

**SUCCESSION PLANNING AND PERFORMANCE OF SMALL AND
MEDIUM FAMILY OWNED BUSINESSES IN KIAMBU COUNTY,
KENYA**

BY

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DECLARATION

I Josiah Kuria, hereby declare that this research project titled **SUCCESSION PLANNING AND PERFORMANCE OF SMALL AND MEDIUM FAMILY OWNED BUSINESSES IN KIAMBU COUNTY, KENYA** is my original work and has not been presented for any degree in any other university.

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DEDICATION

I dedicate this research project to my wife Lydiah, my son Henry. My dad, my brothers and sister.

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LIST O F ABBREVIATIONS

ANOVA:	Analysis of Variance
CDSC:	Central Depository & Settlement Corporation
CEO:	Chief executive officer
GEMS:	Growth Enterprise Market Segment
KNH:	Kenyatta National Hospital
NSE:	Nairobi Securities Exchange
ROE:	Return on Equity
ROI:	Return on Investment
SME:	Small and Medium Enterprise

ABSTRACT

The objective of this study was to determine the relationship between succession planning and firm small and medium family owned businesses performance in the County of Kiambu. The study used a descriptive survey research design. The population targeted for this research were the small and medium family businesses in Kikuyu town, Kiambu County in Kenya. The sample size of the study was 98 respondents. The data used was collected from the owners of small and medium family businesses with the use of a semi-structured questionnaire. Frequencies, percentages, means and standard deviations were the descriptive techniques used to analyse the data. Inferential statistics was then used to establish the relationship between succession planning and the performance of small and medium family businesses in Kiambu County. The researcher administered 98 questionnaires to small and medium family owned businesses in Kiambu County and got 85 responses giving response rate of 86.73% which was an adequate representation of the target population. The study established that small and medium family owned businesses in Kiambu County have implemented succession management. The firms are aware that succession planning is very important and that why many firms can operate even in the absence of the business owner. The study further concluded that succession management positively and significantly affects the small and medium family owned businesses performance in the County of Kiambu. The study also concluded that small and medium family owned businesses practice human resource management in preparation for succession. The small and medium family owned businesses practice human resource management to a great extent and require accountability is required from every employee in the business with the vision of the business is shared to all employees. The study further concluded that the small and medium family owned businesses performance are has a positively and significantly impacted by human resource management. On the extent to which small and medium family owned businesses practice career development in preparation for succession, the study concluded that small and medium family owned businesses practice career development to a great extent. The successors are inducted properly to organizational culture to a great extent. Further, earmarked successors get opportunities to develop their careers and that education plays a key role in career development and succession to a great extent. The study further concludes that career development positively and strongly correlated with the performance of small and medium family owned businesses. The study recommended that in order to improve the performnace of small and medium family owned businesses, the management of those firms should consider estbalsihing succession plans that will allow smooth running of the said business. The study was limited its scope to the effcetof succession planning (succession management, human resource management and career development on the small and medium family owned businesses performance. The findings could be adequately generalised to firms outside te County of Kiambu since the business emvironment might be different. In future, a similar resaerch should be carried out in all the 47 counties for comparison purposes.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Succession is an inevitable occurrence in the operations of any family owned business. The strategies and modes used to facilitate the transitions of ownership and control have been found to have a significant influence on the family businesses' survival and performance (Maalu, McCormick and K'Obonyo, 2013),). As such, attaining the right connection and balance between the business's management, ownership and the family is essential in ensuring continued success and continuity of the business through the inevitable changes that occur over time to both the family and the business (Ramsden, 2016). Researchers such as Poutziouris (2000) and Ibrahim and Dumas (2001) confirms that, approximately 33% of the businesses owned by families survives the succession right from the first generation to the second generation and only a third of those that survives again from second to third generation. This validates the need for a study on the impact of succession planning on the family businesses performance.

This study was anchored on stewardship theory and supported by transformational leadership theory and human capital theory that explains the impact of the succession planning on the performance of SMEs owned by families. Using the human capital theory, Becker (1964) suggests that every individual possess human capital aspects and that a successor with excellent social and human capital can lead to reduction of the dependency on the external environment by family enterprises by large extent leads to reduction of uncertainty faced by many companies that embraces organizational prospect for the survival. According to Burn (1978, "through the Transformational leadership theory suggests that an effective leader makes self-sacrifices,

influence followers to and put exceptional effort. A transformational leader's influence is usually unidirectional and flows from the leader to his or her followers. Donaldson and Davis (1997) on the other hand through their stewardship theory suggested that the CEO and the board of directors must have a common interest of improving the firm performance. These theories inform the study findings.

In Kenya, there are few small and medium businesses owned by the family that have survived the third or fourth generation which is attributed to use of poor modes and strategies (Mwaniki, 2010), lack of planning and understanding of succession, emotions by family members which interfere with decision making (Weekley, 2005). There may also be conflicts which may result from the relatives seeing the business from different perspectives. These factors have caused many of the family owned businesses to fail at level from generation one two generation two.

1.1.1 Succession Planning

Succession planning involves pinpointing the basic requirements for both intellectual and leadership talent across the firm over a given period of time and preparation of the individuals for both present and the future responsibilities. According to Dunemann and Barret (2004), succession planning is a daunting task for families in business because it significantly determines the success and continuity of the family business. Succession planning is categorized into different stages based on the roles and functions performed by their offspring and other incumbents (Handler, 1994).

Research on family businesses mainly revolves around succession planning (Sonfield & Lussier, 2002). This is the case since letting go and passing on authority and reins of control by the family business founders always daunting and usually results from sudden circumstances. As a result, most of those who pick up lack preparation for leadership (Handler, 1994). Rodrigo (2013) defines succession planning as “the process of identifying and preparing suitable employees through mentoring, training and job rotation, to replace key players within an organization as those key players leave their positions for whatever reasons such as retirement, advancement and attrition”.

A three-level model was proposed by Stavrou and Swiercz (1998) to explain the succession process. The first stage is the successors pre entry stage where he or she is able to learn from the incumbent on the proper method of running a business, the next stage is the entry stage where he or she is incorporated into the process of running the business and then the final stage is where the potential successor is promoted into management position. This study determined whether planning for this process affects the performance of the business.

1.1.2 Organizational Performance

Organizational performance refers to the firm’s actual result or output as measured against the expected outputs. Frich (2009) defined organizational performance as the measure of the quality of results that an organization has attained from its operations. It is also the organization’s operational health. Organizational performance constitutes three specific areas of firm outcomes: the performance of the firm’s products in the market which is measured in terms of market share and sales; firm’s financial performance which is measured in terms of return on

assets, profits, return on investment; shareholder return which is measured in terms of economic value added and total shareholder return (Richard, Devinney, Yip & Johnson, 2009).

Organizational performance is measured using financial or non-financial measures. According to Liargovas and Skandalis (2004), financial measures include ratios such as Return on Assets (ROA) which measures the efficiency of the organization's management in using the organization's assets to generate returns, Return on Equity (ROE) which measures the organization's return on the shareholders' investment, Return on Investment (ROI) measures the organization's efficiency in an investment, organizational revenues profits. Non-financial measures on the other hand include; the level of customer satisfaction (Angelover & Zekiri, 2011), organization's market share and the quality of the organizations services or products (Prajogo, 2008). Both financial and non-financial measures of organizational performance should be considered to enhance the level of accuracy.

Organizations measure performance for different reasons. These may include; So as to improve on their products and service delivery, continuous improvement purposes, to ensure they satisfy their customers and also for customer retention purposes (Kaplan & Norton, 2001). There also other reasons such as to identify problems and waste of resources, identify success, to identify whether the firm is achieving its objectives and to better understand processes and bottlenecks (Gunasekaran & Kobu, 2007). However, this study focused on the performance of small and medium family businesses in Kiambu County in Kenya.

1.1.3 Small and Medium Family Enterprises in Kenya

SMEs in Kenya make a big contribution to the country's economic growth. The SMEs are categorized according to the Sessional Paper No. 2 by number of employees (Republic of Kenya,

1992). The paper stipulates that organizations with less than 5 employees are micro enterprises. The organizations with between 5-49 employees are small scale. Those with between 50-99 employees on the other hand are medium scale enterprises. Organizations that have over 100 employees are considered large scale enterprises. Thus an SME in Kenya is business organization with between 6 to 50 employees and with annual revenues of less than Ksh 50 million. Most organizations that belong to the SME industry are family-owned and depend on low cost energy, raw materials, labor, capital and technology. Although there is no comprehensive record in Kenya on the number of SMEs in the country, estimates put it at about 7.5 million enterprises, which contribute to up to 45% the country's GDP.

Most of the family owned SMEs in Kenya do not want to be listed on the Nairobi Securities Exchange (NSE). This is because they fear the loss of relinquishing their influence on their organizations which may result to them being edged out (Waitathu, 2014). They fear sharing their businesses information in the public as it is the requirement by law once an organization has gone public. During the launch of the "Review of Growth Enterprise Market Segment (GEMS) and increasing access to Kenya's capital market by SMEs" Stephen Wells, one of the authors of the report posit that family-oriented SMEs in Kenya are equally discouraged by the cost involves in listing which is considered high. It would cost the enterprise between Sh500,000 to Sh1 million to the Central Depository & Settlement Corporation (CDSC) to incorporate and maintain the share register in addition to paying between Sh2 and Sh4 million plus the NSE's initial charge fees of Sh150, 000 for legal firm and nominated transaction adviser to be listed (Waitathu, 2014). This study sought to determine the relationship between succession planning and firm performance of small and medium family businesses in the County of Kiambu.

1.1.4 Small and Medium Family Enterprises in Kiambu County

Kiambu County has recently shown a rapid growth due to the factors such as increasing in the demand for housing which has resulted from the rising population. The number of SMEs has also increased recently which is attributed to elaborate infrastructure and proximity to Nairobi the County also has a mixture of semi-urban and urban lifestyle which makes it possible for people to easily access social amenities and also access food from farmers (Kiambu Annual Development Plan, 2016/2017). All these make the County attract more businesses.

Kiambu County has been identified as one of five counties where SME parks was developed by the national government. The other four counties include Nairobi, Taita Taveta, Uasin Gishu and Kisumu County. The SME parks are intended to offer entrepreneurial orientation which would improve performance of SMEs and greatly stimulate economic growth. Further, Kiambu County is also among five counties in Kenya whose population is 50% urban. This implies that most of the residents are engaging in businesses. The food manufacturing SMEs stand to greatly benefit (County Government of Kiambu, 2017).

Kiambu County is well endowed with lots of agricultural resources and an entrepreneurial spirit among the residents. It is ranked as the second best out of the 47 in terms of economic growth in the last years due to the entrepreneurial spirit of the residents who engage in both small and small enterprises. The county government scale up programme wasnefit both women, persons of disability and youths as well as promotion of rapid growth of SMEs. Some of the key development projects undertaken in this sector include; construction of modern retail and wholesale markets which include Karuri Market, Ngoliba Market and Wangige Egg Market, the only modern egg market in Sub Saharan Africa (County Government of Kiambu, 2017).

1.2 Research Problem

Succession planning has been deemed very important and of great influence on the performance as well as survival of the family owned businesses (Ramsden, 2016). However, despite its importance, succession planning in family businesses is not given much consideration since CEO's of family businesses stay in office three to four times as long as those from non-family businesses and with the long tenure of office they may provoke a false lack of priority about the importance of succession planning or because family businesses lack some or all elements of the appropriate governance structures, for instance a family council, an effective board or family assemblies which assist in the regulation of the relationship between the management, the ownership of the business and the Family (Ramsden, 2016).

Kiambu County has recently shown a rapid growth due to the factors such as increasing in the demand for housing which has resulted from the rising population. The number of SMEs has also increased recently which is attributed to elaborate infrastructure and proximity to Nairobi (The Kiambu Annual Development Plan, 2016/2017). The constituency also has a mixture of semi-urban and urban lifestyle which makes it possible for people to easily access social amenities and also access food from farmers (Kiambu Annual Development Plan, 2016/2017). All these make the constituency attract more businesses. Literature has however not reviewed the performance of family owned businesses in Kiambu County nor their succession plans they employ.

Studies have been reviewed on this area of knowledge for instance; Baldwin (2005) through his study established that succession planning plays a crucial role in the firm's in the organizations' strategic planning. Kowalewski, Talavera and Stetsyuk (2009) posit that succession planning is positively related to firm performance outcomes but only up to a certain level. Hania (2012)

examined the factors influencing family business succession. Locally, Wakhungu (2010) examined the relationship that executive succession has on the performance of small and medium enterprises in Kenya and found that executive succession is the main challenge to the long term survival of SMEs. Abdille (2013) determined the effects of strategic succession planning on family owned businesses in Kenya. Maalu, McCormick and K'Obonyo (2013) establish how strategies of business succession affects the performance of small and medium family businesses in Nairobi.

The literature reviewed did not focus on the effect of succession planning on the performance of small and medium family owned business in Kiambu County which forms a knowledge gap which was bridged by this study through answering the question: what is the effect of succession planning on the performance of small and medium family owned business in Kiambu County?

1.3 Objectives of the Study

The general objective of the research was to establish the effects of succession planning on the performance of small and medium family owned businesses in Kiambu County, Kenya.

The specific objectives were:

- (i) To determine the effect of succession management on the performance of small and medium family owned businesses in Kiambu County, Kenya.
- (ii) To establish the effect of human resource practices on the performance of small and medium family owned businesses in Kiambu County, Kenya.
- (iii) To determine the effect of career development on the performance of small and medium family owned businesses in Kiambu County, Kenya.

1.4 Value of the Study

The study findings were of significance to theory and future researchers used it for new topic idea generation. The findings further provoked research in the area of entrepreneurial issues in family circles because its findings contributed knowledge on how family conflicts succession planning affect growth of businesses. Finally, it opened avenue for exploration of other viable sources of information on family issues in entrepreneurship.

The finding of this study was of significance to various stakeholders directly and indirectly. The results of this study would help the stakeholder like financial institutions in formulating sensitive offers specific for family business in Kenya. Knowledge of the effect of succession planning acted as a guide to making the policies that took care of family businesses to help them spur greater growth and create employment for more people in the economy.

Policy makers and business managers are interested in understanding the barriers to business and consequently providing solutions through policy analysis. Management and owners of family businesses would develop and improve capacity building in terms of structures, training and leadership development to improve productivity. National and County governments was interested in creation of awareness and development of conducive business environment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The section seeks to establish the theoretical foundation anchoring the study by exploring through various theories and researches related to the topic. The empirical historical studies with an eye both on global and local works carried out in the field is reviewed to give direction of the research paper. The gaps in the study, factors influencing small-medium enterprise family business operations, activities and performance, and summary of the content in this section.

2.2 Theoretical Foundation

Among the fundamentally significant aspects to assess encompass the how succession planning affects medium and small family business venture's performance in the sector and economy. Different scholars have come up with various theories to try to explain different succession planning aspects as well as the impact to these business firm's performance both in the short and long run. This study discusses three theories (human capital, stewardship, and transformational leadership) that can be used to explain how family owned entities succession planning works.

2.2.1 Stewardship Theory

Donaldson and Davis (1997) proposed the Stewardship theory seeking to explain the relationships between managers and their business owners. Personal goals motivation does not influence the management team efficiency and effectiveness but they align the family business objectives and goals as the primary motivation force in stewarding the operations of the business

as the theory posits. Being a steward means that the executive, board members, and management of family ventures strive to achieve the best interests, goals, and objectives of the firm as first priority even family interests and the team's interests' conflicts with the company's interests, that is what operating as a good steward avers. Based on the theory, compensation and bonus packages are insignificant in influencing the performance of the executives to realize high value of the firm, as there are no self-interests to motivate performance. Where family business ventures leadership is controlled solely by a family member, self-interest is eliminated. Pro-organizational traits and behavior are the strengths that opportunistic steward seeks to exploit and maximize utility rather than the self-serving characteristics and behaviors (Davis, Schoorman & Donaldson, 1997).

The attempt to maximize and optimize both the company and management team performance and productivity is attained when the company management and the owners of the business create and develop a positive relationship emanating from the Stewardship point of view rather than the agency theory perspective as averred by Davis *et al.*, (1997). The concern of the entire human resource according to the theory of Stewardship; is pinned on individual contribution potentials and efforts attributed to the success of the company as opposed to the personal selfish interests and desires. Therefore, family owned company CEOs operate and behave as stewards explaining that family well-being and survival is closely tied to the survival of the business, hence, the stewardship perspective foundation. In the same light, the family businesses in this country need to be monitored based on the assumptions of this theory, stewardship.

2.2.2 Transformational Leadership Theory

The leadership style which postulates the leaders as a powerful influencing force to the subordinate team to contribute exceptionally towards the goals and objectives of the firm as introduced by Burns (1978) and Jung and Sosik (2002) is the Transformational theory. The leader deploying this conceptual assertion disseminate a unidirectional influence to the employees, they are charismatic, give attention to individual followers and their needs or desires to excel and grow, and inspires the team under their leadership. The theory and leadership system seek to trigger and attain employee transformation in terms of aspirations, perception, value, expectation, and stir their focus in the direction of company goals, objectives, and expectation attainment both short-term and long-term. The management system under this theory builds a future oriented vision and mission inspiration, and avails the needed motivational and inspirational coaching of the employees to strive and achieve the vision and mission set (Bass, 1985).

This theory is based on psychological mechanisms whose critical components include “intellectual stimulation, idealized influence, individualized consideration, and inspirational motivation.” The assumptions of the theory affirm that a firm deploying multifactorial leadership surveys and assessment in establishing firm differentiation and determine how attitude, perception, beliefs, total productivity, and experience influence the audience of the company’s social transactions. Primarily, the transformational theory of leadership forms the cornerstone of family business startup, development, growth, and sustainability because of its innovativeness in ideas, goal and objective centeredness, and the creativeness it inspires in the business company staff members (Hershey, 2000).

The flexibility to learn and adopt new transformations, creativity and innovative in problem solving both future and current, and the theory's power and capability in influencing the right decision-making process, firm operations, and activities focused on achievement of company goals and objective results instead of activity based technique makes the leadership system excellent in developing the companies and business management. The transformational business manager needs to develop be an expert in their responsibilities to attain influence on the employees successfully implement the firm strategies. To fully support the business goals the approach deploys aspects and variables of creativity, reward and compensation structures, building strong productive relationships among the stakeholders, and designing goal oriented tasks for each stakeholder team and department units in the company, hence the system is suited to the family owned business due to an clearly elaborative rewarding and motivational or inspirational environment in the organization (Bass, 1985).

2.2.3 Human Capital Theory

The Human Capital Theory was advanced by Schultz (1960), while Mincer (1963) and Becker (1964) also contributed to this theory and therefore it forms primary resources for developing the Human Capital Theory in management science field. The theory suggests that the human capital of an individual for instance his or her skills and experience can be a substantial resource to a family enterprise. The theory further purports that a successor with more social capital and human resources minimizes the family business ventures reliability and dependability on the external or outside environmental forces which to an extent reduces the uncertainty faced by the firm that enhances the organizations prospects for survival. Individuals hold human capital aspects including abilities, skills, knowledge and experiences which are of an economic value to an organization. These aspects make the individual productive.

The theory of Human Capital is however criticized by Marginson (1993) for its inability to perceive people as different from exchangeable commodities and products. The theory is also criticized on the grounds of its focus on capital used quantitatively and failing to acknowledge the social force or attributes of capital via which the company establishes social value inform of continuous commodity circulation and accumulation of capital resources for the firm. The theory also does not consider un-measurable variables such as personal connections with insiders or their characters. This theory is however relevant to this study for its opinion that the human capital of an individual which is in terms of skills and experiences can be a substantial resource to a family enterprise hence its performance at succession.

2.3 Empirical Review

This study's empirical review is based on the objectives of the study. The relationship between succession planning and firm performance is reviewed. The relationship between succession planning aspects such as succession management, human resource practices and career development and firm performance is reviewed.

2.3.1 Succession Management and Organization Performance

Succession management is a systematic process of identifying and developing individuals that are potential successors. Succession management is a major problem that faces most family owned businesses in Kenya (Astrachan, Klein & Symronois, 2002). Most companies around the world have resorted to using succession management as a talent management initiative. Some companies use it as a strategic process of minimizing leadership gaps especially in critical positions and also to provide opportunities for future skills development. According to Kim,

Campbell and Ronald (2009) adopting an effective succession management enables firms to respond quickly to the changes the firm is faced with and also endure difficulties.

Cucculelli, and Micucci (2008) sought to establish the relationship between family succession and business performance in Italy with the target being the succession of the family business founder CEO. The study used descriptive research design. The researchers used secondary as well as primary data acquired using questionnaires financial reports respectively. The study disagreed with family business that was managed by hereditary CEO systems tied to the founder family line. The researchers established that upholding succession leadership based on this system impacted negatively to the performance of the firm especially in competitive sectors.

Chebet (2015) sought to establish the relationship between career planning, succession management practices and the performance of KNH. The researcher employed a case study design. Using data collected through an interview guide, the study established that KNH had adopted several career planning which include; career alignment to organizational objectives, communication and feedback, top management support and use of career centers all which enhanced the performance of KNH. The study also established that succession management practices such as succession management policies, having a structured succession management program, succession alignment to organizational strategies and training and development enhanced performance.

Atieli (2016) assessed the effects strategic succession planning and family business sustainability. Using a descriptive research design and 84 respondents, the established that most of the family owned business had never updated the company's succession management plan while few of them had updated it within the past three years. The study concluded that practice

of succession management positively influences family owned businesses in Kenya. This study sought to determine the effect of succession management on the performance of the Kiambu County small-medium family businesses.

2.3.2 Human Resource Practices and Organizational Performance

The human resources play an important role in succession planning and determines the profitability and successful of a firm even after succession. According to Casselbury (2018), the human resource department improves the firm through ensuring that top employees are recruited, developed in terms of career, retained and also ensuring the employees that are newly hired to succeed and keeps up the morale of the firm. Human resources practices such as employee recruitment, skill development and training of the successors help in the succession planning process to make the successor ready. Human resources prepare the successors for advancement, while retaining them to ensure they contribute a return on the firm's training investment.

Studies have been done to determine the human resource practices and organizational performance for instance; Maalu, McCormick, K'Obonyo (2013) sought to determine the relationship between the strategy of succession and the company performance of small-medium family ventures in Nairobi. The study used descriptive, content analysis and inferential statistics. Using a multi-method and a sample of 249 SMEs in Nairobi and six case studies, the study established that the relationship between the strategy of succession and the company performance of small-medium family commercial ventures in Nairobi, Kenya is no statistically significant. The researchers concluded that succession planning in the SMEs exists to a large extent but it is not documented. The study then recommended SMEs should develop family business succession infrastructure to enhance performance.

Wakhungu (2010) examined the association between executive succession and performance in small-medium sector enterprises in the Kenyan economy. The researcher used performance as the dependent variable whereas human resource practices such as compensation, successor origin, predecessor leadership, inter-generational relationships, successor development/training, educational level and functional background as the independent variables. The study observed that executive succession in family owned SMEs is significantly different from non-family owned. The study established that executive succession has an influence on family-based business performance in the country. This study examined the effect of human resource practices on organizational performance.

2.3.3 Career Development and Organization Performance

Career development is an aspect of succession planning that involves the preparing the heir through developing skills and ability. Development of Career opportunity refers to the process which forms the identity of an individual's performance in their development stages in a company work. Career development in most people occurs without the intervention of other people. Career development is affected by factors such as financial resources, personal characteristics, physical, mental, and emotional impairments, financial obligations, lack of support from family, family obligations and age (McKay, 2018). Career development is a continuous process of discovery where individuals slowly develop their own occupational concept that results from encouragements and individual's expertise (Manolescu, 2003).

Studies on development of a career and company performance relationship have been reviewed extensively in the research. For instance; Nasution, Mariatin and Zahreni (2016) sought to determine how performance of staff in a company is influenced by the culture of the firm and

career development at the Bank Pembangunan Daerah. Using a sample of 242 permanent employees, the study established that career development together with firm culture significantly influence the performance of employees which also has a favorable impact on the performance of the bank. The researchers also posit that it is crucial that the bank takes heed of its performance through evaluating the performance of its employee.

Kagwiria, Namusonge and Kabare (2017) established the influence and impact of managing careers on the performance of entities enlisted at NSE. The study employed descriptive as well as survey designs in the research. The study used a population of 224 respondents. The study established that career management has a strong positive relationship with the performance of listed companies. The study then concluded that career management is statistically significant in explaining the performance of listed firms. The researchers recommended that listed firms should adopt career management to enhance performance.

Napitupulu, Harsono, Riani, Sawitri and Haryono (2017) empirically determined “the impact of career development on employee performance. Using a sample of 250 civil servants, the researchers established that career development and employee performance have a positive and significance relationship. The study also established that career development however has no direct influence on firm performance. The researchers also established that the relationship between career development on employee performance is to a great extent influenced by mediating variables which to a large extent strengthening that relationship. The study concluded that career development is dependent on the degree to which the firm is capable of providing perceived motivation and support in promoting affective commitment and performance. This study sought to determine the effect of succession management on small-medium sized family entities in the Kenyan Kiambu County performance.”

2.4 Summary of Empirical Studies and Knowledge gaps

The summary of empirical studies included the past studies that has been carried out in the area of interest, the methodology used in those studies, the major findings in those studies and the knowledge gap that exist between those study and the current area of interest that is determining succession planning and performance of small and medium family owned businesses in Kiambu County, Kenya.

Table 2.1: Summary of Empirical Studies and Knowledge Gaps

Study	Methodology	Findings	Knowledge Gap	Focus of the current study
Factors affecting the performance of Family Business: A PLS-SEM Study (Motwani, 2016).	Exploratory research design and the Structural Equation Modelling approach	Family businesses are affected mostly by conflicts among the family members.	The study is not based in Kenya.	Determining succession planning impact on small-medium family ventures in Kiambu County, Kenya
The impact of succession planning on family managed supermarkets fiscal performance in Nairobi County (Rotich, 2014).	Descriptive Research Design.	Succession planning has a positive effect on family managed supermarkets fiscal performance in Nairobi County	The study did not focus on the family businesses in Kiambu County	Determining succession planning impact on small-medium family ventures in Kiambu County, Kenya
Strategic succession planning and performance of family owned businesses in Kenya (Abdille, 2013).	Descriptive Survey Design	Family business are primarily influenced by plans of succession and planning strategies	The study did not evaluate the performance of SMEs.	Determining succession planning impact on small-medium family ventures in Kiambu County, Kenya
The relationship	Descriptive,	The relation between	The study did not focus on	Determining succession planning

between the strategy of succession and the company performance of small-medium family commercial ventures in Nairobi, Kenya (Maalu, McCormick & K'Obonyo, 2013).	content analysis and inferential statistics	succession planning strategy and performance of family businesses in Nairobi, is not statistically significant and that succession planning in SMEs is not documented.	the family businesses in Kiambu County	impact on small-medium family ventures in Kiambu County, Kenya.
The variables affecting succession in family enterprises (Gaza Family Venture) case (Hania, 2012).	Descriptive Research Design	The obstacles to the achievement of succession in family ventures encompass conflict emanating from generation interests and lack of clear firm structures	The study did not review the performance of SMEs	Determining succession planning impact on small-medium family ventures in Kiambu County, Kenya
Performance as well as CEO succession and in small and medium enterprises in Kenya (Wakhungu, 2010).	Descriptive Survey Design	There is no association or connection between Performance as well as CEO succession and in small and medium enterprises in Kenya.	The study did not focus on the family businesses in Kiambu County	Determining succession planning impact on small-medium family ventures in Kiambu County, Kenya

Source: (Researcher 2018)

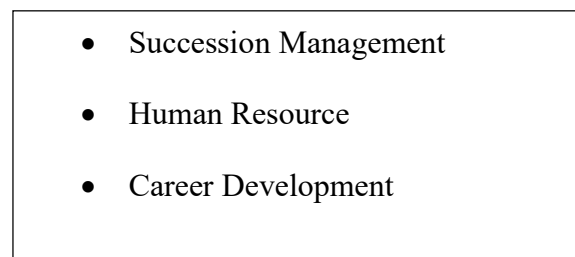
2.5 Conceptual Framework

Conceptual framework constitutes both the independent factors as well as the dependent factors in a diagrammatical connection in the study. The small-medium family company performance in Kiambu County forms the dependent variables in the study. The independent variable on the other hand was succession management, human resource practices and career development. The theoretical expectation is that proper succession management, human resource practices and career development has a positive effect on organizational performance. The study endeavored to determine the connection between the two concepts independent and dependent forces as illustrated in Figure 2.1.

Figure 2.1: Conceptual Model

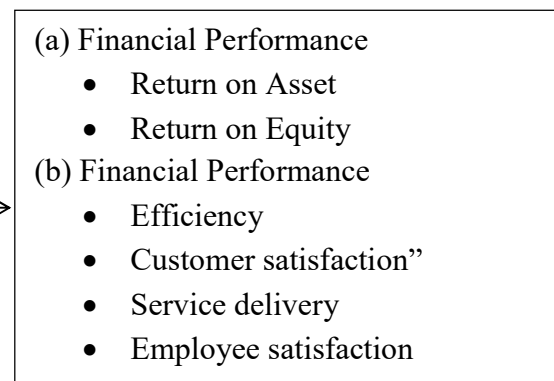
Independent Variable

Succession Planning



Dependent Variable

Firm Performance



Source: (Researcher 2018)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was used to establish the effect of succession planning on the performance of small and medium family businesses in Kiambu County, Kenya. The discussed sections include research design, target population, sampling design, data collection and data analysis techniques.

3.2 Research Design

The study used descriptive survey research design. Research design is used to refer to the plan, strategy as well as structure that should be used to meet the study objectives (Mugenda & Mugenda, 2003). Descriptive research survey design made it possible for the study to describe how succession management, human resource practices and career development influences organizational performance of small and medium family businesses at a given point in time.

Descriptive research design helped to gather data that describe event, organize, tabulate, and describe the data collected. Descriptive research makes use description to make it easier for readers to understand the findings and recommendations of the study. Descriptive research design and statistics is very important in reducing data into manageable form (Glass & Hopkins, 1984).

3.3 Population of the Study

The population targeted for this research was the small and medium family businesses in Kikuyu town, Kiambu County in Kenya. There are a total of 3522 small and medium family businesses in Kikuyu town (Kiambu County Government, 2018). The number of the small and medium family businesses in Kikuyu town is as shown Appendix II.

3.4 Sampling Design

The research quality is immensely affected by the suitability of method used, instrument of research and the sampling techniques used (Manion, 2001). Mugenda and Mugenda (2003) recommends a 10% sample size while Babbie (2005) recommends a sample size of between 10% and 30% when undertaking descriptive studies. The sample size for this study was calculated using the Yamane Taros formula, Israel (2012) as follows:

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

n is the sample size

N is the population size

e is the precision level with a sampling error of 90 % ±10.

$$\begin{aligned} \text{Hence: } n &= \frac{3522}{1+3522(0.10)^2} \\ &= 97.24 \\ &= 98 \text{ respondents} \end{aligned}$$

3.5 Data Collection

This study used semi-structured questionnaires to collect primary data that was used to establish the effect of succession planning on the performance of small and medium family businesses in Kiambu County. The questionnaires were self-administered using “drop-and-pick-later method” in order to allow the respondents sufficient time to fill in the questionnaires comprehensively. Specifically, the researcher was targeting the owners and managers of small and medium family businesses.

The questionnaire that was used was divided into three sections. Section A had demographic information about the respondents and their business; Section B had questions on the extent of succession management, human resource practices and career development among small and medium family businesses; Section C had questions on the performance of the small and medium family businesses.

3.6 Data Analysis

The researcher used descriptive statistics to establish the extent to which succession planning among small and medium family owned businesses in Kiambu County affects the organization performance. The descriptive techniques that was used include measures of central tendency and measures of dispersion such as mean scores and standard deviation. Inferential statistics shall then be used to establish the relationship between succession planning and performance of small and medium family businesses. An inferential technique that was used includes regression and correlation analysis. The following analytical model was used to carry out regression and correlation analysis.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y – Organisational Performance (dependent variable)

X₁- X₃– The independent variables

X₁- Succession Management

X₂- Human Resource Practices

X₃- Career Development

β_0 - Is the constant of the model

β_1 - β_3 – Are the regression coefficients

ε - Stochastic error term estimate

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis, discussions and interpretations of findings. The researcher collected primary data from the owners of small and medium family businesses with the use of a semi-structured questionnaire. The questionnaires were self-administered using “drop-and-pick-later method” in order to give the respondents enough time to fill in the questionnaires comprehensively. Percentages, frequencies, means and standard deviations were the descriptive statistics used to analyse the data. Inferential statistics was then used to establish the relationship between succession planning and the performance of small and medium family businesses in Kiambu County.

4.2 Response Rate

Ninety eight (98) questionnaires were administrated to small and medium family owned businesses in Kiambu County and the researcher managed to get 85 responses. The response rate was computed as shown in Table 4.1.

Table 4.1: Response Rate

Response Rate	Frequency	Percentage
Response	85	86.73
None Response	13	13.27
Total	98	100

Source: Field Data (2018)

Table 4.1 presents the response rate. The study recorded a response rate of 86.73%. This was which regarded as an adequate representation of the target population *vis a vis* the 80% response rate that Edwards, Clarke and Kwan (2002) recommends for social studies.

4.3 Reliability Test

Reliability test was done to test if the research instrument had internal consistency. The threshold for internal consistency was a Cronbach's Alpha co-efficient greater 0.7. The results are as shown in Table 4.2.

Table 4.2: Reliability Test

Variable	Cronbach's Alpha	N of Items
Succession Management	.761	10
Human Resource Practices	.733	10
Career Development	.794	7
Firm Performance	.762	7
Aggregate	.763	34

Source: Field Data (2018)

Table 4.2 presents the reliability statistics. The results indicated that the research instrument had internal consistency as evidenced by the Cronbach's Alpha co-efficient aggregate value of 0.763. Succession management, human resource practices, career development and firm performance recorded Cronbach's Alpha co-efficients of 0.761, 0.733, 0.762 and 0.794 respectively indicating that all the sections of the questionnaire were independently had internal consistency. The researcher could therefore be rely on the questionnaire to find out the effect of succession planning on the performance of small and medium family businesses in Kiambu County.

4.4 General Information

The researcher analyzed general information of respondents and their firms. This was in regard to position held in the organisation, level of education, working experience, size of your firm and presence of succession plan.

4.4.1 Position Held in the Organization

The study sought and obtained information in regard to the management positions held by the respondents. Table 4.3 presents the results.

Table 4.3: Position Held in the Organization

Position	Frequency	Percent
Human Resource Manager	23	27.1
Owner	15	17.6
Accountant	11	12.9
Chief Executive Officer	10	11.8
Manager	8	9.4
Operations Supervisor	4	4.7
Supervisor	3	3.5
Finance Manager	2	2.4
Proprietor	2	2.4
Director	2	2.4
Auditor	1	1.2
Internal Auditor	1	1.2
Lower Level Manager	1	1.2
Marketing Manager	1	1.2
Middle Level Manager	1	1.2
Total	85	100

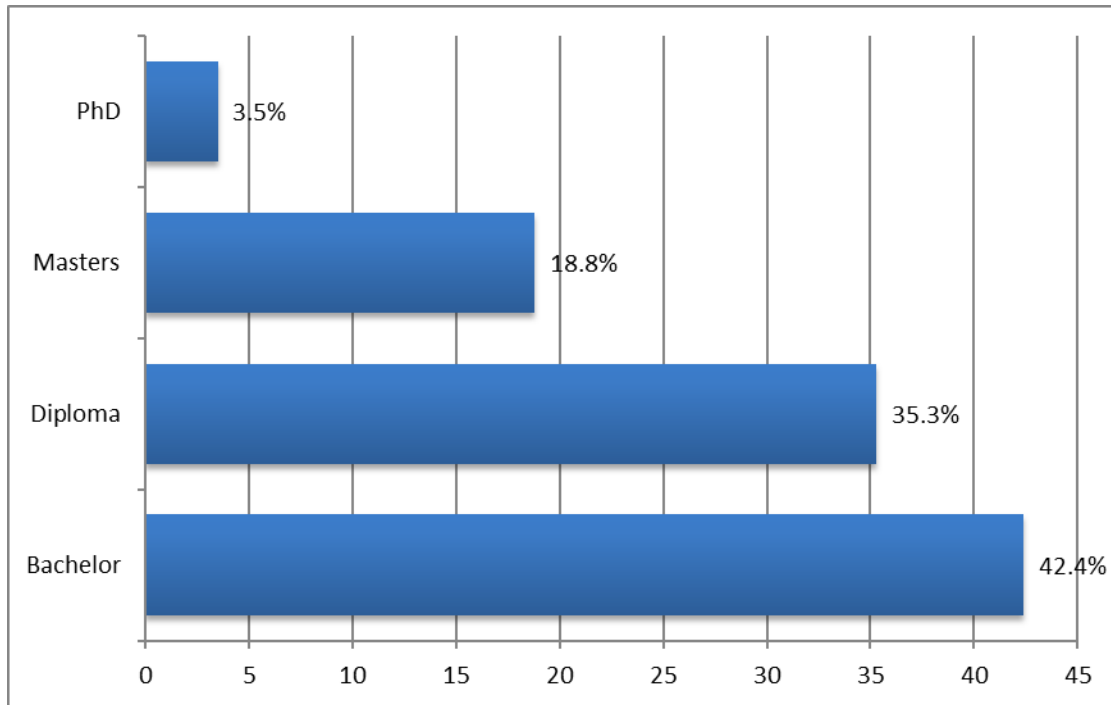
Source: Field Data (2018)

Table 4.3 presents the results on the position held by the respondents. The results indicated that most (27.1%) of the respondents were human resource manager followed by business owners at 17.6% and then Accountants at 12.9%. Further, 11.8% of the respondents were Chief Executive Officers. The results indicates that the respondents were in a position to comprehend the effect of succession planning on firm performance by virtue of the management positions they held in their firms.

4.4.2 Level of Education

The study also inquired on the respondents' highest level of education. Figure 4.1 depicts the results.

Figure 4.1: Level of Education



Source: Field Data (2018)

Figure 4.1 presents the results on the respondents' level of education. It was established that most (42.4%) of the respondents had a bachelor's degree level of education followed by 35.3% of the respondents who had diploma level of education and then 18.8% who had master's degree level of education. Only 3.5% of the respondents reported to have a PhD. Level of education was evidence that respondents were educated well enough to understand the importance of succession planning and it influences the performance of the firm. Further, it also indicates that the responses that the researcher got could be relied on since they were from learned people who understood the link between of succession planning and firm performance.

4.4.3 Working Experience

The study further sought to establish the number of years the respondents had been working for the small and medium family owned businesses in Kiambu. The findings are as shown in Table 4.4.

Table 4.4: Working Experience

Years	Frequency	Percent
11-20 years	36	42.4
1-10 years	31	36.5
21-30 years	15	17.6
Over 30 years	3	3.5
Total	85	100

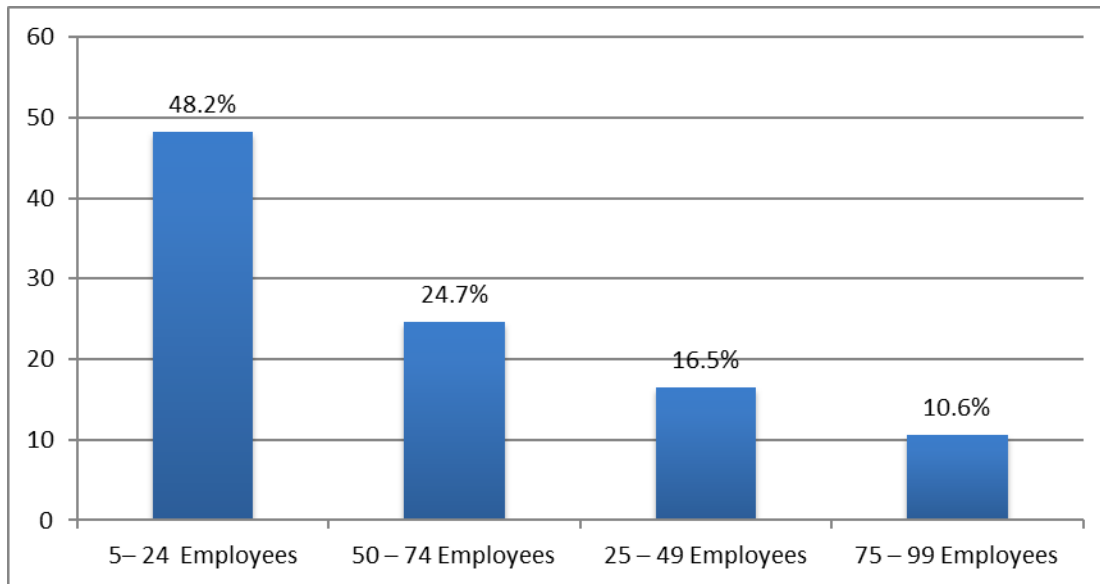
Source: Field Data (2018)

Table 4.4 presents the respondents working experience. It was noted that majority (42.4%) of the respondents had a working experience of 11-20 years followed by 36.5% of the respondents who at 17.6%. Further, those with a working experience of 21-30 years accounted for 17.6%. Only 3.5% of the of the respondents had a working experience of over 30 years. This shows that the respondents had been working for small and medium families owned business in the County of Kiambu to understand the role succession planning in ensuring continuity of family business.

4.4.4 Size of your Firm

The study further sought to establish the size of the small and medium family owned business in Kiambu County. The findings are as shown in figure 4.2.

Figure 4.2: Size of your Firm



Source: Field Data (2018)

Figure 4.2 presents the respondents working experience. It was established that most (48.2%) of the small and medium family owned business in Kiambu County were relatively small with 5-24 employees followed by firms with 50-74 employees at 24.7%. Only 10.6% of the small and medium family owned business in Kiambu County had 75-99 employees. This shows that the small and medium families owned business in Kiambu County were of different sizes.

4.4.5 Presence of Succession Plan

The study further sought to establish whether the small and medium family owned businesses in Kiambu County had succession plans in place. The results are as tabulated in table 4.5.

Table 4.5: Presence of Succession Plan

	Frequency	Percent
Yes	77	90.6
No	8	9.4
Total	85	100

Source: Field Data (2018)

Table 4.5 presents the results of whether the small and medium family owned businesses in Kiambu County didn't have succession plans in place. Results of the data analysis revealed that majority of the (90.6%) of the small and medium family owned businesses in Kiambu County had succession plans in place. However, 9.4% of the small and medium family owned businesses in Kiambu County didn't have succession plans in place. These results indicate that majority of the small and medium family owned businesses in Kiambu County understand the importance of having succession plans in place.

4.5 Descriptive Statistics

In this section, the study sought to establish the extent to which small and medium family owned businesses in Kiambu County have implemented succession management, human resource practices and career development. The study also sought to establish the level of firm performance among small and medium family owned businesses in Kiambu County. The respondents were asked to rate the extent of implementation and firm performance on a five point likert scale where: 1 = No Extent, 2 = Little Extent, 3 = Moderate Extent, 4 = Great Extent and 5 = Very Great Extent. The mean scores recorded were interpreted using the following interpretation scale shown in Table 4.6.

Table 4.6: Mean Score Interpretation Scale

Scale	Interpretation
1.00-1.49	No Extent
1.50-2.49	Little Extent
2.50-3.49	Moderate Extent
3.50-4.49	Great Extent
4.50-5.00	Very Great Extent

Source: Researcher (2018)

Table 4.6 presents the mean score interpretation scale. Mean scores in the range of 1.00-1.49 were interpreted as No Extent; 1.50-2.49 = Little Extent, 2.50-3.49 = Moderate Extent; 3.50-4.49 = Great Extent and 4.50-5.00 = Very Great Extent.

4.5.1 Succession Management

The study sought to establish the extent to which small and medium family owned businesses in Kiambu County have implemented succession management. The findings are tabulated in Table 4.7.

Table 4.7: Succession Management

Statement	Mean	Std. Deviation
Business runs even without the owner being present	4.68	0.561
Am aware of succession plan for the business	4.08	0.903
Written and formal succession plan or a will	3.91	0.750
Proper handling of Sibling rivalry	3.89	0.859
Communication amongst members of the family is done amicably	3.80	1.044
Trust among family members	3.74	0.915
Successors are regularly trained	3.67	0.931
Early identification of top managers and talents	3.60	0.954
The business has board members who are non-family members	3.28	1.019
There is family council to deal with succession issues	3.08	0.929
Aggregate Mean	3.77	0.886

Source: Field Data (2018)

Table 4.7 presents findings in regard to succession management. An aggregate mean score of ($M=3.77$, $SD= 0.886$) was recorded indicating that small and medium family owned businesses in Kiambu County practice succession management to a great extent. The greatest indicator of succession management among small and medium family owned businesses in Kiambu County was that the businesses can run even without the owners being present ($M= 4.68$, $SD= 0.561$). The respondents were aware of succession plan for the business and had written and formal succession plan or a will to a great extent as evidenced by mean scores of 4.08 ($SD= 0.903$) and 3.91($SD= 0.750$) respectively. The difference in respondents' opinions was captured and measured using the standard deviations.

4.5.2 Human Resource Practices

The study further sought to establish the extent to which small and medium family owned businesses in Kiambu County practice human resource management in preparation for succession. The results are as shown in Table 4.8.

Table 4.8: Human Resource Practices

Statement	Mean	Std. Deviation
Accountability is required from every employee in the business	4.93	0.258
The vision of the business has been share to all employees	4.49	0.503
Employees are treated as an important capital to the business	4.27	0.762
We have operational human resource department	4.19	0.627
Skills development for the successors	4.14	0.742
Conflict are resolved as they occur	4.01	0.748
Training programme for successors	3.94	0.891
Appointment of earmarked successors as directors	3.66	0.920
Heirs are adequately trained on human resource managed	3.18	0.759
Succession is based on qualification of family member	2.92	1.026
Aggregate Mean	3.97	0.724

Source: Field Data (2018)

Table 4.8 present human resource practices with an aggregate mean of ($M=3.97$, $SD= 0.724$) was recorded implying that small and medium family owned businesses in Kiambu County practice human resource management to a great extent. The study established that accountability is required from every employee in the business to a very great extent as evidenced by a mean score of 4.93 ($SD= 0.258$). Further, the vision of the business is shared to all employees to a great extent ($M= 4.93$, $SD= 0.258$). The parameters that employees are treated as an important capital to the business and that the firms have operational human resource department recorded mean scores of 4.27 ($SD= 0.762$) and 4.19 ($SD= 0.627$) respectively. The variations in respondents' opinions are shown by the standard deviations recorded.

4.5.3 Career Development

The study also sought to establish the extent to which small and medium family owned businesses in Kiambu County practice career development in preparation for succession. The results are as shown in Table 4.9.

Table 4.9: Career Development

Statement	Mean	Std. Deviation
The successors are inducted properly to organizational culture	4.48	0.629
Earmarked successors get opportunities to develop their careers	3.99	1.041
Education play a key role in career development and succession	3.88	0.697
Long term policies and career guidance's are key to succession	3.54	0.880
Heir undergo intensive skills and ability development	3.42	1.028
Appointed successors are guided to improve their leadership skills	3.33	0.981
Family members have equal opportunity to succession of business	3.18	1.060
Aggregate Mean	3.69	0.902

Source: Field Data (2018)

The table 4.9 present results on career development with an aggregate mean of ($M=3.69$, $SD=0.902$) indicating that career development was practiced small and medium family owned businesses in Kiambu County to a great extent. The successors are inducted properly to organizational culture to a great extent as evidenced by a mean score of $4.48(SD= 0.507)$. Statement that earmarked successors get opportunities to develop their careers and that education plays a key role in career development and succession were rated to a great extent as evidenced by mean scores of $3.99 (SD= 1.041)$ and $3.88 (SD= 0.597)$ respectively. Long term policies and career guidance's are key to succession to a great extent as shown by mean score of $3.54 (SD= 0.880)$. The variations in respondents opinions is as evidenced by the standard deviations recorded.

4.5.4 Firm Performance

The study further sought to establish the extent of firm performance among small and medium family owned businesses in Kiambu County. The outcome is tabulated in 4.10.

Table 4.10: Firm Performance

Performance Parameters	Mean	Std. Deviation
Increased employee satisfaction	4.62	0.740
Increased customer satisfaction	4.04	0.544
Increased efficiency in service delivery	3.71	0.651
Optimized Resource utilization	3.66	0.867
Reduction in fixed costs	3.62	1.165
Innovation in service delivery	3.52	1.161
Reduction in operational cost	2.61	1.036
Aggregate Mean	3.68	0.881

Source: Field Data (2018)

Table 4.10 present the performance of small and medium family owned businesses in Kiambu County was rated to a great extent as evidenced by an aggregate mean score of 3.68 ($SD=0.881$). Increased employee satisfaction was rated to a very great extent with a mean score of 4.62 ($SD=0.740$) followed by increased customer satisfaction and increased efficiency in service delivery with mean score of 4.04 ($SD=0.544$) and 3.71 ($SD=0.651$) respectively. The least rated performance parameters were Innovation in service delivery and reduction in operational cost with mean scores of 3.52 ($SD=1.161$) and 2.61 ($SD=1.036$) respectively. There were variations in firm performance among the small and medium family owned businesses in Kiambu County as indicated by the standard deviation.

4.6 Regression Analysis

In order to establish the effect of succession planning on the performance of small and medium family owned businesses in Kiambu County, the researcher carried out regression analysis. The model summary, analysis of variance and regression co-efficients outputs are discussed in the following sections.

4.6.1 Model Summary

Firm performance was regressed against succession planning (succession management, human resource practices and career development). The model summary is tabulated 4.11.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.462 ^a	.213	.184	.26291	2.354
a. Predictors: (Constant), Career Development, Human Resource Practices, Succession Management					

Source: Field Data (2018)

Table 4.11 present the model summary results shows existence of a relationship (R-value = 0.462) between succession planning and performance of small and medium family owned businesses in Kiambu County. The results also revealed that succession planning (succession management, human resource practices and career development) influences 18.4% of the total variance in firm performance of small and medium family owned businesses in Kiambu County as evidenced by the adjusted R-square value of 0.184. A durbin-watson statistic of 2.354 revealed that the variable residuals of variables were greater than 1.5 implying that the variables were not serially correlated.

4.6.2 Analysis of Variance

Goodness of fit for the analytical equation tested using Analysis of Variance (ANOVA). The outcome is as tabulated in 4.12.

Table 4.12: Analysis of Variance (ANOVA^a)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.519	3	.506	7.323	.000 ^b
	Residual	5.599	81	.069		
	Total	7.117	84			
a. Dependent Variable: Firm Performance						
b. Predictors: (Constant), Career Development, Human Resource Practices, Succession Management						

Source: Field Data (2018)

Table 4.12 present the ANOVA statistics indicated that the analytical model used had goodness of fit since the significance value was 0.0% and therefore below the recommended 5%. The model could therefore not be relied upon in predicting the future performance of small and

medium family owned businesses in Kiambu County given succession planning (succession management, human resource practices and career development).

4.6.3 Regression Coefficients

The researchers further computed co-efficients of determination to establish the direction of the relationship. Regression computations were done using 95% confidence level with probability level 0.05.

Table 4.13: Regression Coefficients

Co-efficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.798	.630		6.032	.000
	Succession Management	.330	.082	.420	4.014	.000
	Human Resource Practices	.331	.073	.091	4.534	.000
	Career Development	.228	.067	.357	3.394	.001
a. Dependent Variable: Firm Performance						

Source: Field Data (2018)

Table 4.13 present the regression co-efficient, the study established that succession planning (succession management, human resource practices and career development) has a combined positive effect on the performance of small and medium family owned businesses in Kiambu County as evidenced by beta values 0.330, 0.331 and 0.228 respectively. The study further established that the effect of succession management (t-stat = 4.014, p-value = 0.000), human resource practices (t-stat = 4.534, p-value = 0.000) and career development (t-stat = 3.394, p-value = 0.001) on firm performance was statistically significant as evidenced by high t-stat value and p-values less than 0.05.

The following regression equation was estimated:

$$Y = 3.798 + 0.330X_1 + 0.331X_2 + 0.228X_3$$

Where,

Y = Firm Performance

X₁ = Succession Management

X₂ = Human Resource Practices

X₃ = Career Development

The estimated analytical model shown above indicates that firm performance of the small and medium family owned businesses in Kiambu County would be 3.798 if succession planning (succession management, human resource practices and career development) was assumed to be zero. Increasing succession management, human resource practices and career development would improve firm performance by 0.330, 0.331 and 0.228 respectively.

4.7 Discussion of Results

Objective one of the study was to determine the effect of succession management on the performance of small and medium family owned businesses in Kiambu County, Kenya. The study established that succession management has a positive effect on the performance of small and medium family owned businesses in Kiambu County. Atieli (2016) studied the effects strategic succession planning and family business sustainability and concluded that practice of

succession management positively influences family owned businesses in Kenya. This study sought to determine the effect of succession management on the performance of the Kiambu County small-medium family businesses.

Objective two of the study sought to establish the effect of human resource practices on the performance of small and medium family owned businesses in Kiambu County, Kenya. The study established that human resource practices have a positive effect on the performance of small and medium family owned businesses in Kiambu County. The results are in line with findings of previous studies. Wakhungu (2010) did a study on the association between executive succession and performance in small-medium sector enterprises in the Kenyan economy. The researcher used performance as the dependent variable whereas human resource practices such as compensation, successor origin, predecessor leadership, inter-generational relationships, successor development/training, educational level and functional background as the independent variables. The study established that executive succession has an influence on family-based business performance in the country. This study examined the effect of human resource practices on organizational performance.

Objective three of the was to determine the effect of career development on the performance of small and medium family owned businesses in Kiambu County, Kenya. The study established that career development has a positive effect on the performance of small and medium family owned businesses in Kiambu County. This corroborates with the results of previous studies. For instance, Chebet (2015) carried out a study to establish the relationship between career planning, succession management practices and the performance of KNH. In the study that succession management practices such as succession management policies, having a structured succession

management program, succession alignment to organizational strategies and training and development enhanced performance.

In conclusion, the study established that there was relationship ($R= 0.462$) between succession planning and performance of small and medium family owned businesses in Kiambu County. The results also revealed that succession planning influences 18.4% of the total variance in performance of small and medium family owned businesses in Kiambu County.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study findings, conclusions of the study, and recommendations for policy and practice. It also suggests areas for further research in relation to the effect of succession planning and performance of small and medium family owned businesses in Kiambu County.

5.2 Summary of the Study

The study sought to establish the effect of succession planning on the performance of small and medium family owned businesses in Kiambu County. The study used primary data collected from the owners of small and medium family businesses with the use of a semi-structured questionnaire. Descriptive statistics such as frequencies, percentages, means and standard deviations were used to analyse the data. Inferential statistics was then used to establish the relationship between succession planning and the performance of small and medium family businesses in Kiambu County. The researcher administered 98 questionnaires to small and medium family owned businesses in Kiambu County and got 85 responses giving response rate of 86.73% which was an adequate representation of the target population.

On general information, it was found out that most of the respondents were human resource manager followed by business owners and accountants and then the Chief Executive Officers. This indicated that the respondents were in a position to comprehend the effect of succession planning on firm performance by virtue of the management positions they held in their firms. It

was established that most of the respondents had a bachelor's degree level of education followed those with diploma level of education and then those with master's level of education. Most of the small and medium family owned businesses in Kiambu County were relatively small with 5-24 employees. Majority of the of the small and medium family owned businesses in Kiambu County reported that they had succession plans in place.

On the extent to which small and medium family owned businesses in Kiambu County have implemented succession management, the study established that small and medium family owned businesses in Kiambu County practice succession management to a great extent with the greatest indicator of succession management among small and medium family owned businesses being that the business can run even without the owners being present. The firms had were aware of succession plan for the business and had written and formal succession plan to a great extent.

On the extent to which small and medium family owned businesses in Kiambu County practice human resource management in preparation for succession, the study established that small and medium family owned businesses in Kiambu County practice human resource management to a great extent. The study established that accountability is required from every employee in the business to a very great extent and that the vision of the business is shared to all employees to a great extent.

On the extent to which small and medium family owned businesses in Kiambu County practice career development in preparation for succession, the study established that small and medium family owned businesses in Kiambu County practice career development to a great extent. The successors are inducted properly to organizational culture to a great extent. Further, earmarked successors get opportunities to develop their careers and that education plays a key role in career development and succession to a great extent.

The study established that there was relationship ($R= 0.462$) between succession planning and performance of small and medium family owned businesses in Kiambu County. The results also revealed that succession planning (succession management, human resource practices and career development) influences 18.4% of the total variance in performance of small and medium family owned businesses in Kiambu County. The ANOVA statistics indicated that the analytical model had goodness of fit and there ideal for predicting the future performance of small and medium family owned businesses in Kiambu County given succession planning.

5.3 Conclusion of the Study

The study concludes that small and medium family owned businesses in Kiambu County have implemented succession management. The firms are aware that succession planning is very important and that's why many firms can operate even in the absence of the business owner. The study further concludes that succession management positively significantly related the performance of small and medium family owned businesses in the County of Kiambu.

The study also concludes that small and medium family owned businesses in Kiambu County practice human resource management in preparation for succession. The small and medium family owned businesses in Kiambu County practice human resource management to a great extent and require accountability is required from every employee in the business with the vision of the business is shared to all employees. The study further concludes that human resource management was also positively and significantly correlated to the performance of small and medium family owned businesses in the County of Kiambu.

On the extent to which small and medium family owned businesses in Kiambu County practice career development in preparation for succession, the study concludes that small and medium family owned businesses in Kiambu County practice career development to a great extent. The successors are inducted properly to organizational culture to a great extent. Further, earmarked successors get opportunities to develop their careers and that education plays a key role in career development and succession to a great extent. The study further concludes that career development has a positive and statistically significant effect on the performance of small and medium family owned businesses in Kiambu County.

5.4 Recommendations of the Study

The study concluded that succession management, human resource management and career development were significantly affecting the performance of small and medium family owned businesses in the County of Kiambu County. The study therefore recommends that in order to improve the performance of small and medium family owned businesses, the management of those firms should consider establishing succession plans that will allow smooth running of the said business.

5.5 Implications for Policy

Small and medium family owned businesses should come up with clear policies on succession management, human resource management and career development in order to streamline how succession takes place without affecting the normal operations of the organisation. This will ensure that the firms can operate even in the absence of the business owner. Such policies will ultimately have led to an improvement in the performance of such family owned businesses.

5.6 Areas for Further Research

The study was limited its scope to the effect of succession planning (succession management, human resource management and career development) on the performance of small and medium family owned businesses in Kiambu County. These findings might not be applicable to small and medium family owned businesses in other counties since the business environment might be different. In future research should be done in all the 47 counties for comparison purposes.

5.7 Limitations of the Study

Some of the respondents contacted were reluctant in providing the information sought fearing that the information may be used by their competitors or be used to paint a negative image about the family owned business. The researcher assured the respondents that the information sought would be treated with utmost confidentiality and would only be used for academic purposes.

Another challenge faced was that the researcher had no direct control on the accuracy of the data provided. This means that the accuracy of the information provided by the respondents was assumed to be accurate. The researcher tackled the challenge by making calls to seek clarifications.

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APPENDICES

Appendix I: Introduction Letter



UNIVERSITY OF NAIROBI
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SCHOOL OF BUSINESS

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Nairobi, KENYA

03 October 2018

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

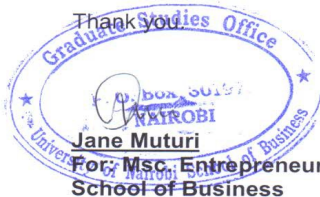
INTRODUCTORY LETTER FOR RESEARCH
JOSIAH MWANGI KURIA – REGISTRATION NO. D66/82181/2015

This is to confirm that the above named is a bona fide student in the Master of Science in Entrepreneurship and Innovations Management (Msc. Entrepreneurship & Innovations Management) option degree program in this University. He is conducting research on ***"Succession Planning and Performance of Small and Medium Family Owned Business in Kiambu County, Kenya."***

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the research project. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.

Thank you



Jane Muturi
For: Msc. Entrepreneurship and Innovations Management Co-Ordinator,
School of Business

JK/nwk

Appendix II: Research Questionnaire

You have been chosen to participate in the study that seeks to assess the effect of succession planning on the performance of family business SMEs in Kiambu County, Kenya. The information that you will provide will only be used for academic purpose and was treated with utmost confidentiality.”

SECTION A: GENERAL INFORMATION

1. What position do you hold in this firm?

.....

2. Kindly indicate your level of education?

Diploma Bachelor

Masters PhD

Any other (Specify)

3. How long have you been in this organization?

..... Years

4. What's the size of your firm in terms of the number of employees?

5– 24 25 – 49

50 – 74 75 – 99

5. Does your company have succession plan or a will in place?

Yes No

SECTION B: SUCCESSION PLANNING

6. To what extent has your firm implemented the following aspects of succession planning?
 “Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.”

	Succession Management	1	2	3	4	5
1.	Early identification of top managers and talents					
2.	Written and formal succession plan or a will					
3.	There exists a family council to handle succession issues					
4.	Communication amongst members of family is done amicably					
5.	Family members trust each other					
6.	Proper handling of Sibling rivalry					
7.	Business runs even without the owner being present					
8.	Successors are regularly trained					
9.	Am aware of succession plan for the business					
10.	The business has board members who are non-family members					
	Human Resource Practices	1	2	3	4	5
1.	We have operational human resource department					
2.	Employees are treated as an important capital to the business					
3.	Accountability is required from every employee in the business					
4.	Training programme for successors					
5.	Skills development for the successors					
6.	Appointment of earmarked successors as directors					
7.	Heirs are adequately trained on human resource managed					
8.	Succession is based on qualification of family member					
9.	Conflict are resolved as they occur					
10.	The vision of the business has been share to all employees					
	Career Development	1	2	3	4	5
1.	Earmarked successors get opportunities to develop their careers					
2.	Appointed successors are guided to improve their leadership skills					

3.	The successors are inducted properly to organizational culture					
4.	Heir undergo intensive skills and ability development					
5.	Education play a key role in career development and succession					
6.	Family members have equal opportunity to succession of business					
7.	Long term policies and career guidance's are key to succession					

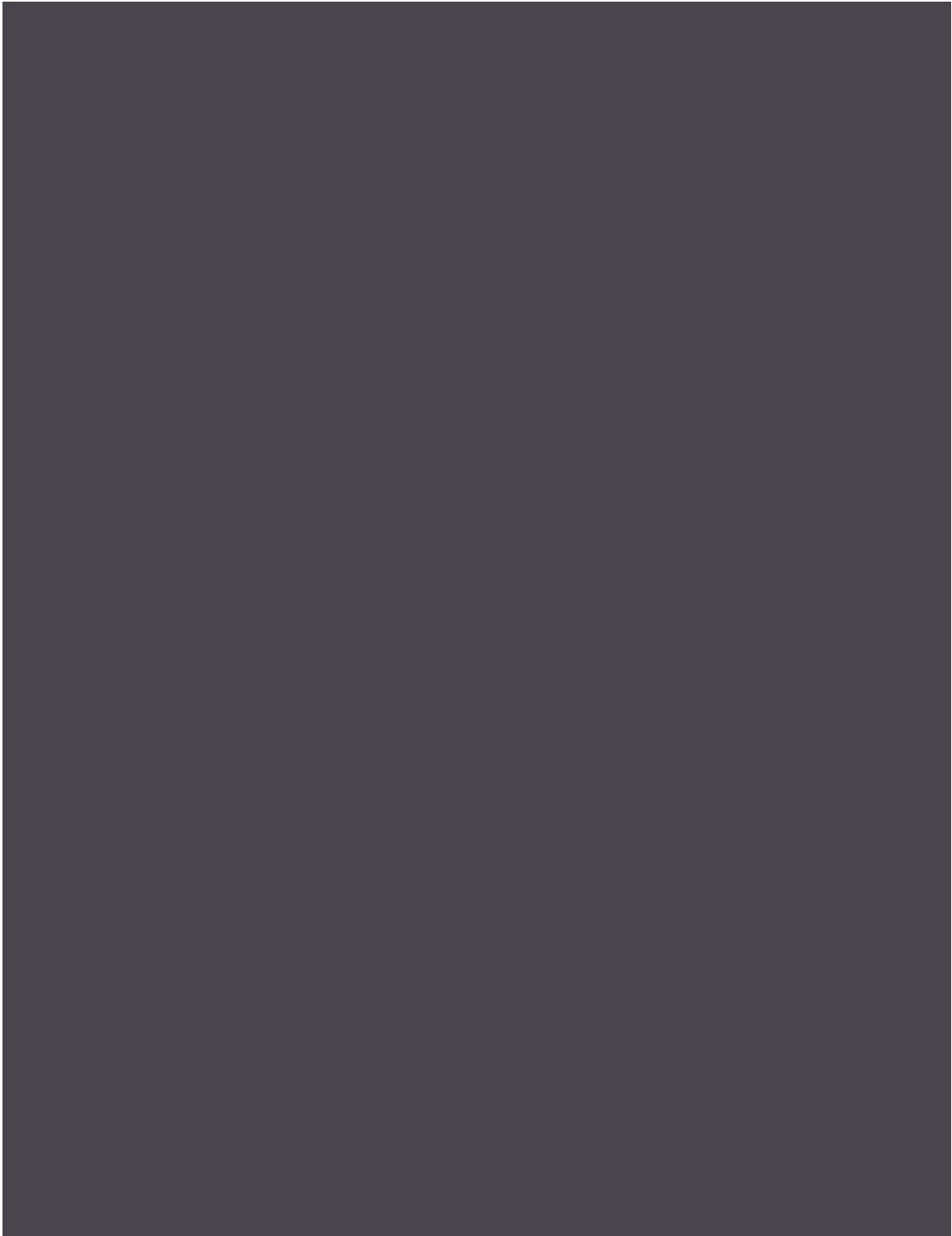
SECTION C: FIRM PERFORMANCE

7. How do you rate the performance of your institution? “Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.”

Performance Measurement	Respondents Ratings				
	1	2	3	4	5
Increased efficiency in service delivery					
Increased customer satisfaction					
Innovation in service delivery					
Reduction in operational cost					
Reduction in fixed costs					
Optimized Resource utilization					
Increased employee satisfaction					

END.

**Appendix III: Number of Small and Medium Companies in County Government of
Kiambu Kikuyu Sub-County**



Appendix IV: Map of Kiambu County



Source: Google Map

Appendix V: Map of Kenya



Source: Google Map