology, he said that he does not like the hotel business. The study found out that most of the successors have a first degree (72.6%) as the highest level of education, followed by diploma level (24.7%), and certificate (2.7%). The level of education of the successors indicates that they have the ability to carry out management undertaking within the family businesses. The successors with diploma did subjects that were related to the business. Another successor said that, although he had not done well academically to qualify to do law in the local public universities, his father took him to India to study. The aim was to have the skills to take over the management of family law firm. After schooling the successor was employed in the family business to date.

The successors less than 30 years were only 6.8% and the rest who were between 31-60yrs were the majority (93.2%). This results indicates that the successors where of age to manage the business. The study found out that the successors have been able to accumulate experience from the family business undertaking of 0 to 10 years. It was observed that 42.5% of the successors had 0-5 years of experience while further 57.5% successors have an experience of 6-10 years. This level of experience is highly significant to the study in that the successors can leverage on their hands on experience and also on education capabilities to successfully manage the firm.

4.4 Descriptive Analysis of the Study

The data collected was analyzed by use of descriptive statistics where mean values, standard deviation, skewness, and kurtosis were assessed. The analysis included assessment of succession planning, entrepreneurial orientation, business development services and firm performance. Descriptive measures include mean, standard deviation, standard error estimate, skewness, and kurtosis. The mean is a measure of central tendency that is used to describe a most set of values. The outcomes of the analysis are presented in this section. Reliability of the study variable measures was indicated by Standard error of mean which is SE= (Standard deviation) (of the population)/square root (n). Standard Deviation (SD) shows how far the distribution is from the mean.

A small standard error (SE) implies the sample mean has a good chance of being close to the population mean and a good estimator of the population mean. A large standard error is a poor estimator of population means (Sekaran, 2006). Coefficient of variation (CV) is a ratio of the standard deviation to the mean, which was used as a

normalized measure of dispersion. Lastly, Skewness was used as a measure of symmetry, or more precisely, the lack of symmetry. Kurtosis was also used to measure if data was peaked or flat relative to a normal distribution.

4.4.1 Succession Planning

The study considered various indicators of succession planning among respondents in family businesses. Respondents commented on their extent of agreement with succession planning qualities, and issues presented to them on a Likert scale where: (5) presents very large extent; (4) large extent; (3) some extent; (2) little extent; (1) Not at all. Table 4.4 shows the outcomes of that inquest. Table 4.4 shows the succession planning activities

Table 4.4 Succession Planning Activities

Succession Planning	N	Mean Statistic	Std. Error	Std. Deviation Statistic	Coefficient of Variation Statistic	Skewness Statistic	Kurtosis Statistic
Conflict are fully resolved as they occur	73	2.424	0.084	0.724	0.299	0.945	3.173
The business owner has shared vision with top employees	73	2.301	0.066	0.569	0.248	0.840	2.819
Work goes on even without the founder	73	2.673	0.149	1.276	0.473	0.879	-2.483
The founder has shared his retirement goals	73	2.315	.099	0.847	0.366	1.308	2.929
On job successor training is done regularly	73	2.054	0.110	0.941	0.458	1.300	-3.070
There is a documented succession plan	73	1.684	0.067	0.574	0.341	0.731	-2.588
The firm has mentoring programmes	73	2.164	0.075	0.645	0.273	0.470	2.773
We have a clear plan for the person to take over the business	73	2.191	0.066	0.569	0.260	1.065	3.111
I am aware of the next successor of business	73	2.356	0.105	0.903	0.383	1.317	3.254
The firm has a team of advisors who are non-family members	73	2.342	0.103	0.885	0.378	1.483	2.707

Succession Planning	N	Mean		Std. Deviation	Coefficient of Variation	Skewness	Kurtosis
		Statistic	Std. Error	Statistic	Statistic	Statistic	Statistic
Average Scores	73	2.253	0.092	0.793	0.350	1.118	1.267

Source: Field Data (2015)

Table 4.4 shows that the respondents agreed that to some extent, work goes on even without the founder (mean 2.673: SE 0.149). It was further observed that to a little extent: conflicts are fully resolved as they occur (mean 2.425; SE 0.084); business owner has shared vision with top employees (mean 2.301; SE 0.066). The founder has shared his retirement goals (mean 2.315; SE 0.099); on job successor training is done regularly (mean 2.055; SE 0.110). There is a documented succession plan (mean 1.685: SE 0.067); the firm has a team of advisors who are non-family members (mean 2.343; SE 0.103); there is a clear plan on the person to take over the business (mean 2.192; SE 0.066).

The workers are aware of the next successor of the business (mean 2.356; SE 0.105); the firms have mentoring programmes (mean 2.164: SE 0.075); and, conflicts are fully resolved as they occur (mean 2.425; SE 0.084). The findings indicates a very low application of succession planning undertakings with very low average mean of 2.253 meaning that the firms applied the succession planning activities to a little extent. Most of the institutions involved in the study undertook succession planning strategies only to a little extent. The assessment of the factors related to succession planning in the study was observed to garner coefficients of variation ranging from

0.248 to 0.473 (average 0.350), indicating that there are low variations in the succession planning undertakings.

Davis (1968) takes the entrepreneur as an important person who not only has an ability to take risks and innovate but sees that the newly formed organization is operating successfully after succession. The study observed skewness values to range near the 1.0 or -1.0 (Average 1.18). Similarly, it was also observed that the study Kurtosis ranged around the -3.0 or 3.0 levels. The results indicates that the variable's data is symmetrical and is normal being flat topped around its mean. Therefore, the study data can be said to be highly reliable and able to determine succession planning undertaking in the institutions.

4.4.2 Entrepreneurial Orientation

The study also considered various entrepreneurial orientation indicators observed among respondents in the family businesses involved in the study. Various indicators of the existence of entrepreneurial orientation activities in the firms were applied. Respondents commented on their extent of agreement with entrepreneurial orientation undertakings indicators and issues presented to them on a Likert scale where: (5) presents very large extent; (4) large extent; (3) some extent; (2) little extent; (1) Not at all. Table 4.5 shows the outcomes of that inquest. Table 4.5 showed the entrepreneurial orientation activities.

Table 4.5 Entrepreneurial Orientation Undertakings

Entrepreneurial Orientation	N	Mean		Std. Deviation	Coefficient of Variation	Skewness	Kurtosis
		Statistic	Std. Error	Statistic	Statistic	Statistic	Statistic
We continually develop New products	73	3.863	.076	.652	.169	-1.475	1.831
We always explore new market	73	3.958	.086	.734	.186	-.799	2.166
We always do research on products	73	4.164	.099	.850	.204	-.883	3.296
We explore market outside our region	73	4.232	.076	.656	.155	-1.283	-2.700
We use information technologies to manage our business	73	4.197	.079	.668	.159	-1.248	-2.744
We actively observe and adopt the best practices in the firm	73	4.342	.076	.650	.150	-1.478	-2.664
We have plans to venture into new business	73	4.082	.088	.759	.186	-1.205	3.024
We have always borrowed money from the bank	73	4.109	.113	.965	.235	-1.177	2.450
We sell our products on credit	73	3.736	.107	.920	.231	-1.071	2.620
We have employed non family members	73	4.274	.068	.583	.137	-1.119	-2.479

| Entrepreneurial Orientation | N | Mean | | Std. Deviation | Coefficient of Variation | Skewness | Kurtosis |
		Statistic	Std. Error	Statistic	Statistic	Statistic	Statistic
We have plans to venture in to new market	73	4.287	.096	.824	.192	-1.208	3.225
We have follow-up mechanism on after sales	73	4.082	.104	.893	.219	-1.125	3.033
We train customers on our products usage	73	4.041	.114	.978	.242	-1.091	2.161
We always exceed our customer expectation	73	4.342	.078	.671	.155	-0.532	-2.705
We have plans to counter competition	73	4.205	.061	.525	.125	1.205	3.048
We have strategies in place to address products quality issues	73	4.287	.060	.513	.120	1.307	-1.571
We continuously search for new opportunities	73	4.438	.070	.600	.135	-.547	-2.586
Average Scores	73	4.170	0.085	0.732	0.176	-0.842	2.553

Source: Field Data (2015)

Table 4.5 shows that, to a large extent family firms continuously develop new products (mean 3.86; S.E .076); they always explore new market (mean 3.96; S.E .086). The firms always do research on products (mean 4.16; S.E .099); they explore market outside the region (mean 4.23; S.E .077); and use information technologies to manage their business (mean 4.19; S.E .079). and they adopt to the best practices

(mean 4.34; S.E .076). Family firms have plans to venture into new business (mean 4.08; S.E .089), they always borrowed money from the bank (mean 4.11; S.E .113); and sell products on credit (mean 3.99; S.E .108). The firms have employed non-family members (mean 4.27; S.E .068); they have plans to venture into new markets (mean 4.29; S.E .096) and have follow-up mechanism on after sales (mean 4.08; S.E .114);

The results indicate that family firms train customers on their products usage (mean 4.04; S.E .078); and continuously search for new opportunities (mean 4.44; S.E .061). In addition the firms have plans to counter competition (mean 4.21; S.E .061); they also have strategies in place to address products quality issues (mean 4.28; S.E .060). The study found out that the firms always exceed customer expectation (mean 4.34; S.E .070) and that entrepreneurship strategies are applied to the businesses. The entrepreneurship strategies are to a lager extent practiced in the firm with a very high mean of 4.170.

Lumpkin and Dess, (2001) argued that entrepreneurship is an essential feature of high-performing firms, entrepreneurial skill if well utilized improve the performance of a firm. The study observed a low average standard error of 0.085 with the error ranging from 0.060 to 0.114. The low variability in the elements of the study variable indicates that the sample mean has a good chance of being close to the population mean and a good estimator of the population mean. There study also had low standard deviation among these variable ranging from 0.978 to 0.513 and an average of 0.732. The study found out that the coefficient of variation of the study to range from 0.120 to 0.242 and an average of 0.176, an indication of low dispersion of entrepreneurial

orientation variable. The skewness of the variables ranged either around 1.0 or -1.0, an indication that the data is symmetrical or nearly symmetrical and hence considered to be normal. Similar views were elicited in the Kurtosis analysis where the data was near the 3.0 or -3.0 values indicating that the sub-constructs of entrepreneurial orientation are flat topped near the mean (average 2.55).

4.4.3 Business Development Services

The study looked at the indicators of business development services that the respondents commented on their extent of agreement as presented to them on a Likert scale where: (5) very large extent; (4) large extent; (3) some extent; (2) little extent; (1) Not at all. The outcomes are as shown in Table 4.6.

Table 4.6 Business Development Services

Business Development Services	N	Mean Statistics	Std. Error	Std. Deviation Statistics	Coefficient of Variation Statistics	Skewness Statistics	Kurtosis Statistics
We normally get mentoring services that are provided volunteer mentors	73	1.520	.065	.555	.365	1.317	-2.895
We normally get business incubation services	73	1.643	.065	.561	.342	1.128	-2.739
We get volunteers to advise on improvement on our product and design	73	1.726	.052	.449	.260	-1.035	-2.956
We normally have external services to organize for trade shows and exhibition	73	1.945	.087	.743	.382	.706	2.158
We normally get free advise on business planning, market information from external sources	73	2.109	.116	.993	.471	1.520	2.395
We normally have feasibility study done by business development providers for free	73	1.673	.082	.700	.413	.994	2.564

| Business Development Services | N | Mean | | Std. Deviation | Coefficient of Variation | Skewness | Kurtosis |
		Statistics	Std. Error	Statistics	Statistics	Statistics	Statistics
We have external companies that does research and development for us for free	73	1.726	.081	.692	.401	.941	2.600
We normally have free training for our members by volunteer business developers	73	1.736	.100	.857	.432	1.655	3.410
We have volunteers who helps in developing our business by helping to get markets for our products	73	1.917	.113	.968	.505	1.301	2.755
We normally have free regular radio, TV shows to expose our brands in the market	73	1.753	.066	.572	.326	1.040	-2.359
Volunteers help to improve our capacity through better management of our operations and provide technical expertise	73	1.794	.089	.763	.425	1.012	3.487

Business Development Services	N	Mean		Std. Deviation	Coefficient of Variation	Skewness	Kurtosis
		Statistics	Std. Error	Statistics	Statistics	Statistics	Statistics
We normally have free technical training and advisory services such as book keeping and accountancy regularly done	73	2.109	.121	1.034	.491	1.166	2.407
Average Scores	73	1.827	0.086	0.741	0.401	0.978	2.842

Source: Field Data (2015)

Table 4.6 shows that to a little extent the family businesses normally get mentoring services that are provided by volunteer mentors (mean 1.52; S.E .065); the family businesses normally gets business incubation services (mean 1.64; S.E .066). They get volunteers to advise on improvement on product and design (mean 1.73; S.E .052). These businesses normally have external services to organize for trade shows and exhibition (mean 1.95; S.E .087), as well as getting free advice on business planning, market information from external sources (mean 2.11; S.E .116). The firms have feasibility study done for free (mean 1.69; S.E .082) as well as free research and development (mean 1.73; S.E .081).

These businesses normally have free training for members by volunteer business developers (mean 1.99; S.E .100), have volunteers who help in developing the business by helping to get markets for products (mean 1.92; S.E .113); and normally have free regular radio, television shows to expose the brands in the market (mean 1.75; S.E .066). The firms have volunteers who help to improve capacity through

better management of operations and provide technical expertise (mean 1.79; S.E .089),they enjoy free technical training and advisory services such as bookkeeping and accountancy (mean 2.11; S.E .121).

The finding of the study indicated that business development services were used to little extent, with a low avarage mean of 1.827. McVay and Miehlbradt (2003) found out that training and technical assistance services for SMEs improve perfomance of the firms. Some of the BDS functions bookkeeping, mentoring, product development, and access to information and communication technology. The current study, found out that business development services are not applied by the family businesses in Machakos County. The study observed low average standard error of 0.086 with the error averaging from 0.052 to 0.121. The low variability in the elements of the study variable indicates that the sample mean of business development services has a good chance of being close to the population mean and a good estimator of the population mean.

The study also confirmed low standard deviation among variable, they ranging from 0.449 to 1.034 and an average of 0.741. The coefficient of variation of the study ranged from 0.260 to 0.505 and an average of 0.401, an indication of low dispersion of entrepreneurial orientation variable. The study observed that the skewness of the variables ranges from 1.0 to -1.0, (average 0.979) an indication that the data is symmetrical or nearly symmetrical, hence considered to be normal. Similar views were elicited in the Kurtosis analysis where the data was observed to near the 3.0 or -3.0 values indicating that the constructs of entrepreneurial orientation are flat topped near the mean (average 2.842).

4.4.4 Firm Performance

The study looked at various indicators of the firm performance of the family businesses involved in the study. Respondents commented on their extent of agreement on these performance indicators presented to them on a Likert scale where: (5) presents very large extent; (4) large extent; (3) some extent; (2) little extent; (1) Not at all. The outcomes are as shown in Table 4.7.

Table 4.7 Firm Performance Indicators

Firm Performance	N	Mean		Std. Deviation	Coefficient of Variation	Skewness	Kurtosis
		Statistic	Std. Error				
Our firm has lately bought in new asset	73	4.068	.115	.990	.731	-1.286	2.526
Our Return on Investment has increased	73	4.232	.083	.717	.514	-.844	2.037
Our net profits have improved for the last two years	73	4.54	.075	.646	.418	-1.769	3.530
Our sales have grown compared to last year	73	4.465	.070	.602	.363	-.648	-3.473
We are able to repay our debts.	73	4.232	.086	.736	.542	-.830	2.757
Our sales volume are better that our closes competitor	73	4.369	.092	.790	.625	-1.116	2.650
We do have quick response to customer complains	73	4.205	.095	.815	.666	-1.030	2.924
We have dedicated Customer personnel	73	4.123	.093	.773	.637	-.901	2.833

Firm Performance	N	Mean		Std. Deviation	Coefficient of Variation	Skewness	Kurtosis
		Statistic	Std. Error				
The company uses recorded customer feedback for improvement	73	3.736	.109	.935	.875	-1.229	2.823
We have a customer complain register in place	73	3.753	.123	1.051	1.105	-.843	-3.064
Our customer base has increased	73	4.137	.085	.732	.537	-.656	2.517
Our services are very reliable compared to our competitors.	73	4.137	.087	.751	.564	-1.249	3.196
Our firm has low employee turn over	73	2.945	.152	1.300	1.691	-.713	-2.296
There is good relationship between management and employees	73	3.041	.145	1.240	1.540	-1.080	-3.196
Average Scores	**73**	**4.052**	**0.096**	**0.822**	**0.725**	**-0.903**	**3.246**

Source: Field Data (2015)

Table 4.7 shows that the family business' net profits improved for the last two years (mean 4.55; S.E 0.075); and sales grew compared to last year (mean 4.47; S.E .070). The study also found out that the firm bought new asset (mean 4.07; S.E 0.115)and the firms return on investment increased (mean 4.23; S.E 0.084). Family businesses are able to repay debts (mean 4.37; S.E 0.086), the sales volume were better than the closest competitor (mean 4.37; S.E 0.070) and the family businesses have quick response to customer complaints (mean 4.21; S.E .095).

The study found out that the firms have dedicated customer personnel (mean 4.12; S.E 0.093), the company uses recorded customer feedback for improvement (mean 3.99; S.E 0.109) and there were many referals by the customers (mean 4.25; S.E 0.067). The sttudy also found out that customers were satisfied with the products (mean 4.34; S.E 0.09), the firms had a customer complain register in place (mean 3.75; S.E 0.123) and the customer base has increased (mean 4.14; S.E 0.085). The firms services were very reliable compared to the competitors (mean 4.14; S.E 0.087), and there was low employee turnover (mean 2.95; S.E 0.152). Finaly the results of the findings was that there was a good relationship between management and employees (mean 3.04; S.E 0.145).

The study showed that most family business firms are performing very well in terms of firm expansion, profitability, and customers and services. The study average mean was 4.052 showing that the performance of the firms was good to a large extent. However, the firms had to some extent low performance in relation to employee turnover (mean 2.945; S.E.751). The assessment of the constructs that inform performance in the study had coefficients of variation ranging from 0.228 to 1.691 (average 0.725), indicating that there is low variations in the constructs.

The study also indicated low standard deviation among variable, they ranging from 0.572 to 1.300 and an average of 0.822. The study observed skewness values to range near the 1.0 or -1.0 (Average -0.903). Similarly, it was also observed that the study Kurtosis ranged around the -3.0 or 3.0 levels (average 3.246). The findings indicates that the variable's data is symmetrical and is normal being flat topped around its mean. Therefore, the study data is reliable and able to determine succession planning

undertaking in the firms, a confirmation that the performance constructs in the family businesses are able to determine the firm performance in the firms. The study performance observations were also enhanced by looking at the firm growth indicators as presented in Table 4.8.

Table 4.8 Firm Growth

Firm Growth	0-10%	11-20%	21-30%	31-40%	Above 40%	N	Mean	Std. Deviation
In the last four years, what has been the growth rate of your firms' sales turnover?	55%	45%	0.0%	0.0%	0.0%	73	1.452	0.501
In the last four years, what has been the growth rate of your firms' return on asset?	15%	64%	21%	0.0%	0.0%	73	2.054	0.573
In the last four years, what has been the growth rate of your firms' return on sales?	12%	66%	18%	4%	0.0%	73	2.137	0.673
In the last four years, what has been the growth rate of your firms' annual profit?	0.0%	45%	33%	22%	0.0%	73	2.767	0.790
Average Scores	**20.5%**	**55%**	**18%**	**6.5%**	**0.0%**	**73**	**2.103**	**0.634**

Source: Field Data (2015)

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The Table 4.8 shows that most of the respondents (55%) had realized a 0-10% growth rate in their sales turnover in the last four years, while 45% had realized 11-20% growth rate. A mean of 1.452 indicates that an overall growth rate of 0-10% was realized in the last four years in the firms. Furthermore, the study observed that most of the respondents (64%) had realized an 11-20% growth rate, while 21% realized 21-30% growth in the firms' return on assets in the last four years. A mean of 2.103 indicates that firms realized overall growth in return on assets of 21-30%.

A look at the growth of firms' return on sales showed that most of the respondents (66%) realized 11-20% growth in return on sales while 18% realized 21-30% growth, 12% realized 0-10% growth, and 4% realized a growth rate of 31-40% in return on sales in the last four years. A mean of 2.13 indicated an overall growth rate of 11-20% in return on sales in the last four years. A look at the growth in firms' annual profit showed that most of the firms (45%) realized 11-20% growth rate while 33% realized a 21-30% growth while 22% realized a 21-30% growth rate in annual profits. A mean of 2.77 is an indication that overall firms' growth rate of 21-30% was realized in the last four years among the firms involved in the study. The average growth between 11-20% was the highest with average score of 55% was the highest. However there was no growth above 40%n. The standard deviation among variable was low averaging 0.634.

4.5 Correlation between Independent Variable and Dependent Variables

The main objective of the study was to determine the influence of EO and BDS on the relationship between SP and FP. The first objective of the study was to assess the relationship between SP and FP. Succession planning comprises of successor training and capability, family harmony, reward, conflict resolution, contingency plan, shared vision, and documented transition, the respondents, were asked to state the extent to which they agreed on each of the parameters. While entrepreneurial orientation comprises of innovativeness, risk taking and Proactiveness. On the other hand business development services comprised of business incubations, market access, training and technical assistance.

Firm performance measures comprises of financial and non financial indicator. Financial indicator were the percentage in sales growth, new assets, increase profits and return on sales while non financial indicators where customer satisfaction, new products, quality products and employees turnover. Pearson Correlation Product Moment Correlation analysis was done was to test if there are any relationship, the strength and the direction of the linear relationship between the study variables. Table 4.9 presents Pearson Correlation coefficients

Table 4.9 Pearson Correlation Coefficients

Correlations		avgSP	AvgEO	AvgBDS	avgFP
avgSP	**Pearson Correlation**	1			
	Sig. (2-tailed)				
	N	73			
AvgEO	**Pearson Correlation**	.196	1		
	Sig. (2-tailed)	.017			
	N	73	73		
AvgBDS	**Pearson Correlation**	.311[**]	.237[*]	1	
	Sig. (2-tailed)	.007	.043		
	N	73	73	73	
avgFP	**Pearson Correlation**	.200	.601[**]	.172	1
	Sig. (2-tailed)	.031	.000	.045	
	N	73	73	73	73
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

Source: Field Data (2015)

The results in Table 4.9 indicate the relationship between the study variables. The key correlation outcomes are those of the relationship between firm performance and the independent variables of succession planning, entrepreneurial orientation, and business development services. The relationship between succession planning and family businesses performance is good, positive and statistically significant (R = 0.200, p-value < .031). Similarly, the relationship between entrepreneurial orientation and family firms performance is good, positive and statistically significant (R = 0.601, p-value = .000). The relationship between business development services and firm performance was found to be low, though statistically significant with a coefficient of 0.172 and a p-value of 0.045 (R=0.172; p-value 0.045). This results implies that the study variables considered i.e. succession planning; entrepreneurial orientation, and business development services plays a critical role in influencing family firms performance.

Further correlation among the independent variables shows that SP and OE have a correlation coefficient of 0.196 and statistically significant (p-value 0.017); BDS and SP have a statistically significant correlation coefficient of 0.311 (p-value 0.007); BDS and EO that have a statistically significant correlation of 0.237 (p-value 0.045). This test indicates that there is a correlation among the study's independent variables, though not enough to justify the view of the occurrence of autocorrelation problem in the study model.

4.6 Test of Hypotheses H_1, H_2, H_3, H_4

The study carried out quantitative analysis that included key inferential statistics mainly being regression analysis that provided correlation, ANOVA and model specification statistics. The outcomes of these analyzes produced the outcomes presented in this section. The study's main objective was to determine the relationship between succession planning and firm performance. The relationship was determined by carrying out a regression analysis on succession planning as the independent variable and firm performance as the dependent variable. The study applied linear regression model to assess the relationship between the two models.

Hypothesis H_1 predicted that succession planning has a significant influence on the firm performance, while H_2 predicted that there is a significant moderating effect of entrepreneurial orientation on the relationship between succession planning and performance of family businesses. Hypotheses H_3 predicted that there was a significant moderating effect of business development services on the relationship between succession planning and performance of family businesses. Lastly, hypotheses H_4 predicts that there is a significant joint effect of succession planning,

business development services and entrepreneurial orientation on the performance of family businesses. These relationships of variables were tested using both simple linear regression and multiple regression analysis.

4.6.1 Succession Planning and Firm Performance

Test of hypothesis H_1

The first objective of the study is to determine the influence of succession planning on the performance of family businesses. To achieve this objective the following hypothesis was formulated and tested:

H_1: There is an influence of succession planning on the performance of family businesses.

From the regression analysis, the various outcomes were observed as presented in this section. Table 4.10(a) presents the regression model summary.

Table 4.10(a) Succession Planning and Firm Performance Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.200[a]	.040	.026	.31489
a. Dependent Variable: avgFP				

Source: Field Data (2015)

Table 4.10(a) shows the regression model summary. The study model showed a low correlation coefficient of 0.200. This result is an indication that there is a very low defined relationship between organization performance of family businesses and succession planning. This view was further enhanced when a coefficient of determination (R^2) of 0.040 was realized which indicates that the study independent variable (succession planning) can be able to explain 4.0% of the variability in the

dependent variable (firm performance), which gives the indication that though this relationship is significant, the correlation weak (0.04) meaning that succession planning has low impact on firm performance. An ANOVA of the study model was carried out to investigate further this relationship, and the outcomes of the study are presented in Table 4.10(b).

Table 4.10(b) Succession Planning and Firm Performance ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	.292	1	.292	2.943	.048[b]
	Residual	7.040	71	.099		
1	**Total**	7.332	72			
b. Predictors: (Constant), avgSP						

Source: Field Data (2015)

Table 4.10(b) presents an analysis of variance (ANOVA) to test the variability of succession planning and firm performance. The outcomes presented, F-test was 2.493, the p-value= 0.048 (P<0.05) and residual of 7.040 indicating that succession planning is statistically significant in influencing the firm performance of family businesses at 95% confidence level. This analysis confirms that the ability of succession planning to influence firm performance as observed in the goodness of fit model (model summary) is statistically significant. Therefore, the study accepts the alternative hypothesis (H_1) that there is an influence of succession planning on the performance of family businesses in Machakos County. A further regression analysis on the relationship was done, the outcomes are presented in Table 4.10(c) showing the regression model coefficients.

Table 4.10(c) Succession Planning and Firm Performance Regression Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.392	.162		20.970	.000[a]
	AvgSP	.120	.070	.200	1.716	.048[b]
a. Dependent Variable: avgFP						
b. Predictors: (Constant), avgSP						

Source: Field Data (2015)

From the findings in Table 4.10(c), succession planning has an impact on the performance of family businesses in Machakos County since its relationship is statistically significant (p=0.048). The regression model indicates that the relationship between firm performance and succession planning is positive with a coefficient of 0.200 and a constant of 3.392. The regression model of this relationship is:

FP = 3.392 + 0.200 SP + e

Where: FP is firm performance and SP is succession planning.

The regression model from H_1 shows that SP has a positive impact on the firm performance of family businesses in Machakos County. Coefficients of SP are positive (0.200) meaning SP has an impact on performance. The R^2 explains 4% improvement in performance due to SP. The P value is less than 0.05 that is (0.048), this means that the relationship is significant hence accept the alternative hypothesis.

4.6.2 Succession Planning, Entrepreneurial Orientation and Firm Performance

 Test of hypotheses H$_2$

The second objective of the study was to determine the relationship between succession planning and firm performance when moderated by entrepreneurial orientation. To achieve this objective, the following hypothesis was formulated and tested:

H$_2$: There is a moderating effect of entrepreneurial orientation on the relationship between succession planning and performance of family businesses

This relationship was determined by carrying out a multiple linear regression analysis on succession planning and entrepreneurial orientation as the independent variables and firm performance as the dependent variable. From the regression analysis, the various outcomes were presented in this section. Table 4.11(a) presents the regression model summary for the regression between succession planning, entrepreneurial orientation, and firm performance.

Table 4.11(a) Succession Planning, Entrepreneurial Orientation, and Firm Performance Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.200[a]	.040	.026	.31489	.040	2.943	1	71	.048
2	.607[c]	.368	.350	.25725	.328	36.385	1	70	.000
a. Dependent Variable: avgFP									
c. Predictors: (Constant), avgSP, AvgEO									

Source: Field Data (2015)

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From the regression model summary presented in Table 4.11(a), the firm performance has a correlation index of 0.200 when regressed against succession planning. This correlation coefficient increases to 0.607 when entrepreneurial orientation is introduced in the model. This test is an indication that there is an improvement in the relationship between the firm performance and succession planning. This relationship was further confirmed by a coefficient of determination (R) observed as 0.040 when succession planning is regressed with firm performance. The coefficient of determination (R) increases to 0.368 when entrepreneurial orientation is introduced in the model. This increament indicates that succession planning coupled with entrepreneurial orientation have a better ability to explain the variability in firm performance. Both SP and EO explain 36.8% of the variability in performance unlike when succession planning is considered on its own where it is only able to explain 4% variability in performance.

Entrepreneurial orientation has a moderating effect on the relationship between firm performance and succession planning. These views were further enhanced by the R^2 change statistics that indicated that R^2 changed by 32.8% (0.328*100%), which is the percentage increase in the variation explained by the addition of the moderating term, entrepreneurial orientation. The increase was seen to have high statistical significance ($p < 0.05$; $p=0.00$), a result obtained from the "Sig. F Change" column in Table 4.13(a). From this outcome, we accept the alternative hypothesis (H_2) that there is a moderating effect of entrepreneurial orientation on the relationship between succession planning and firm performance of family businesses in Machakos County, Kenya. Further analysis leads to the creation of the model's ANOVA outcomes presented in Table 4.11(b).

Table 4.11(b) Succession Planning, Entrepreneurial Orientation, and Firm Performance - ANOVA Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	**Regression**	.292	1	.292	2.943	.048[b]
	Residual	7.040	71	.099		
	Total	7.332	72			
2	**Regression**	2.700	2	1.350	20.397	.000[c]
	Residual	4.632	70	.066		
	Total	7.332	72			
b. Predictors: (Constant), avgSP						
c. Predictors: (Constant), avgSP, avgEO						

Source: Field Data (2015)

From the ANOVA statistics presented in Table 4.11(b), the p–value realized when the ANOVA model between succession planning and firm performance is P=0.048, an indication that this relationship is statistically significant. The outcomes, the p-value, was 0.048 (P<0.05) indicating that succession planning has a statistically significant ability in influencing the firm performance of family businesses. Similar outcomes were observed when entrepreneurial orientation moderated this relationship.

This relationship realized a p-value of 0.000 indicating that the relationship between succession planning and firm Performance moderated by entrepreneurial orientation is statistically significant at 95% confidence level (P<0.05; P=0.000). Therefore, accept the alternative hypothesis that there is a significant effect of succession planning on the firm performance which is moderated by entrepreneurial orientation. Table 4.11(c) shows the outcome of the regression model coefficients indicating how these factors relate to each other.

Table 4.11(c) Succession Planning, Entrepreneurial Orientation and Firm Performance- Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.392	.162		20.970	.000
	avgSP	.120	.070	.200	1.716	.091
2	(Constant)	1.486	.342		4.339	.000
	avgSP	.051	.058	.085	.879	.022
	AvgEO	.494	.082	.584	6.032	.000
a. Dependent Variable: avgFP						
c. Predictors: (Constant), avgSP, AvgEO						

Source: Field Data (2015)

Table 4.11(c) presents the regression analysis outcomes for the assessment of the relationship between succession planning and firm performance with moderating effect from entrepreneurial orientation. From the findings entrepreneurial orientation has a statistically significant impact on the firm performance. Entrepreneurial orientation has p-values of less than 0.05 (P<0. 000). This results confirms the fact that entrepreneurial orientation has an impact on the performance of family businesses. The regression model of this relationship is:

$$FP = 1.486 + 0.085\ SP + 0.584\ EO + e$$

Where: FP is firm performance; SP is succession planning, and EO is Entrepreneurial Orientation.

4.6.3 Succession Planning, Business Development Services, and Firm performance

Test of hypotheses H₃

The third objective of the study was to determine the relationship between succession planning and firm performance when moderated by business development services. To achieve this objective, the following hypothesis was formulated and tested:

H₃: There is a moderating effect of business development services on the relationship between succession planning and performance of family businesses

This relationship was determined by carrying out a multiple linear regression analysis on succession planning and BDS as the independent variables and firm performance as the dependent variable. The data was obtained by asking the respondents the extent to which they agree with various statements. Table 4.12(a) shows the regression model of succession planning, business development services, and firm performance

Table 4.12(a) Succession Planning, Business Development Services, and Firm Performance- Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.200ᵃ	.040	.026	.31489	.040	2.943	1	71	.048
2	.200ᵇ	.040	.012	.31712	.000	.008	1	70	.929
a. Predictors: (Constant), avgSP									
b. Predictors: (Constant), avgSP, AvgBDS									

Source: Field Data (2015)

The regression model summary is presented in Table 4.12(a), firm performance has a correlation index of 0.200 when regressed against succession planning. The correlation coefficient does not change (0.200) when business development services are introduced in the model. This test is an indication that there is no improvement in

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the relationship between firm performance and succession planning when a business development service variable is introduced in the model. The test was further confirmed by a coefficient of determination observed as 0.040 when succession planning is regressed with firm performance which fails to change when business development services is introduced in the model, an indication that succession planning coupled with business development services explain 4% of the variability in performance of family businesses, same as when succession planning is considered on its own where it can explain 4% variability in performance.

This results is an indication that business development services have no moderating effect on the relationship between firm performance and succession planning. These views were further enhanced by the R^2 change statistics that indicated that R^2 changed by 0.00% (0.00*100%), which is the percentage increase in the variation explained by the addition of the moderating term, business development services. This increase was seen to have no statistical significance ($p < 0.05$; p=0.929), a result obtained from the "Sig. F Change" column in Table 4.12(a).

From the outcome of Table 4.12(a), the study fail to accept the alternative hypothesis (H_3) that there is a moderating effect of business development services on the relationship between succession planning and firm performance. Therefore, business development services lack the moderating effect on the relationship between succession planning and firm performance. Further analysis lead to the creation of the model's ANOVA outcomes presented in Table 4.12(b).

Table 4.12(b) Succession Planning, Business Development Services, and Firm Performance ANOVA Model

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	**Regression**	.292	1	.292	2.943	.048[b]
	Residual	7.040	71	.099		
	Total	7.332	72			
2	**Regression**	.293	2	.146	1.455	.240[c]
	Residual	7.039	70	.101		
	Total	7.332	72			
a. Dependent Variable: avgFP						
b. Predictors: (Constant), avgSP, avgBDS						

Source: Field Data (2015)

From the ANOVA statistics presented in Table 4.12(b), the p–value realized when the ANOVA model between succession planning and firm performance is P=0.048, an indication that this relationship is statistically significant. The outcomes, the p-value was 0.048 satisfying the significance rule of P<0.05 at 95% confidence level, indicating that succession planning has a statistically significant ability in influencing the firm performance of family businesses. However, when this relationship was moderated by business development services, the outcomes lacked statistical significance.

This relationship realized a p-value of 0.240 indicating that the relationship between succession planning and firm performance moderated by business development services is not statistically significant at 95% confidence level (P<0.05; P=0.240). Therefore, the study fails to accept the alternative hypothesis that there is a significant effect of succession planning on the firm performance which is moderated by business development services since there is no statistical significant effect. Table 4.12(c) shows the outcome of the regression model coefficients indicating how these factors relate to each other.

Table 4.12(c) Succession Planning, Business Development Services, and Firm Performance Regression Coefficients

	Model	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.392	.162		20.970	.000
	avgSP	.120	.070	.200	1.716	.048
2	(Constant)	3.380	.207		16.324	.000
	avgSP	.118	.074	.196	1.591	.016
	avgBDS	.009	.073	-.011	.089	.929

a. Dependent Variable: avgFP
b. Predictors: (Constant), avgSP, AvgBDS

	Model	Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	AvgBDS	-.011[b]	.089	.929	.011	.903

a. Dependent Variable: avgFP
b. Predictors: (Constant), avgSP, AvgBDS

Source: Field Data (2015)

From the findings in Table 4.12(c) business development services have a statistically insignificant impact on the firm performance of family businesses. BDS model was observed to have p-values higher than 0.05 (P<0. 000), P=.929 indicating that the model is not statistically significant at 95% confidence interval. This relationship confirms the fact that BDS has an insignificant impact on the performance of family businesses. Therefore, the study concludes that succession planning has an impact on firm performance, but the moderating effect of BDS is insignificant to the relationship. The betas of BDS is negative (-.0.11) therefore the BDS affects the relationship negatively.

$$FP = 3.380 + 0.196SP + (- 0.011\ BDS) + e \text{ - this is an Insignificant Model}$$

$$FP = 3.392 + 0.200\ SP + e \qquad \text{- this is a Significant Model}$$

Where: FP is firm performance; SP is succession planning, and BDS is Business Development Services

The regression model from H_3 shows that BDS has a negative impact on the relationship between successions planning firm performance of family businesses in Machakos County. Coefficient of BDS is negative (-0.011) meaning that it impacts negatively on the relationship. The P value of BDS is greater than 0.05, this means that the relationship is insignificant hence reject the alternative hypothesis. From this model, business development services have no moderating effect on the relationship between succession planning and firm performance. The alternative hypothesis is hence rejected.

4.6.4 Succession Planning, Entrepreneurial Orientation, Business Development Services, and Firm Performance

Test of hypotheses H_4

The last objective of the study was to determine the joint effect of succession planning, business development services and entrepreneurial orientation on firm performance. To achieve this objective, the following hypothesis was formulated and tested:

H_4: There is a joint effect of succession planning, business development services and entrepreneurial orientation on performance of family businesses

This relationship was determined by carrying out a multiple linear regression analysis on SP, BDS and EO which are the independent variables against firm performance as the dependent variable. Table 4.13(a) presents the regression model summary for the regression between succession planning, entrepreneurial orientation, business development services and firm performance.

Table 4.13(a) Succession Planning, Entrepreneurial Orientation, Business Development Services, and Firm Performance Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.615[a]	.378	.351	.257
a. Predictors: (Constant), avgBDS, AvgEO, avgSP				

Source: Field Data (2015)

From the summary of Table 4.13(a) the regression model summary had a high correlation coefficient of 0.615. This test indicates that there is a defined relationship between firm performance of family businesses and succession planning, entrepreneurial orientation, and business development services. It also indicates that there is a positive joint impact of the three independent variables (SP, EO, and BDS) on the dependent variable (FP). This view was further enhanced when a high coefficient of determination (R^2) of 0.378 was realized which indicates that the study independent variables (SP, EO, and BDS) explains 37.8% of the variability in the dependent variable (firm performance).

This high positive coefficient (0.615) gives the indication that the relationship is significant. Succession planning, entrepreneurial orientation and business development services have an impact on firm performance. This is the highest realized coefficient of determination among the other models considered in this study as determinants of firm performance. An ANOVA of the study model was carried out to investigate further the relationship between SP, EO, and BDS. The outcomes of the study are presented in Table 4.13(b)

Table 4.13(b) Succession Planning, Entrepreneurial Orientation, Business Development Services, and Firm Performance ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	2.773	3	.924	13.737	.000[b]
	Residual	4.559	69	.066		
1	**Total**	7.332	72			
a. Dependent Variable: avgFP						
b. Predictors: (Constant), avgBDS, avgEO, avgSP						

Source: Field Data (2015)

The study carried out an analysis of variance (ANOVA) to test the variability between succession planning, entrepreneurial orientation, business development services, and firm performance presented in Table 4.13(b). From the outcomes presented, the p-value (sig.) was 0.000 (P<0.05) indicating that the regression model is statistically significant in influencing the firm performance of family businesses at 95% confidence level.

The outcome of the study confirms that the ability of succession planning, entrepreneurial orientation and business development services to influence firm performance is statistically significant. Therefore, the study accepts the alternative hypothesis (H_4) that there is a joint effect of succession planning, business development services and entrepreneurial orientation on performance of family businesses in Machakos County. Table 4.13(c) presented regression coefficients of succession planning, entrepreneurial orientation, business development services, and firm performance.

Table 4.13(c) Succession Planning, Entrepreneurial Orientation, Business Development Services, and Firm Performance- Regression Coefficients

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	**Std. Error**	**Beta**		
	(Constant)	1.533	.345		4.442	.000
	avgSP	.069	.061	.115	1.137	.029
	avgEO	.510	.083	.604	6.126	.000
1	**avgBDS**	-.085	.081	-.107	-1.051	.047
a. Dependent Variable: avgFP						

Source: Field Data (2015)

The information contained in Table 4.13(c) shows the results of the regression model. From the findings, succession planning, entrepreneurial orientation, and business development services, has an impact on the performance. The study found out that the joint relationship is statistically significant ($p<0.05$) where the constant was 1.533 and P= 0.000, succession planning P=0.029, entrepreneurial orientation P = 0.000, and business development services P=0.047. The regression model indicates that the relationship between firm performance, succession planning, and entrepreneurial orientation is positive with a coefficient of 0.115 (SP), 0.604 (EO), -.107(BDS) and a constant of 1.533. In this relationship the beta coefficient of business development services was negative (coefficient = -0.107) meaning that BDS has a negative impact on the joint relationship. The regression model of this relationship is:

FP = 1.533 + 0.115 SP + 0.604 EO + (-) 0.107 BDS + e

Where: FP is firm performance, and SP is succession planning, EO is entrepreneurial orientation, and BDS is business development Services.

The regression model from H_4 shows that joint effect of SP, EO, and BDS has a positive (0.615) impact on the firm performance. Coefficient of BDS is negative meaning that it impacts negatively on the performance. Coefficients of SP and EO

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are positive meaning that they have an impact on the firm performance. The P value of the model is less than 0.05, that is (.000) this means the joint relationship is significant. The R^2 of the all variables combined is greater (0.351) than the individual variable, this means that SP, EO and SP combined contributes to higher increase in performance. Therefore, the study found out that succession planning and entrepreneurial orientation have an impact on the firm performance of family businesses in Machakos County, therefore accept the alternative hypothesis since the P value is less than 0.05. Table 4.14 shows the summary of regression analysis statistical results, empirical results and findings.

Table 4.14 Summary of Regression Analysis, Statistical Results, Empirical Results and Findings

Objectives	R	R^2	P Value	F	t	β	Findings	Empirical Result
To determine the influence of succession planning on performance of FB	.200	.026	P<0.05 .000	2.943	1.716	β =0.200	Significant Positive	supported
To determine the influence of entrepreneurial orientation on the relationship between succession planning and performance of FB	.200 .607	.350 .012	P<0.05 .048 .000	20.397	$t_1=$ 0.879 $t_2=$ 6.032	$β_1=$ 0 .085 $β_1=$ 0.584	Significant Positive	supported

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Objectives	R	R²	P Value	F	t	β	Findings	Empirical Result
To establish the influence of business development services on the relationship between succession planning and performance of FB	.200 .200	.026 .012	P>0.05 0.240	1.455	t_1= 1.591 t_2= 0.089	β_1= 0.200 β_2= -0.011	insignificant Negative	Not supported
To establish the joint effect of business development services, entrepreneurial orientation and succession planning to performance of FB	.615	.351	P<0.05 .000	13.737	t_1= 6.126 t_1=- 1.051	β_1= 0.115 β_2= 0.604 β_3= -0.107	Significant Positive	supported

Source: Field Data (2015)

Table 4.14 hypothesis H_1 shows that the results were significant hence hypothesis was accepted, H_2 indicated a relationship between the variables and was also statistically significant the hypothesis was accepted. However H_3 showed that a relationship exists but result were not statistically significant, the hypothesis was rejected. The relationship of hypothesis H_4 was found to exist and was statistically significant hence the relationship was accepted.

4.7 Case Study Analysis

A narrative of each case is presented in line with the research objectives. The research objective one is to determine the influence of succession planning on the performance. Obective two is to determine the influence of entrepreneurial orientation on the relationship between succession planning and performance, objective three is to establish the influence of business development services on the relationship between succession planning and performance. Objective four is to establish the joint effect of business development services, entrepreneurial orientation, and succession planning to the performance of family businesses in Machakos County. The names of the family businesses have been concealed for confidentiality.

4.7.1 Case Study A- Restaurant

The restaurant was started in early 70's as a sole proprietorship. It was to provide market to the farm produce since the founder was a serious farmer. Initially he managed the business with his wife, as the business grew they recruited four assistant non family members who were waiters, a cook, and a cleaner. Later when the first born completed school he was employed by the Kenya government. The father later requested him to assist in the management of the family business this was done at a negotiated salary. The restaurant has kept quality standards of their food, the most popular foods are tasty Samosa, Quality tea, Kuku karaga, Nyama karaga big tasty chapati, Chicken soup which keep attracting both new and old customers.

The hotel is usually the first stop for many teachers and guests in Machakos town. It is also the main meeting point for many different kinds of people, salesmen, business people, funeral and fund raising meetings. The hotel also prides itself with classic

customer service, quality and faster service. The hotel has employed both family and non family members to manage the business. The founder passed on in 2006 and the last born son briefly took over the firm management of the business, there was no written business succession plan. Due to succession differences and disagreement the family then decided to spit the business and each child got their share. The most interesting thing is that they all carried on with the vision of the founder, they did not change the name neither the type business. The hotel has since then expanded with two extra branches in Machakos town, one in Mlolongo and one in Kitengela. The family business has also expanded in to real estate by putting up rental flats in Machakos city and Mlolongo town. Each of this business is run independently by the successors.

Unfortunately one of the sons also passed on and now it's the wife and the kids who manage the business, with the help of the non family members. The family business also participates in Machakos County organized exhibitions and trade fairs, it also trains it workers both internally and externally. It is interesting to learn that more expansion and development of the business took place after the passing on of the founder, meaning that the founders can be rigid and may be an embedment to expansion of the business due to lack of entrepreneurial knowledge.

4.7.2 Case Study B-Law firm

The firm was started in 1973 by the founder who had just completed his higher education. He later married and got two children, a boy and a girl. During the time his children were in school he had employed non family members to assist him in managing the firm. The founder's vision was to pass his businesses to the children

when they completed school. He made effort to ensure they studied law by taking one them to universities abroad. After 25 years of marriage, he separated with his first wife, however this did not affect the operations of the law firm since the wife was not involved in the operations of the firm.

While on vacation they could go to the law firm and work there. After completing the higher level of education, they joined the fathers business for practice and eventually worked there as full time employees. Most of the employees were close family members; there were also non family members who assisted in critical areas. The founder trained the children and also and guided them in cases that were more complex, especially political cases. He joined politics in 2007 having worked with them for six years; both children took over the management of the firm with frequent briefs and consultation from the father. At this time the law firm was performing better than any other time, the firm was overwhelmed by the number of customer coming in, this pushed for even more employment of non family members.

As town office was getting busier due to social and political connections and as a result of traffic jam coupled with lack of parking space, the town office was relocated to Ngong road. This sorted out most of the customer complains on parking space and accessibility. Due to high demand for legal services, the founder opened a branch in Machakos. The founder continued guiding his children as he focused on politics, he got another political appointment that kept him away from the office. During this time his first son was the one managing the firm, the number of clients composing of politicians went up, performance was quite good. The founder did not have any written succession, but informally the two children were the ones to take over the

management of the business. In 2013 elections the founder successfully made it in to the county government, he however passed on almost immediately leaving the children to manage the business. Immediately the son who was managing the firm went in to campaigns and automatically replaced the father in politics.

The business has since then gone down due to political distractions, numerous customers complain, others have withdrawn their cases from the law firm. The father's name was more trusted than the business name, and this has contributed to poor performance of the law firm after the passing on of the founder. The big question remains if one can do professional business and at the same time get involved in full time politics. The business currently is being managed by the daughter assisted by both family and non family members.

4.7.3 Case Study C-General merchant

The founder started the business early in 1980 as a sole proprietorship dealing with general supplies, he managed it with the help of his wife. Their children then were still young and in school. In the initial 5 years the founder opened up a small hotel that later grew up in to big bar and restaurant. The business continued to grow and the founder acquired a petrol station, at this point he employed a non family member to professionally manage the businesses. His children were out of school by then but he did not involve them in the management of the business. In fact the elder son was given non managerial jobs and was kept off the internal management of the business. The founder did not trust his sons to manage the business, he trusted the non family member more than his own family. In 2007 he got involved in politics and used money from the business to do campaigns, he did not make it. The   performance of

the business went down during this time, his health was also going down and he was on and off hospital. All these time the close family members were not involved and so they did not know what was happening within the business. Due to huge loans and poor management the petrol station was leased out as the other businesses continue to suffer. Eventually the founder passed on in 2011 with no clear succession plan. The worst of all was that the business had accumulated huge debts, the family members were left with no option but to sell off property to pay off the debts. The restaurant was leased out and the elder son started a wines and spirit shop in one of the premises. This is a story of a failed succession were the founder did not trust any of his family members, he remained a dictator throughout, he never listen to any of his family members.

4.7.4 Case Study D-Supermarket

The founder started the business in early 70s with the help of the wife. The children then were in school. He was semi illiterate, he schooled up to standard eight and due to lack of school fees he dropped out to give way for his brothers to also get to the same level of education. The business started as a small shop within the County of Machakos and later grew in to a hardware shop and finally to wholesale shop. From the wholesale shop the business expanded and opened a supermarket.

The founder did not have any written succession plans on the business, but it was almost automatic that the children who were involved in full time running of the business would take over. During the school holidays the children would join their father in the running of the business. After completing the higher level of education, they joined the father in full time running of the business. Unfortunately the founder passed on and the sons took over the management of the business. The firm has

employed both family and non family members to manage the business, the worker undergo both internal and external training to sharpen their skills. The supermarket business since then has expanded with several branches, three in Machakos town, two in Mlolongo, One in Email and one in Tala market.

They have also expanded the products range from a normal supermarket items to milk Automates Teller Machines (ATM), gym, restaurants. They have also gone in to corporate social responsibility like sponsoring marathons and heart runs. The business also participate County organized exhibitions, church and county organized events to create awareness of the business and its products. Innovation, smooth transition and business development services has contributed greatly to growth of the business.

4.8 Summary of Data Analysis and Results

In chapter four, presented results and findings based on the specific variables data was collected by use of both descriptive and inferential methods Descriptive statistics computed for the study included mean, standard deviation, frequency distribution, coefficient of variance, skewness, and kurtosis. These statistics provided a profile of the family enterprises under study.

Tests of statistical assumptions including a test of normality, homoscedasticity, collinearity, multi collinearity, and linearity were also conducted. The correlation was conducted to determine the strengths of the relationships among the various measures of each variable and performance of the firms. This analysis was done to facilitate selection of measures which would be used to represent the variables. The study also carried out hypothesis testing where four hypotheses of the study were tested.

Inferential statistics including correlation analysis, simple and multiple regressions were used to test the hypotheses. The results of the simple regression analysis conducted on hypothesis H_1 indicated that succession planning had a statistically significant influence on the performance of family owned business performance. This was confirmed by the case study results that successful succession influences performance of the business. Similarly, the results of the simple regression analysis conducted on hypothesis H_2 indicated that the relationship between succession planning and firm performance is significantly moderated by entrepreneurial orientation. Similar results emerged from the case study, that entrepreneurial orientation is critical in performance of the family businesses.

The results of the multiple regression analysis to examine the relationship between succession planning and firm performance, moderated by business development services, hypothesized as H_3 found out that this relationship exist but were not statistically significant. The case study found out that the services are not known hence are not utilized. The results also revealed that the fourth hypothesis H_4 on the joint effect of succession planning, entrepreneurial orientation, and business development services and firm performance was found to exist and was statistically significant. The results, therefore, confirmed that succession planning and entrepreneurial orientation have an impact on the firm performance of family owned enterprises. The case study results also supported this results, the family members who used all the three variables recorded the best perfomance compared to the ones who did not use.

4.9 Chapter Summary

Chapter Four presents the findings in respect of the data under study. The first part introduced the chapter, and this is followed by general information on the study. The next part dealt with the findings on factors that reveal the impact of succession planning on firm performance. The part that follows presented findings of the hypotheses testing, by use of models for predicting firm performance relative to succession planning, entrepreneurial orientation, and business development services.

Finally the last part presented the case study analysis which showed consistence in results in succession planning, entrepreneurial orientation, and business development services. However the case study offers more explanation on the study variables. The business development services were found not to be known and hence less usage. This contributed to the variable being not significant in the study. The Chapter Five provides a summary discussion of the study findings.

CHAPTER FIVE

DISCUSSION OF RESULTS

5.1 Introduction

Chapter Five explains the results regarding the relationship between succession planning and the performance of family businesses. It also explains the moderating role of EO and BDS on the relationship between succession planning and performance of family businesses. The chapter discusses the results of the hypothesized relationship of all predictor variables and individual effects of each variable on the performance of the family business. The chapter presents discussions on how the findings relate to existing theory and findings from empirical studies. Finally the chapter also discusses the results of the case study basing it on the objectives of the study.

5.1.1 The Influence of Succession Planning on Performance of Family Businesses

The first objective of the study was to determine the influence of succession planning on the performance of family businesses. Succession planning was tested by successor training, conflict resolution plans, contingency plan, shared vision, documented transition, non-family member as an impartial advisor and professional communication. To achieve this objective the following hypotheses was formulated and tested:

H_1: There is an influence of succession planning on the performance of family businesses.

Correlation analysis was conducted to determine the strength and direction of the relationship between the dimensions of succession planning and the performance of family businesses. The results of the correlation analysis indicated that there was a

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good relationship between the successions planning on the performance of family businesses. The relationship was positive and statistically significant. The study also carried out a regression analysis to determine the magnitude of the relationship between successions planning on the performance of family businesses. The study established that there was a positive and significant relationship between successions planning on the performance of family businesses in Machakos County, Kenya. This outcome indicated that succession planning is statistically significant in influencing the firm performance of family businesses. It was observed that improved succession planning would lead to an improvement in firm performance of the businesses.

This outcome conforms to the views posited by Bjuggren and Sund (2001) who studied the relationships between the succession and firm performance where they found out that around transition period the firm's performance fell by four per cent due to succession planning failures. These views support Lam (2009) views that succession is the most important concern of family businesses leaders as the leaders in these businesses have overlooked the undertaking. Family involvement in a business has the potential to both increase and decrease financial performance due to agency costs (Chua, 1992). According to agency theory by Jensen and Meckling (1976) lower agency costs in family firms could be due to high trust and shared values among family members.

 Similarly, Venter *et al.* (2005) found out that the performance of family businesses depends on successor process, willingness of the successor to take over, successor capabilities, formal education and the reward of the successor. As noted in systems theory the three systems of the firm the business, family and ownership must all work

together to avoid conflict and also ensure better performance of the family businesses (Gersick, 1997). Families are motivated to work efficiently when more shares are in their hands (Jensen& Meckling, 1976). Similar views have been posited in the resource based theory which argues that while family businesses often possess a number of valuable resources that create competitive advantage, none is more important than their human and intellectual capital which makes it hard for them to shelve the firm ownership of their businesses (Hughes & Hughes, 2004). This outcome is also in line with the agency theory views that proposes that where a separation of ownership and control exist, agency control mechanisms are put in place to align the goals of managers with those of owners (Chrisman *et al*., 2004), such as by ensuring corporate control through majority shareholding.

The findings on influence of succession planning on performance also have a link to the family systems theory which suggests that individuals cannot be understood in isolation from one another, but rather as a part of their family, as the family is an emotional unit (Jay & William, 2008). Succession planning links up the individuals in a family making them more cohesive to be able to run their business. This theory therefore finds a similar connection as that found in the current study where there is a positive impact of succession planning on firm performance of family businesses.

5.1.2 The Influence of Entrepreneurial Orientation on the Relationship Between Succession Planning and Performance of Family Businesses

The second objective of the study was to determine the influence of entrepreneurial orientation on the relationship between succession planning and performance of

family businesses. To achieve this objective, the following hypothesis was formulated and tested:

H2: There is a moderating effect of entrepreneurial orientation on the relationship between succession planning, and performance of family businesses

Entrepreneurial orientation was tested by innovativeness, risk taking and proactiveness. Correlation analysis was conducted to determine the strength and direction of the relationship between the dimensions of entrepreneurial orientation and the performance of family businesses. The results of the correlation analysis indicated that there was a good relationship between the entrepreneurial orientation on the performance of family businesses. The relationship was positive and statistically significant.

The study also carried out a regression analysis to determine the magnitude of the relationship between entrepreneurial orientation on performance of family businesses. The study established that there was a positive and significant relationship between succession planning and performance when moderated by entrepreneurial orientation. Wiklund and Shepherd (2003) observed that firm that are more innovative and run by owner-manager in the day to day basis experience better performance. These results were also supported by Awang *et al.* (2009) findings that EO is significant and has positive relationship with firm performance, and hence would positively affect the relationship between firm performance and succession planning. The study further found out that firms with access to better resources perform is better, the findings supports the entrepreneurship resource based theory which argues that entrepreneurs have individual specific resources that facilitate the recognition of new opportunities

and the assembling of new resources for the emerging firm (Alvarez & Busenitz, 2001). The supporters of this view argue that organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it (Barney, 1991).

Family businesses have critical internal resources which are highly impactful on the performance of the firms. Entrepreneurship resource based theory shows that some persons are more able to recognize and exploit opportunities than others because they have better access to information and knowledge (Shane, 2000). Views on entrepreneurial orientation and firm performance posited by Fakhrul and Selvamalar (2011) found out that innovativeness, risk taking and proactiveness characteristics have a positive relationship with the performance of a firm. In support of resource based theory families also impact the process itself due to the ways they accumulate and leverage resources and because of the strong emphasis that many families place on building socio emotional wealth in addition to financial viability (Ensley & Pearson, 2005).

5.1.3 The Influence of Business Development Services on the Relationship Between Succession Planning, and Performance of Family Businesses

The third objective of the study was to determine the influence on the relationship between succession planning and firm performance when moderated by business development services. To achieve this objective, the following hypothesis was formulated and tested:

H₃: There is a moderating effect of business development services on the relationship between succession planning, and performance of family businesses

Business development services were tested by business incubations, market access and training and technical assistance. Correlation analysis was conducted to determine the strength and direction of the relationship between the dimensions of business development services on relationship between succession planning and performance of family businesses. The outcomes indicates that succession planning coupled with business development services explain to some extent (4%) of the variability in performance of family businesses, same as when succession planning is considered on its own where it is able to explain 4% variability in performance.

Introduction of BDS to the model showed no statistical significant, this means that there was no improvement in the relationship between succession planning and firm performance. The regression model indicates that business development services had no moderating effect on the relationship between firm performance and succession planning business development services. This relationship was observed to be negative for business development services. From this outcome the study confirms that business development services have an insignificant negative impact on the regression model.

Business development services have no moderating effect on the relationship between succession planning and firm performance, the model is not significant. This outcomes are same views posited by Harper (2001) who found that BDS does not help to improve firm's performance. It also contradicts a study by Nelson (1997) on the relationship between BDS and performance of SMEs the study observed that use of

BDS improved the performance of the SMEs. McVay and Miehlbradt (2002) opined that efficiency and effectiveness of a firm especially SMEs are deemed to be enhanced through factors related to market access, infrastructure facilities, procurement services and financial services. The study findings confirm the agency theory views concerning family businesses, as the business gets more skills inform of training and another form of support from the non-family members. Chua (1992) observed that agent's involvement in business has the potential to both increase and decrease financial performance due to agency costs. Lower agency costs in family firms could be due to high trust and shared values among family members (Fama *et al*., 1983). BDS improves the principal-agent relationship and is a remedy for the improvement in performance of the family businesses.

5.1.4 The Joint Effect of Business Development Services, Entrepreneurial Orientation aand Succession Planning to Performance of Family Businesses

Objective Four of the study was to determine the joint effect of succession planning, business development services and entrepreneurial orientation on firm performance. To achieve this objective, the following hypothesis was formulated and tested:

H4: There is a joint effect of succession planning, business development services and entrepreneurial orientation on performance of family businesses

The joint relationship was determined by carrying out a multiple linear regression analysis on SP, BDS and EO, which are the independent variables against firm performance as the dependent variable. It was observed that the regression model showed a high correlation coefficient, hence showing a relationship among the variables. The coefficient of determination was positive meaning that a greater and positive relationship exists between the variables. Also the coefficient of determination in this relationship was considered highest. The p-value was less than 0.05 indicating that the regression model is statistically significant in influencing the firm. This outcome confirms that the ability of succession planning, entrepreneurial orientation and business development services to influence firm performance. Therefore, the study confirms that succession planning, entrepreneurial orientation, and business development services have an impact on the firm performance of family.

Similar views were recorded by Brown (2008) concerning succession planning, that the performance of family businesses depends on successor process, willingness of the successor to take over, successor capabilities, formal education and the reward of the successor. Mazzola *et al*. (2008) observed that succession planning and entrepreneurial orientation have a positive impact on firm performance, business development services had negative impact on firm performance, EO, and BDS facilitates organization member's ability and willingness to recognize the need to reduce uncertainty and hence contributes to better firm performance.

These findings support the stewardship theory which proposes that managers, left on their own will indeed act as responsible stewards of the assets they control. The theory brings out the relationships between ownership and management of the

company. The joint effect of succession planning, entrepreneurial orientation, and business development services leads to better performance in the family businesses. Also, all the systems of the family business must work together for better performance, this results is supported by stewardship theory and family systems theory (Brown, 2008).

5.1.5 Discussions of Findings of Cases Analyzed

The information from the case study was qualitative in nature this was basically the views of the respondents. The information was processed by way of content analysis basing it on the research objectives. The information got from the interviews was compared with the findings from the survey analysis to test the relationship; same method was used by Masinde (1994) in his study on the benefits of subcontracting.

The case study provides in-depth information on family businesses and what could have contributed to better performance. In relations to succession planning, there is really no documented succession planning in most of the firms. However the founders normally work with close family member who they train and also entrust with management of the family business in case the founder is away. In most cases conflicts are resolved as they occur, this ensures smooth running of the family business.

Family better performance has been linked to better succession planning and entrepreneurial orientation. Innovation, opening up new businesses and expansion contributed more to better performance of the business. Not much of the BDS was witnessed within the family businesses. Most successful family members have top

level managers who help them in their day to day operations, these managers are believed to have skills that family businesses members do not have. In cases where the successor training takes place, performances improve after the exit of founder.

The best measure of performance according to the firms is sales turnover, opening of new business, new branches, new products, customer satisfaction and longevity of the business. Social networks also help the family businesses, for example being successful in politics help a lot in business growth. However care must be taken not to use family resources such as time and money in politics, this may bring down a family businesses. Commitment to carry on the founder's vision is also key to success of the business.

5.2 Chapter Five Summary

Chapter Five presented the findings of hypotheses tested using multiple regression and Pearson product moment correlation, in total four hypotheses were tested. The study results indicated that hypothesis one was accepted with respect to the influence of succession planning on performance indicators. Hypothesis two was also accepted with respect to the moderating influence of entrepreneurial orientation on the relationship between succession planning and performance of family businesses.

However, hypothesis three on moderating effect of business development services on the relationship between succession planning and performance of family businesses were rejected. Hypotheses four that tested the joint effect of succession planning, business development services and entrepreneurial orientation on the performance of family businesses was accepted. Areas of agreement and disagreement were noted

with respect to each hypothesis. The results suggest that family businesses should use more of EO and SP to improved performance.

CHAPTER SIX

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

6.1 Introduction

Chapter Six provides a summary of findings, conclusions based on findings and discussions in chapter Four and Five. The first section provides a discussion of the major findings of the study with regards to the specific objectives. The second section offers a discussion as well as the conclusions based on the specific objectives and hypotheses. The chapter also provides the recommendations for improvement which are indeed based on the specific objectives, and contribution of the study to theory, methodology, policy, and practice. The chapter highlights the limitation of the study and the future area of research.

6.2 Summary of the Study Finding

The data was collected from the family businesses in Machakos County, Kenya. The study response rate was 53%, the respondents were family members and non-family members in key positions mainly involved in running the business within the target firms. All the family firms involved in the study were more than five years old, with most having less than 30 employees in the firm. Most of these institutions are limited companies and either service or commerce sectors. The founder families maintain more than 50% ownership of the family businesses. The founders levels of education was mainly diploma and certificate, in majority of the firms the founders acted as board of directors and a significant number acted as advisors and CEOs in the firms. Nearly the founders were aged of above 60 years. Additionally, nearly all the successors of family businesses were male, working in the firms as board members, advisors or CEOs. Most of these successors were middle-aged (31-60 years) with a

degree level of education and 5-10 years of experience. The study collected information on various indicators of succession planning, entrepreneurial orientation, and business development services, to assess their relationship on the performance of the family businesses. These outcomes are presented in the sections that follow

6.2.1 Relationship between Succession Planning and Firm Performance

The first objective of the study was to assess the influence of succession planning on firm performance. The study found out that there was low application of succession planning undertakings in family firms in Machakos County. There were very few of the firms indicating signs of carrying out succession planning. The study observed that very few of the institutions applied various measures of succession planning such as ensuring that work goes on even without the founder, conflicts resolution, vision sharing, sucessor training. There was minimal documented succession plan, a fewer team of advisors who are non-family members and no clear plan on the person to take over the business.

The usage of succession planning in the firms was low, the study found a low correlation coefficient with firm performance and coefficient of determination (R^2) of 0.040 being realized which indicated that succession planning explained 4.0% of the variability in firm performance. Succession planning was observed to have a positive impact on the firm performance of family businesses, this   leads to the observation that improvement in succession planning would cause an improvement in firm performance.

6.2.2 Effects of Succession Planning, Entrepreneurial Orientation on Firm Performance

The second objective of the study was to establish the influence of entrepreneurial orientation on the relationship between of succession planning and firm performance. The study observed large scale application of entrepreneurial skills in family businesses. The study found out that various entrepreneurship strategies are applied by the businesses in the County, an indication that family businesses in the region have aligned themselves with positive entrepreneurial orientation. This outcome is in line with the steward theory were the workers share the same vision with the founder, they take good care of the business so that the future generations can carry on with the business.

The study observed an improvement in the model between succession planning and firm performance when entrepreneurial orientation was included in the model. The firm performance had a correlation index of 0.200, after regressing against succession planning. The correlation index increased to 0.607 when entrepreneurial orientation was introduced in the model, meaning that there was an improvement in the relationship between the firm performance and succession planning. This results were further confirmed by a coefficient of determination observed as 0.040 when succession planning was regressed with firm performance which increased to 0.368 with the introduction of entrepreneurial orientation. This increase is an indication that succession planning and entrepreneurial orientation have a better ability to explain the variability in firm performance. The study confirmed that succession planning and entrepreneurial orientation have a positive impact on the firm performance of family businesses.

6.2.3 Relationship between Succession Planning, Business Development Services, and Firm Performance

The fourth objective of the study was to determine the influence of business development services on the relationship between succession planning and firm performance. To achieve this objective, it was hypothesized that BDS had a moderating influence on the relationship between succession planning and firm performance. The study found out that the usage of business development services in family businesses was minimal, and the undertakings were rare among the family businesses. From the personal interviews the researcher found out that BDS practices were unknown to many of the business operators in the County.

The study observed that both the correlation coefficient and coefficient of determination did not change when business development services were introduced in the model. This was an indication that BDS have no moderating effect on the relationship between succession planning and firm performance. It was observed that succession planning coupled with business development services explain 4% of the variability in performance of family businesses, same as when succession planning is considered on its own.

Moreover, the regression model indicated some mild change in the model; BDS indicated a negative coefficient hence negative impact on firm performance. Therefore, the current study concluded that business development services lack the moderating effect on the relationship between succession planning and firm performance.

6.2.4 Joint Effect of Succession Planning, Entrepreneurial Orientation, Business Development Services on Firm Performance

The Fourth objective of the study sought to determine the joint effect of succession planning, business development services and entrepreneurial orientation on firm performance. The regression model gave a higher correlation coefficient of 0.615, an indication that the joint relationship between firm performance, succession planning, entrepreneurial orientation, and business development services was better than when the succession planning was considered on its own (0.200).

When considered with entrepreneurial orientation as moderator (0.607) or business development services as the moderator (0.200). Similar views were observed for the coefficient of determination was 0.378, an improvement from FP and SP was 0.04, and FP, SP and BDS was 0.04. This results confirmed a better ability of the joint model to explain the variability in firm performance. Table 6.1 shows a summary of finding and conclusions.

Table 6.1 Summary of Hypotheses, Findings and Conclusions

Objective	Hypothesis	Findings	Conclusions
Objective 1 Determine the effect of succession planning and on performance of FB	H_1: SP has a positive effect on performance of family owned businesses	The findings established That succession planning had a significant effect on performance of FOB	H_1 was supported
Objective 2 To determine the effect of EO relationship between succession planning and performance FB	H_2: EO has an positive effect on the relationship between SP and performance of FOB	The findings established that entrepreneurial orientation had a significant moderating effect on the performance FOB	H_2 was supported

Objective	Hypothesis	Findings	Conclusions
Objective 3 To establish the effect of business development services on the relationship between succession planning and performance of FB	H_3: BDS has a positive effect on the relationship between SP and performance of family owned businesses	The findings established business development services had a no significant moderating effect on the performance of family businesses	H_3 was not supported
Objective 4 Examine the joint effect of succession planning, entrepreneurial orientation and business development Services on performance of FB	H_4: There a greater joint positive effect of SP, BDS, EO on performance of family-owned businesses than individual effect of EO and BDS	The findings established that the joint influence of SP, EO and BDS on performance family businesses is greater than the individual influence of each variable.	H_4 was supported

Source: Researcher (2015)

Therefore Table 6.1 shows the summary of hypothesis, findings and conclusions. The study confirms that succession planning, entrepreneurial orientation, and business development services have an impact on the performance of family businesses.

6.2. 5 Triangulation Case Study and Survey Finding

The study employed both survey and a case study method to cover both qualitative and quantitative methods. According to Jick (1979) the two methods leads to a more efficient and adds to validity of the study. Both method showed that no documented succession planning, although it was important. Table 6.2 shows a summary of triangulation findings.

Table 6.2 Summary of Triangulation Findings

Objective	Findings from case studies	Findings from survey	Triangulation findings
Objective 1 Determine the effect of succession planning and on performance of family owned Businesses	No documented plans Firm still stable without the founder Non family members in key roles	That succession planning had a significant effect on performance of FB	No documented succession plan, succession was informally practiced and was contributed positively to performance
Objective 2 To determine the effect of entrepreneurial orientation on the relationship between succession planning and performance of FB	Survive because of innovation Borrowing for expansion New products New branches	Entrepreneurial orientation had a significant moderating effect on the performance of FB	OE very important in both cases, its contributes to better performance
Objective 3 To establish the effect of business development services on the relationship between succession planning and performance of FB	BDS- Not much practiced BDS -Not known Exhibitions-trade fairs	Business development services had a no significant moderating effect on the performance of FB	BDS is less practiced in both cases. It doesn't contributes to better performance
Objective 4 Examine the joint effect of succession planning, entrepreneurial orientation and business development Services on performance of FOB	Innovation is the key to success, Successful succession is vital Business development is not practiced	The joint influence of succession planning, entrepreneurial orientation and business development services on performance family businesses is greater than the individual influence of each variable.	The greatest contributor of performance is successful succession and EO, BDS if well implemented can improve performance

Source: Researcher (2015)

Table 6.2 shows a summary of triangulation findings, the case study showed that

succession planning was important in success of family businesses, while the survey

showed less emphasis on succession planning. The case study and survey showed that

the entrepreneurial orientation has an impact on the performance of the family

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businesses. Both survey and cases studies showed that the BDS does not play an important role in determining performance. However the case study offers the explanation that BDS is new and less practiced in family businesses.

6.3 Conclusion of the Study

The study concludes that succession planning, though lowly practiced in the firms, have a positive impact on the firm performance. Succession planning provides a family owned business with a competitive edge by enabling the continued use of accumulated idiosyncratic knowledge of family members. Therefore, firms should prepare their successors for better performance. The study concludes that family firms that are seeking to improve their performance, in the long run, should ensure that they train and mentor the business successor. The study also found out that when succession planning is combined with entrepreneurial orientation, a higher impact on firm performance is realized. Entrepreneurial orientation was a key characteristic in most of the businesses in the study, with most of these businesses applying various entrepreneurial strategies in their operations.

The study concluded that entrepreneurial orientation had a significant moderating effect on the relationship between succession planning and firm performance. The firms ought to combine entrepreneurial orientation with succession planning which would allow the successor be well equipped to grow further the firm, hence improving performance. The moderating effect of business development services on the relationship between succession planning and firm performance was insignificant.

The application of business development services is very minimal with the majority not being aware of the existence of the services. This outcome leads to the conclusion that business development services have no moderating effect on the relationship between firm performance and succession planning. Further analysis revealed that the business development services gives a negative coefficient to the model relating succession planning and firm performance, the coefficient was statistically insignificant. This outcome led to the conclusion that there is no moderating effect of business development services on the relationship between succession planning and performance of the family businesses in Machakos County, Kenya.

The study carried out a further analysis of the joint effect of succession planning, business development services and entrepreneurial orientation on firm performance. The study observed that succession planning, business development services and entrepreneurial orientation provided a better model on firm performance than all the models. The study therefore concludes that there is a joint effect of succession planning, business development services and entrepreneurial orientation on the performance of family businesses in Machakos County.

6.4 Recommendations of the Study

The study found that succession planning and entrepreneurial orientation are some of the key determinants of firm performance in family businesses. However, succession planning was applied in very few family businesses. The study therefore recommends that key stakeholders in business and enterprise development should introduce training of family owned businesses on succession planning so as to ensure that they are able to smoothly transition from one generation to another with the support of

policy makers like the government and NGOs being solicited for this undertaking. Family businesses should also consider involvement in succession planning by taking the initiative of getting involved in various training programs on the same.

The study observed that entrepreneurial orientation have a mediating effect on the relationship between firm performance and succession planning. The study also found that entrepreneurial skills are widely applied within the family firms, an indication that the businesses are able to pass along the entrepreneurial nature from one generation to the next. This would be better boosted by succession planning and therefore, family businesses should embrace more of succession planning in order to enjoy the benefits of their entrepreneurial orientation. Given that family businesses are important to economic development.

It is essential for government agencies and other stakeholders to create an enabling environment in terms of policies that supports succession planning and entrepreneurial orientation so that their efforts continue to bear fruits even for generations to come. By understanding the succession planning and entrepreneurial orientation, and their impact on firm performance, programs to better prepare family businesses owners should be developed.

The study found that business development services are rarely applied within the family businesses and they have no moderating effect on the relationship between firm performance and succession planning. From these findings, the study recommends a relook in the entrepreneurship and business development theories to consider these findings which would further lead to more enhanced views in this relation. A look at its negative impact on firm performance is recommended by the study to further bring more understanding on this front. The study found a joint effect

of succession planning, entrepreneurial relation and business development services on firm performance. The study therefore recommends application of the three factors in family firms which would improve the institutions in the long run.

The management of family institutions should therefore be encouraged to foster succession planning in family businesses which would positively impact the success of the firms. Other institutions especially those mandated to train business leaders and managers should consider inclusion of training on succession planning and business development services in conjunction with the already existing entrepreneurial orientation, which would enable their students to apply their knowledge at their workplace when employed or when they become business owners, hence foster success of family businesses and reduce the failure of the same during transition.

6.5 Implications of the Research Findings

The main contribution of this study is to theory, knowledge to scholars, to policy makers and management. The finding of the study contributes to the existing body of empirical evidence within the Kenyan context. The current study sought to establish the influence of entrepreneurial orientation and business development services on the relationship between succession planning and performance of family businesses. Both entrepreneurial orientation and business development services were hypothesized as moderating variables. The study was able to establish the aspects of the entrepreneurial orientation and business development services that contribute to performance of the family. This information contributes to the existing body of empirical evidence within the Kenyan context.

6.5.1 Theoretical and Research Implications

The results of this study contribute to strengthening the existing body of literature by confirming empirically that succession planning, entrepreneurial orientation, and business development services influence performance of the family businesses. The results also show the magnitude of the relationship among SP, EO, BDS and performance. By establishing the influence of both EO and BDS on the relationship between SP and firm performance, managers of family businesses can leverage on both to improve performance.

The study outcomes support views posited by agency theorists, resource based view theorists, stewardship theorists and family systems theorists. Agency theory is well represented in the study in that agents within the family firm provide skills that the family members do not have. The family systems theory has a link in the family business since there has to been a balance in the three systems for the business to succeed and even to get to the next generation. Similarly, the study observed the link with resource based view of the firm where family firms need resources that are best used in entrepreneurial orientation and business development services.

6.5.2 Policy Implications

The study also contributes to policy implications in terms of decision making both at Machakos County level and also in Kenya. The family businesses contribute to economic growth, creates employment and in the provision of goods and services. The performance of family businesses is important, and, therefore, the results of this study will assist policymakers to make sound decisions regarding which variables to focus on in order to improve performance. SMEs policy makers like the government

and non-governmental bodies should leverage on EO and BDS services to improve the performance of the family businesses. The emphasis should be more on planning for succession for the firms so as to move to the next generation.

The county should also try and support women to start their businesses, the study indicates that a minimal number of women own businesses hence gender disparity. Again the study recommends that the government should encourage and support value addition in form of manufacturing of good. The study shows that most of the firms are in trade where value addition is minimal and also does not create more employment unlike in manufacturing sector. The results suggest that family businesses need to embrace SP, BDS, and EO activities to attain a better performance. Policy makers in the SMEs sector should encourage the family businesses to take advantage of BDS to improve their performance.

6.5.3 Implications on Practice

Only a third of family-owned businesses make it to the second, and a few make it to the third generation. This problem is associated with poor succession planning and non application of the BDS services. The study suggests that the key success factors or drivers of better performance better succession planning use of BDS and EO. The results of the study indicated that EO had the highest positive and significant contribution to performance. The managers should therefore focus more on EO to enhance performance of their firms. The study established a weak positive correlation between BDS and performance. Therefore the family business experts must come up with measures on how these firms can take advantage of the BDS to improve their performance

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6.5.4 Implications for Methodology

The current study used mixed method of data collection which included quantitative and qualitative data, survey and personal interviews for data validity. Use of mixed methods in carrying out research helps in avoiding the limitations that occur when a researcher uses one method. The triangulation approach in a study helps the researchers to overcome the shortcomings of a single method of data collection. The in-depth interview approach was very useful for the success of the study since it complemented the survey design to enhance validity.

It was also useful in getting data from difference sources by interviewing the family members and non family members. This kind of interviews gave an in-depth understanding of the family businesses on aspects of SP, EO, BDS and firm performance. This study, therefore, recommends that studies on family businesses should use different way to collect data, and especially personal interviews so as to get the detailed information. The study also proposes that studies on family businesses should focus purely on family businesses; they should not equate family businesses to SMEs as is the case with most of them.

6.6 Limitations of the Study Research

There are limitations which were encountered during data collection process, getting information from the respondents who where family members was not easy because of the family secrets. Most of the non-family member's respondents had to seek permission from the business owner; this took a long time before the questionnaires were returned. The questionnaires were supposed to be filled by the business owner or the successor, most of them were very busy and even some of them where not easily

accessible due to the nature of their duties. So they delegated the completion of the questionnaires to other staff members in the firm.

The researcher made it optional for the questionnaire to be completed by either the CEO or successor or a close family member who normally report directly to the CEO. This was also harmonized by the collection of data using the non family members who are in top position. Another problem that was encountered in the thesis writing process was in the area of the literature review. There were very few journals, books and internet sources with literature on family businesses in Kenya and in particular in Machakos County. Most of the available literature did not study family businesses independently, but studied family businesses as SMEs.

The researcher used the available ones to review the family businesses since most researchers treated family businesses as SMEs. There was no listing of the family businesses, this made it difficult to to get the family businesses. To overcome this the researcher used a combination of the SME listing, the generally accepted working definition of the family business and the definition of SMEs by World Bank to get the family businesses.

There are family members who did not complete filling the questionnaire because the founder passed on and, therefore, most of the information regarding the founder did not go well with them, this is what majorly contributed to low response rate. The researcher did not include incomplete questionnaires in data analysis. The other limitation was where respondent was to indicate the name of the organization. Due to confidentiality policy on firm's information that prohibits disclosure of firm's

information to outsiders. This requirement initially affected the response rate, as a result, the researcher made it clear that name of the firm was optional, and this clarity greatly improved the response rate.

6.7 Suggestions for Further Research

The research on influence of business development and entrepreneurial factors to the relationship between succession planning and firm performance offers new contributions in improving the death rates of businesses. It could provide a road map of identifying key success factors which could be used by family businesses during transitions. This study, therefore, suggests further studies to be carried out to determine the impact of environmental factors, succession planning, business development services and entrepreneurial orientation on the performance.

The current study observed that business development services had no significant impact on the relationship between firm performance and succession planning. Further the study revealed that business development services have a negative impact on the firm performance model indicating that it negatively affects firm performance. While other studies linked business development services to better firm performance. The study therefore suggests further studies to be carried out to solve this point of contention and bring out the real relationship in various environmental and sector settings.

The study found out that a joint relationship between succession planning, entrepreneurial relation and business development services and firm performance is more preferable. The study therefore recommends an evaluation of this relationship to further bring out the model in big firms that are family owned in order to integrate them into entrepreneurship theories. Further studies on this relationship are thusly recommended.

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APPENDICES

Appendix i: Candidate Research Letter of Introduction

The respondents,   Angela Mwikali Nyalita

Machakos County   **P.O Box 90 -00519**

                                                         Mlolongo, Kenya

                                                         12th May, 2015

Dear Sir/Madam,

<u>REF: Succession Planning, Entrepreneurial Orientation, Business Development Services and Performance of Small And Medium Family Businesses in Machakos County, Kenya.</u>

I am a doctoral Candidate in School of Business, University of Nairobi. I am in my research stage of my postgraduate studies focusing on "Succession planning, entrepreneurial Orientation, business development services and performance of Small and Medium Family Businesses in Machakos County, Kenya".

I request you to respond to the questions frankly and honestly. Your participation is entirely voluntary and confidential, the questionnaire is completely anonymous. All information will be used for academic purposes only.

In case you are interested in the summary of the results you can request a copy writing an email to the undersigned. Thank you very much for helping with this important research endeavor.

Yours sincerely,

Angela Mwikali Nyalita

 Mobile: 0722-749781

Email:angelaboby@yahoo.com

Appendix ii: Machakos County Research Letter of Introduction

REPUBLIC OF KENYA
GOVERNMENT OF MACHAKOS COUNTY
MINISTRY PUBLIC SERVICE, LABOUR, COOPERATIVE & ICT
DEPARTMENT OF PUBLIC SERVICE, LABOUR & ICT

Telephone: +254-44-20246
Mobile: +254-716-966938, 738-545300

Machakos Headquarters
BOX 1996-90100
Machakos, Kenya

15/05/2015

TO WHOM IT MAY CONCERN

RE: ANGELA MWIKALI NYALITA

The above named is a **Ph.D candidate** in University of Nairobi. She is undertaking a study on Business Development as part of her course outline and has requested to be allowed to carry out a research in Machakos County using the attached questionnaire.

This office has no objection to her application and you are kindly requested to facilitate her accordingly.

Yours

W.M MACKENZI
FOR CHIEF OFFICER
MINISTRY OF PUBLIC SERVICE, LABOUR &ICT

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Appendix iii: University Research Letter of Introduction

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES AND SOCIAL SCIENCES
SCHOOL OF BUSINESS
DOCTORAL STUDIES PROGRAMME

Telephone: 4184160/1-5 Ext. 225
Email: dsp@uonbi.ac.ke

P.O. Box 30197
Nairobi, Kenya

12th May, 2015

TO WHOM IT MAY CONCERN

RE: **ANGELA MWIKALI NYALITA: D80/61522/2011**

This is to certify that, **ANGELA MWIKALI NYALITA: D80/61522/2011** is a Ph.D candidate in the School of Business, University of Nairobi. The title of her study is: **"Succession planning, Entrepreneurial Orientation Business Development Services and Firm Performance of Family Owned SME's in Machakos County, Kenya".**

The purpose of this letter therefore, is to kindly request you to assist and facilitate in carrying out the research/study in your organization. A questionnaire is herewith attached for your kind consideration and necessary action.

Data and information obtained through this exercise will be used for academic purposes only. Hence, the respondents are requested not to indicate their names anywhere on the questionnaire.

We look forward to your cooperation.

PROF. STEPHEN N.M. NZUVE
ASSOCIATE DEAN
GRADUATE BUSINESS STUDIES
SCHOOL OF BUSINESS
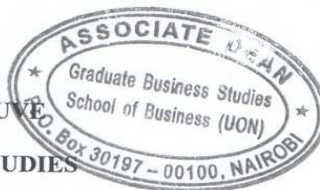
MO/nwk

Appendix iv: Research Questionnaire

Dear Respondent,

This questionnaire is designed to collect data on succession planning, entrepreneurial orientation, business development services and performance of family businesses in Machakos County, Kenya. Kindly respond to the questionnaire, the information will be used for academic purposes only and will be treated as confidential.

PART ONE: Business Profile (Please tick where appropriate).

1. Year of Business establishment ………………………

2. How many full time employees does the business have? ……………

3. What is your business form?

Sole proprietor   [   ]

Partnership   [   ]

Corporation   [   ]

4. What sector is the business in?

Manufacturing   [   ]

Service   [   ]

Commerce   [   ]

5. What proportion of the business is owned by the founder family?

Greater than 50%   [   ]

Less than 50%   [   ]

Other-please specify ………………

PART TWO: Please this part is to be filled by a close family member.

a) Founder Profile

6. Gender

Male   [   ]

Female   [   ]

7. Please indicate the current Founder position in the Businesses

CEO/MD   [   ]

Retired   [   ]

Board Members (BOD)   [   ]

Advisor   [   ]

Others specify…………………………….

8. What is the founder's level of education?

Post graduate   [   ]

Graduate   [   ]

Diploma   [   ]

Certificate   [   ]

9. Founder age (years)

Under 30   [   ]

31-60   [   ]

Over 60   [   ]

10. Age of founders children

Under 20   [   ]

21-40   [   ]

41-60   [   ]

Over 60   [   ]

b) Current successor profile

11. Gender

Male   [   ]

Female   [   ]

12. Please indicate the current successor's position in the businesses

CEO/MD   [   ]

Board Members (BOD)   [   ]

Advisor   [   ]

Others specify…………………………….

13. What successor's level of education

Post graduate   [   ]

Graduate   [   ]

Diploma   [   ]

Certificate   [   ]

14. Age of the successor (years)

 Under 30   [   ]

 31-60   [   ]

 Over 60   [   ]

15. How many years has the successor been working in the business?.........

PART THREE:

16. Succession Planning

Please indicate to what extent your business applies each of the following succession

plans. Use a scale of 1-5. Please **TICK** accordingly in the appropriate column

Where 1= Not at all   2= little extent 3= some extent 4= large extent 5= very large

extent

	Succession Planning	1	2	3	4	5
a	Conflict are fully resolved as they occur					
b	The business owner has shared vision with top employees					
c	Work goes on even without the Founder					
d	The founder has shared his retirement goals					
e	On job successor, training is regularly done					
f	There is a documented succession plan					
g	The firm has mentoring programs					
h	We have a clear plan regarding the person to take over the business					
i	I am aware of the next successor of the business					
j	The firm has a team of advisors who are non-family members					

PART FOUR:

17. Entrepreneurial Orientation

Please indicate to what extent your business applies each of the following

entrepreneurial 0rientations. Use a scale of 1-5. Please **TICK** accordingly in the

appropriate column.

Where 1= Not at all   2= little extent 3= some extent 4= large extent 5= very large

extent

	Entrepreneurial Orientation	1	2	3	4	5
a	We continually develop new products					
b	We always explore new market					
c	We always do research on products					
d	We explore market outside our region					
e	We use information technologies to manage our business					
f	We actively observe and adopt the best practices in the firm					
g	We have plans to venture into new business					
h	We have always borrowed money from the bank					
i	We sell our products on credit					
j	We have employed non-family members					
k	We have plans to venture into new market					
l	We have follow-up mechanism on after sales					
m	We train customers on our products usage					
n	We always exceed our customer expectation					
i	We have plans to counter competition					
j	We have strategies in place to address products quality issues					
k	We continuously search for new opportunities					

PART FIVE:

18. Business Development Services

Please indicate to what extent your business applies each of the following business

development services. Use a scale of 1-5. Please **TICK** accordingly in the

appropriate column.

Where 1= Not at all   2= little extent 3= some extent 4= large extent 5= very large

extent

	Business Development Services	1	2	3	4	5
a	We normally get mentoring services that are provided volunteer mentors					
b	We normally get business incubation services					
c	We get volunteers to advise on improvement on our product & design					
d	We normally have external services to organize for trade shows and exhibition					
e	We normally get free advise on business planning, market information from external sources					
f	We normally have feasibility study done by business development providers for free					
g	We have external companies that does research and development for us for free					
h	We normally have free training for our members by volunteer business developers					
i	We have volunteers who helps in developing our business by helping to get markets for our products					
j	We normally have free regular radio, TV shows to expose our brands in the market					
k	Volunteers help to improve our capacity through better management of our operations and provide technical expertise					

l	We normally have free technical training and advisory services such as book keeping and accountancy done regularly					

PART SIX:

19. Firm Performance

Please indicate to what extent your business applies each of the following non financial performance measures. Use a scale of 1-5. Please **TICK** accordingly in the appropriate column.

Where 1= Not at all   2= little extent 3= some extent 4= large extent 5= very large extent

	Non financial firm Performance measures	1	2	3	4	5
a	Our firm has lately bought in new asset					
b	Our Return on Investment has increased					
c	Our net profits have improved for the last two years					
d	Our sales have grown compared to last year					
e	We are able to repay our debts.					
f	Our sales volume are better that our closes competitor					
g	We do have quick response to customer complains.					
h	We have dedicated Customer personnel					
i	The company uses recorded customer feedback for improvement					
j	Our customer keep referring other people to us					
k	Our customers are customers satisfied with our products.					
l	We have a customer complain register in place					
m	Our customer base has increased					

n	Our services are very reliable compared to our competitors.					
o	Our firm has low employee turn over					
p	There is good relationship between management and employees.					

19q) In the last four years, what has been the growth rate of your firms sales turn over

Below 10%   [   ]

11-20%   [   ]

21-30%   [   ]

Over 30%   [   ]

19r) In the last four years, what has been the growth rate of your firms return on asset

Below 10%   [   ]

11-20%   [   ]

21-30%   [   ]

Over 30%

19s) In the last four years, what has been the growth rate of your firms return on sales

Below 10%   [   ]

11-20%   [   ]

21-30%   [   ]

Over 30%   [   ]

19t) In the last four years, what has been the growth rate of your firms annual profit

Below 10%   [   ]

11-20%   [   ]

21-30%   [   ]

Over 30%   [   ]

If you would like to make any special comments that may assist the researcher please write them in the space provided below

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

THANK YOU FOR YOUR PARTICIPATION IN THIS STUDY

Appendix v: Interview Guide

a)Succession planning

1. Describe the family succession plans in your firm.

2. Does the firm have a written succession plan?   If not, why?

3. Would the business still go on without the owner?

4. Does the firm have top level managers who are not family members?

5. What is the effect of succession planning on your firms' performance?

b) Entrepreneurial orientation

6   What are some of the entrepreneurial orientation activities in your firm?

7   How do the entrepreneurial orientation activities contributed to firm's performance?

c) Business development Services

8   Describe the business development Services activities in your firm.

9   What is the effect of business development Services on your firms' performance?

d)Firm's performance

10 What measure of performance would you consider best your firm?

11 What are the areas that your business has improved on since transition?

12 Have your annual profits, sales, return on asset and return on sales increased or reduced since transition?

e) What is your comment on the contribution of each of the following in relation to your firm's performance?

13 Succession Planning

14 Entrepreneurial Orientation

15 Business Development Service

Appendix vi: List of SMEs in Machakos County

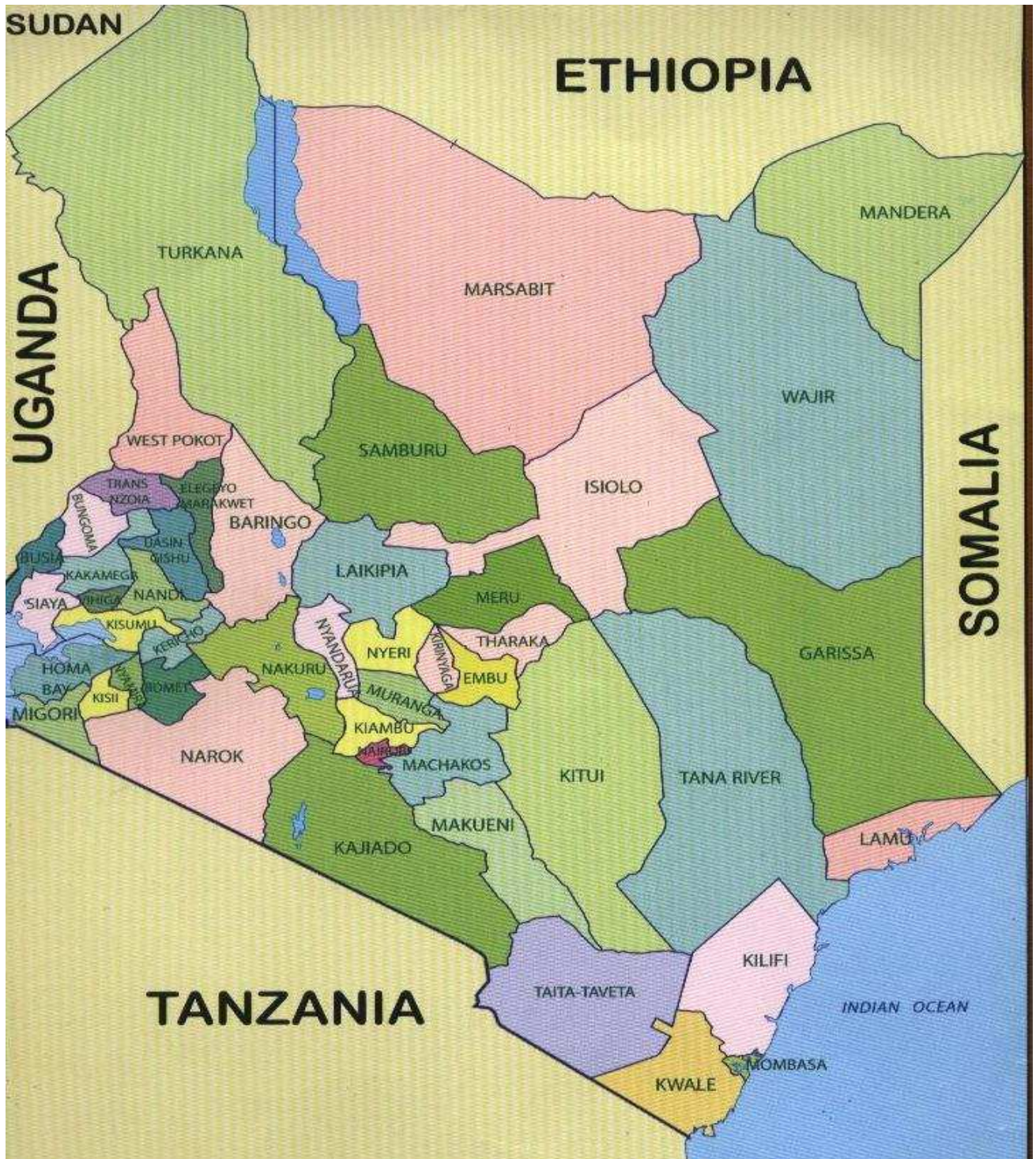| Business Category	Business Code	Business Description	Total count
Retail shops 100	110	Medium Trader Shops and Retail Services	423
	115	Small Trader Shops and Retail Services	1849
Transport 300	315	Small Transport Company	30
	330	Medium Petrol Filling Station	8
	335	Small Petrol Filling Station	3
	375	Medium Communication Company	1
	395	Medium Transport Storage and Communication	20
Agriculture 400	410	Medium agricultural producer, processor/Dealer/Export.	2
	415	Small agricultural producer/processor/dealer	112
	425	Medium mining or natural resources extraction operation	1
	495	Medium agricultural forestry and natural resources	13
Hotels & Restaurants 500	506	Medium - High standard Lodging Hotel D class	1
	512	Medium Eating Houses/Snack Bar, Tea House	22
	515	Medium Lodging Hotel with Restaurant/Bar B/C class	3
	517	Small Night Clubs/Casino	3
	518	Small Lodging House with Restaurant or/B/C class	16
	524	Medium Lodging House B/C class	6
	527	Small Lodging Houses	26
	543	Medium Restaurant with Bar/Membership Club	22
	546	Medium Restaurants with Bar -(10 customers)	70
Professional services 600	615	Small Professional Services	27
	630	Medium Financial Services	15
	635	Small Financial Services	17
	695	Small Professional and Technical Services	338
Education 700	715	Medium Private Education Institutions	21
	720	Small Private Education Facility	119
	760	Small Entertainment Facility	1
	795	Small Educational, Health and Entertainment Services	39
Manufacturing 800	815	Small Industrial Plants	2
	825	Medium Workshops/Service Repair Contractor	11
	830	Small Workshops/Service Repair Contractor	178
	895	Small Manufacturers, factory, and contractors	20
Total			5311

Source: Machakos County , Licensing Department 2011

Appendix vii: A Map of Machakos County

Source: Google Maps

Appendix viii: A Map of Kenya

Source: Google Maps