STRATEGIC SUCCESSION PLANNING AND FAMILY BUSINESS SUSTAINABILITY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA
SPRING, 2016
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University Africa for Academic Credit.

Signed: __________________________ Date: __________________________

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This project report has been presented for examination with my approval as the appointed supervisor.

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Joseph N Kamau

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Dean, Chandaria School of Business

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DEDICATION

This project is dedicated to my loving wife Meg Adhiambo, a budding entrepreneur, and my beautiful daughter Amy Iruwa who have constantly encouraged and supported me. Both of you have been my best cheerleaders. My heartfelt gratitude to my amazing parents, Thomas and Topister Andebe, your example and guidance has inspired my academic walk this far. I also dedicate this work to my many family and friends who have supported me throughout the process. I will always appreciate all they have done, especially Robert Wanyahoro for offering his unwavering support during the entire period of the research project.
ABSTRACT

The purpose of this study was to assess the effects strategic succession planning and family business sustainability. The research was guided by three objectives: to determine the best strategy for an effective succession plan; to study the practice of strategic succession planning in family owned businesses and to examine the succession planning experience in family businesses. The scope of the study was three large family owned businesses (those with 500 or more employees) in Nairobi, Kenya (Nakumatt, Sarit Center and Chandaria Industries) which had survived to second, third and fourth generation.

Descriptive research design was used and the target population comprised of large family owned businesses (those with 500 or more employees) in Nairobi. Stratified and convenient sampling techniques were further used to select 84 respondents as the sample size. Questionnaires collected data with data analysis being both qualitative and quantitative. The overall return rate of instruments was (84%).

The results on the best strategy for an effective succession plan for the current generation running the company’s business established that majority (63%) of the family owned business period of current succession planning strategy covers between 4-5 years, (33%) covers between 2-3 years and (5%) covers one year. It was also revealed that (69%) of the family owned business had a plan on how to succeed the current leadership with (74%) of the respondents stating that the survival of the company was attributed to a succession planning strategy. Majority (61%) of the family owned business have a succession plan strategy in place while (39%) of the business did not have a succession plan strategy. The study found out that (46%) of the family owned business had never updated the company’s succession plan strategy while (27%) of the family owned business had updated the company’s succession plan strategy within the past three years. In addition, (27%) of the businesses had updated the company’s succession plan strategy within the past year.

On the practice of strategic succession planning in family owned businesses it was revealed that majority of the respondents (49%) rated the frequency of leadership change in family owned business as not often while (28%) of the family owned business does not change the
leadership. In addition, (17%) of the respondents rated the frequency of leadership change as medium, 3% rated the change as often and 4% rated it as very often. The study found that majority (63%) of the family owned business period of current succession planning strategy covers between 4-5 years, (33%) covers between 2-3 years and (5%) covers one year. The results show that (53%) of the respondents strongly agreed with the opinion that strategic succession plan help smooth running of family business with (37%) strongly disagreeing with the opinion that succession plan does not help in family owned business. Finally, 41% of the respondents agreed to the opinion that education and personal traits are key determinants during succession.

To examine the succession planning experience in family businesses it was found out that (61%) of the respondents were in agreement that there existed a team of professionals to guide the company through the twist and turns of a succession plan while 74% were in agreement that the existing succession plan was being maintained both throughout and after transition in the event of family transition. The study also established that (71%) of company’s succession plan strategy in place is clearly communicated to all stakeholders, and (91%) of the respondents had positive experience in organizations with strategic succession planning on business survival. Majority (69%) of the respondents indicated that family owned business used formal strategies to remain relevant and (87%) of the respondents indicated that the family owned businesses had a provision of a future road map for the business.

The study concluded that best strategy for an effective succession plan, practice of strategic succession planning and succession planning experience positively influence family owned businesses in Kenya. The practice of strategic succession planning is the most important factor in influencing succession planning experience of family business. Majority of the successful family businesses in Kenya were being run by the second generation who had a plan on how to succeed the current leadership. The study recommendations were that family owned businesses in Kenya should have a succession plan to ensure a smooth transition in the future. The succession plan should be time-bound and updated to be realistic with the current situations in the business life. An area for further research was a study on succession planning
and family business sustainability should be generalized to other family businesses in Kenya in addition to the three studied for comparative purposes.
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LIST OF ABBREVIATIONS AND ACRONYMS

CEO : Chief Executive Officer

GDP : Gross Domestic Product

HR : Human Resource

RO : Requisite Organization

SPSS : Statistical Package For Social Science

U.S : United States

UK : United Kingdom

USD : United States Dollar
CHAPTER ONE

1.0 INTRODUCTION 1.1 Background to the Study
The future is uncertain and so are business ventures. According to Pearce and Robinson (2007), a strategy is a large scale, future oriented plan for interacting with the competitive environment to achieve company objectives. In essence, it is strategy that helps organizations meet these uncertain business conditions with due diligence by laying down a high level plan of action to act as a roadmap. Strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future (Murangiri, 2011).

Succession planning can be defined as the process of identifying and preparing suitable employees through mentoring, training and job rotation, to replace key players within an organization as those key players leave their positions for whatever reasons such as retirement, advancement and attrition (Rodrigo, 2013). Donnelley (2010), affirms that succession planning is the process of identifying and developing internal people with the potential to fill key leadership positions in the company. Succession planning is therefore an inevitable event in the life of any business. According to Murangiri (2011), the mode and the strategies employed to facilitate the trans-generational transition of ownership and control have been observed to have a significant influence on the survival and performance of family businesses.

Succession planning is critical for the sustainability of family owned businesses and the overall economy (Rodrigo, 2013). The practice of succession planning is considered an on-going dynamic process that identifies, assesses, and develops talent to ensure that an organization can keep up with the changes in both the workplace and marketplace respectively. Succession planning is a process carefully tailored to ensure the organization recruits and develops new talent and in-house staff to fill each key role within the organization. Its goal is similar to workforce planning; having “the right people in the right positions at the right time.”

According to Bjursell (2011), the focus of succession planning, however, is on leadership and other positions critical to the mission of the organization. The above assertion was affirmed by Hills (2009), statement that succession planning is about more than filling the top spots. It is a
smart talent management strategy that can drive retention of talent throughout the organization and make sure that the organization has the skills it needs in place, or on hand, to respond to the rapidly shifting sands that make up today’s business environment.

In addition, strategic succession planning is believed to be a systematic approach to building a leadership talent pool to ensure leadership perpetuity. Succession planning involves developing potential successors in ways that complements their strengths, identifying the best fit mentees and concentrating resources on the talent development process (Hills, 2009). Strategic succession planning recognizes that some key job positions are the foundation upon which the core business of the organization thrive and can only be assumed by qualified candidates. As a critical aspect of entrepreneurship, succession planning is not a new phenomenon contrary to popular belief (Poza, 2010). Companies have been trying to find creative and competitive ways to identify, develop, and retain their talent for decades. Effectively deployed, strategic succession planning is critical to mission success and creates an effective process for recognizing, developing, and retaining top leadership talent (Allison, 2005).

Family business is a component of entrepreneurship development and important aspect of economic development and economic transformation offering jobs and creating wealth for families and other people working in family business (Ward, 2003). Today’s organizations are facing higher demands in a global market owing to widening talent gap. One of the major concern that every family business owner face is how to effect an orderly and affordable succession of the business while ensuring that the business will provide for the future needs of the owner and his or her spouse and keep them comfortable during their retirement years (Rodrigo, 2013). While 74% of family owned companies are investing in a formalized succession planning process, companies still struggle to fill talent pipelines. In an ideal world, family owned companies are looking to “grow leaders” within their own organization, ensuring that there is continuity for the future of their leadership and reducing turnover (Miller, 2012).

Kenya is considered one of the most developed economies in Eastern Africa. With a nominal 2010 gross domestic product (GDP) of USD 32.417 billion, it is also the economic, commercial, and logistical hub of the entire region. Family businesses are estimated to
contribute approximately the bigger percentage of the GDP in the country (Rodrigo, 2013). In the Kenyan context, family businesses are renowned for their entrepreneurial and innovative spirit and are a key driver for the Kenyan economy. Family-owned companies face unique challenges in Kenya's very turbulent business environment. The issues gravitate around ownership and rewards, communication, conflict, pay and benefits, engagement of family members and succession planning (Waweru, Mutuma & Chege, 2001).

Succession planning is a key element of an effective strategy for managing talent and ensuring that an organization achieves its future goals. In Kenya, succession planning in the private sector has been more formalized than in the public sector, which has begun to look at it systematically only recently. Similarly, there has been a lack of focus on succession planning in nonprofits, although the need there is just as pressing (Murangiri, 2011).

Globally, family-owned businesses support some fifty percent of the population, and during these difficult economic times, they put many of the unemployed back on the payroll thus playing a significant role in the economy (Gerick, Raila & Sehouli, 2005). Waweru et al (2001), puts the average life span of a family owned business in Kenya at 24 years. A good example of a family business that has grown to the third generation in Kenya is Sarit Centre. The Sarit Centre is a modern diversified shopping mall and one of the largest in East Africa. The Sarit Centre is a family business managed by third generation Kenyans who trace their roots and business success to their forefathers who came to Kenya in the early twentieth century (Whitehead, 2012).

1.2 Statement of the Problem
Succession planning is an activity that most organizations, especially family businesses, would be quick to say is in place. Unfortunately, it is widely known that succession planning efforts are all too often woefully underdeveloped, unevenly executed, and sometimes simply ignored (Miles & Dysart, 2007). Family businesses exist on a global scale. In Kenya alone, eighty to ninety percent of all business enterprises are family owned (Waweru et.al, 2001). The perpetuity problem with the family owned business may be attributed to the lack of strategic succession planning.
Currently, there are a few family owned businesses in Kenya that have survived to the third and fourth generation. The literatures about family businesses suggest that there are a number of family businesses that fail in transitioning from the first generation to the second generation. Family businesses lack a practical understanding of succession planning resulting in the implementation of weak succession plans (Price water Coopers, 2011). A study on succession in the family firm indicates that when family members work together, emotions may interfere with business decisions (Weekley, 2005). Conflicts may arise as relatives see the business from different perspectives. Further research by Mwaniki (2010), on family ties in entrepreneurs’ social networks and new venture success indicated that the mode and the strategies employed to facilitate the trans-generational transition of ownership and control have a significant influence on the survival and performance of family businesses.

Venter, Boshoff and Mass,(2003) concur that the inability to manage the complex and highly emotional process of ownership and management succession of the family business from one generation to the next has been identified as the main reason for failure of family businesses. Venter et al. (2003) further assert that family businesses need to manage succession properly, with emphasis placed on planning and understanding the factors that influence succession planning. However, previous studies have not brought out clearly the effects of strategic succession planning on family owned businesses. It is in this regard that the ultimate objective of the study is to investigate the effects of strategic succession planning on family business sustainability.

1.3 General Objective
The general objective of the study was to assess the effects of strategic succession planning on family business sustainability.

1.4 Specific Objectives

The research aimed at investigating the following specific objectives:

1.4.1 To determine the best strategy for an effective succession plan.

1.4.2 To study the practice of Strategic Succession Planning in family owned businesses.
1.4.3 To examine the succession planning experience in family businesses.

1.5 Importance of the Study

1.5.1 Family Business Owners
Shareholders (owners) of family owned businesses will greatly benefit from information on how strategic succession planning affects such ventures and the strategies they need to adopt to help transition these businesses to the next generation seamlessly.

1.5.2 Family Business Investors
Potential investors in family business ventures will also benefit from the knowledge of the possible dangers that face family managed businesses that do not adopt strategic succession planning as an avenue for ensuring business continuity. This information will help them make sound investment decisions.

1.5.3 Researchers and Academicians
The future researchers will also benefit a great deal from the study as they will be able to gather information relating to the effects of strategic succession planning on family owned business continuity.

1.5.4 Policy Makers
The study will also help to promote solid policy development initiatives in the area of family owned businesses both by the central and county governments. Solid policies will assist to promote and stimulate the growth and sustainability of small and medium-sized family owned business ventures.

1.6 Scope of the Study

The study focused on the effects of strategic succession planning on family business sustainability. The population of the study comprised of the large family owned businesses (those with 500 or more employees) in Nairobi, Kenya. The aim was to sample at least three large families owned businesses which had survived to second, third and fourth generation. The survey was carried out for a period of approximately four weeks in the month of March.
Since business entities endeavour to enjoy some level of confidentiality, accuracy in filling in the questionnaires was a challenge. Therefore, there was need to assure the population of privacy and utmost confidentiality in the data provided.

1.7 Definition of Terms

1.7.1 Succession planning
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 (Rodrigo, 2013).

1.7.2 Strategic planning
This is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future (Murangiri, 2011).

1.7.3 Family Business
Lorna (2011) defined family business as “as one that will be passed on for the family’s next generation to manage and control”.

1.7.4 Family Business Continuity
The trans-generational transition of ownership and control of family businesses (Murangiri, 2011).

1.7.5 Successor
A person that succeeds or follows another, especially, one who succeeds to an office, title or leadership (Urassa, 2009)

1.8 Chapter Summary
This chapter has presented the background of the study which detailed the effects of strategic succession planning on family business sustainability. It described problem statement and pointed out the research gap, the objective of the study, specific objectives, importance of the study to the different stakeholders and the scope of the entire study was also described. The following chapter presents literature review of this subject under study and Chapter three
explains the research methodology that was used. In Chapter four, the results and findings were discussed. The findings were presented and analyzed on the basis of the research questions and objectives. Tables, charts or graphs were used to present quantitative data where appropriate. Finally in chapter five presents the discussion, conclusions and recommendations are discussed.

CHAPTER TWO

2.0 LITERATURE REVIEW
2.1 Introduction
This chapter examines literature on family owned businesses and also seeks to explore and examine succession planning in relation to family business sustainability. This chapter tries to investigate the best strategy for an effective succession plan, practice of strategic succession planning in family owned businesses and examine the succession planning experience in family businesses.

2.2 Strategies for an Effective Succession Plan
Succession planning is one of the most emotional and complex issues family businesses face. The participation of all members of the family who are directly involved in the day-to-day operations of the company is vitally important as the succession plan is implemented (Cohen, 2001). According to Hnatek (2012), a successful strategy means acceptance of an agreed-upon process and effective board of governance all through the lifetime of the company. The fundamental business strategy is determined through the formalization of mission and vision statements built through strong organizational values and culture. Each phase of the succession planning model must be completely analyzed and debated. Hnatek (2012) adds that the strategy must be developed alongside suitable business case, and must be balanced with constant, organization-wide planning. Input from independent sources in the form of board advisors or professional business coaches, is highly recommended so that the family members can gain an in-depth understanding of the qualifications required of a successor candidate. The end result is the mobilization of all employees to form synergy and organizational continuity mindset.
From the diagram above, the enclosed squares represent the five major stages of a succession planning model. On either ends there are thick arrows representing ongoing enablers; a well-defined strategic planning process and leadership support, which includes competitive compensation and access to high level performance management tools and processes. The combination of these main enablers, will obviously drive organizational and leadership continuity, key ingredients for organizational continuity.

### 2.2.1 Succession Planning Model

A proper strategic planning process and a succession plan are essential elements of family business success (Cucculelli & Micucci, 2008). Formalizing a mission statement is a vital first step in order for the owners to well articulate and communicate the vision, values and culture required throughout the organization. Most entrepreneurs will propose that written mission and value statements are unnecessary; however, finishing the task of writing them ultimately commits the whole organization, including family members, to accept and implement that vision (2001).

In the long run, the strength of the strategic process has a direct effect on the future succession of the business to the next generation. Assuming a healthy, structured and analytical discussion of the preparation of a business plan, the risk of family disagreements arising as to what

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**Figure 2.1 Succession model**

Stage 1: Business Case for a Proactive Succession Planning

Stage 2: Identification of Target Roles & Positions

Stage 3: Determination of core competencies & Skills

Stage 4: Identification / Assessment of Successor Candidates

Stage 5: Leadership Developmental Programs

Source: Cohen, (2001)
direction the business strategy ought to go is either eliminated or reduced. The five principal stages of the proposed succession planning model are: Stage One: The business case for proactive succession planning, Stage Two: Identification of target roles and positions, Stage Three: Determination of core competencies and skills, Stage 4: Identification/Assessment of successor candidates and Stage Five: Leadership developmental programs (Deloitte & Touche, 2002)

2.2.1.1 Stage 1: The Business Case for Proactive Succession Planning
Stage one need the entrepreneur to develop a business case that entails succession planning. This in turn, requires the entrepreneur to articulate a clear company mission and vision surrounding the business culture and values. The mission statement is the basis for developing a strong strategic planning process that includes the development of a long term business plan. This requires the entrepreneur to envision where the firm will be in the next five to twenty years and purposely make decisions on organizational structure and effective leadership. Consecutively, this focuses on the discussion around assessing the degree to which the owner’s attrition and retirement issues will impact the management of the controlling interests of the business in the future, and leads eventually, to a decision to either carry on the business in perpetuity or to divest at a calculated time in order to obtain utmost value for the shareholders (Cadieux, 2007).

According to Chrisman, et.al, (2008), there are many considerations to take into account in developing a business case that works for owners but, with the inclusion of a succession plan, it is especially important to fully appreciate the long-term impact of the following five factors: competition, industry sector, market share and barriers to growth; long-term business strategy for growth and required return on capital investments; independent business assessment and potential to increase brand equity over time; timeframe for implementing a succession plan; ability, commitment and leadership potential of family members.

For successful organizations, a formal strategic planning process is an ongoing business endeavor. Developing a business case is a total business effort involving all members of the family and senior management, who assist in identifying key responsibilities, roles and
organizational structure. The business plan is reassessed yearly, modified if need be, and validated against the long term vision and values of the company’s owners (Fransden, 2009).

The business case for succession planning differs from the ongoing planning activities in that it happens at certain points in time when the family business has either attained a critical mass, or family members become more interested in working in the business and express a need to develop their careers with the organization. These circumstances necessitate consideration of leadership and organizational continuity. Analysis on all aspects of the business plan strategy is necessary in order to build a realistic business case for succession planning (Urassa, 2009).

2.2.2.2 Stage 2: Identification of Target Roles and Positions
The second stage of the model is intended to identify the critical workforce parts within the business. It is imperative to recognize that this should be based on slotting people into specific roles or responsibilities (developing roles for family members or current employees). It is rather an assessment of the main positions required to attain business targets at different stages of the business plan. This analysis serves to place priorities among the various key or “at risk” positions identified, as these are the positions that will drive or support growth initiatives which may not exist at the time of planning (Ip & Jacobs, 2006).

Developing a succession plan strategy generates a number of emotional issues in many family businesses, and the process is most successful when it is facilitated by independent counseling from a number of sources (Cohen, 2001). According to Winter (2003), the earlier external management expertise is brought into the succession planning process, the more likely the plan will fit with the business vision. An independent point of view acts as a steering mechanism or reality check to ensure that the appropriate organizational structure is in place to improve the likelihood that the business will live on through the transition phase. This independent standpoint also strengthens the need for timely succession planning, and makes sure that owners get to know the significance of structured estate and tax planning (Gersick, Lansberg, Desjardins & Dunn, 2009).

2.2.2.3 Stage 3: Determination of Core Competencies and Skills
Once key and “at risk” positions are identified in the business plan, core competencies and skill-sets for the target roles should be determined. This will provide a baseline for evaluating
performance that will identify gaps within the current workforce, including those in the owner and family members, and serve as a framework for recruiting the talent required to meet strategic goals and key objectives. By looking at the broader organizational requirements of the business, the family members and entrepreneur will be able to assess where development “gaps” exist and, if there is interest from members of the family, to motivate them to gain skills and competencies necessary to fill those key positions (Fransden, 2009).

The main element of the succession planning process is the identification of individual family members’ personal needs and activities in relation to those of the organization. In order for family members to be considered for critical positions or as successor candidates, there must be an inherent commitment to developing the needed competencies and skills to meet future business needs. This is a complicated area involving a number of interconnected issues, including confidence and trust in the ability of others to assume leadership roles and responsibilities, resolution or delegation of conflicting duties, and the ability to make the personal sacrifices required in order to “learn the business” (Kelly, 2008).

Family members must be fully informed, involved and have access opportunities to best develop a successful succession strategy. They must be treated as equal employees in order to achieve respect from non-family members. However, they have other duties over and above executing the vision of the business. They must maintain the vision over time and through constantly changing circumstances; they must move into new and learn different duties in order to gain a broad business sense; they must come up with new and innovative ways of working together; and they must get involved in corporate policy and strategy as integral members of the Board of Directors or advisory team. In this way, they become highly aware of the business needs and competencies required in the critical positions (Lewis et.al, 2007)

2.2.2.4 Stage 4: Identification/Assessment of Successor Candidates

Stage four involves the development and implementation of a rigorous, competency-based performance management process to spot high potential candidates within the organization. If internal candidate do not meet the set criteria, then a fair and reliable selection process for locating external qualified candidates may be vital (Cohen, 2001)
It is very important that the business family works with an outside expert during this stage of developing the business plan, as members will benefit a great deal from the expertise of a communication facilitator who can manage family emotions and act as a sounding board. Sharing information with all family members openly is important to make sure that they fully understand that there is no “free pass” as the successor candidate, and that each must possess the necessary business and educational qualifications, just like any other applicant (Winter, 2003).

The culture of an organization ought to be well articulated and consistently reinforced. It must recognize and reward family members and employees equally, and train and promote from within, while attracting new talent and knowledge to the organization based on an accepted business strategy. Determining whether one, or any of the family members, has the ability or interest to acquire the necessary skills and competencies to lead the organization is an important outcome of the succession plan (Klein, 2005).

There is a strong argument that leaders are not born rather they develop over time by learning new skills and competencies. Family members can be given the chance to discover their “natural” management styles and understand the difference in their business philosophies and personalities. A family member may be identified as a prospective successor candidate but not want the responsibility, whereas, another may wish to be the leader, but not want to spend time to develop the skills and competencies necessary in order to be effective (Bowen, et al., 2009).

2.2.2.5 Stage 5: Leadership Development Programs
The final stage of the succession planning model consists of a review of current and required training and development practices. The focus is on ensuring that the potential successors are receiving enough development opportunities on a day to day basis. This training should involve a mentoring program, special assignments and projects, job development opportunities and formal evaluations of progress, as well as independent response through external training (Cohen, 2001).

As part of the training and development activities of the family business, the successor candidate should accept positions outside the family organization. Practical, first-hand experience with a diversity of work practices is invaluable to the candidate who will be able to
develop business skills outside the comfort of the family business environment. The identified successor can assess different values and cultures, and new mentors and innovative ideas and finally incorporate those experiences back into the family organization (Besson & Haddadj, 2002).

In addition to in-house training, external team-building activities and regularly-scheduled family retreats become essential building blocks in developing a succession strategy. The knowledge gained from a retreat can teach family members how to successfully manage the delicate relationship between family and business. The education and learning experiences should be extremely broad, ranging from general management and leadership instruction, assessment of diversification opportunities and specific evaluation of business practices, to wealth management, family investment strategies even parenting skills (Mole, 2008).

Through these ongoing interactive sessions, participants better understand what their desires and needs are versus those of non-family employees and the business itself. They also have a better opportunity to identify the competencies and skills of a successor candidate, and can evaluate whether that person is a qualified family member, or if it would be in the best interest of the business to hire an external candidate (Milton, 2008).

**2.2.3 Desired Outcome: Organizational Continuity and Leadership Capability**

If the succession plans strategy proposes that control of the business should be transferrable to a chosen family member, this may necessitate a longer transition period before the leadership role is actually assumed. In many cases, the outcome of Stages 2 and 3 of the succession planning model will establish that key positions filled by talented external non-family executives, while allowing family members to develop and grow in the interim period. Therefore, the actual succession planning process is initiated well before the owner is contemplating retirement (Cohen, 2001).

In other cases, the succession strategy process may determine that non-family members wish to remain actively involved in the business after the entrepreneur retires or begins to withdraw from active leadership. This proposes a number of options, among which, either to hire talented external management to run the operations of the family business on behalf of the family and generate ongoing income streams, or to divest the business at a strategic time in order to obtain
highest value for the shareholders. It is best not to compel family members to choose the family business as their vocation. If they choose to join the business after developing their own talents and exploring other business opportunities, then the company will highly benefit from their outside perspective (Chrisman, et al., 2008).

In either instance, the decision will have resulted from a well thought out business case that has considered all aspects of organizational continuity. Business ownership has at all times been about creating wealth and value for shareholders, and if this is attained without the transition of leadership to the next generation, then the owner can be confident that the right decision has been made (Rothwell, 2010).

2.2.4 Succession Planning in Family Businesses

Literature on family business overlaps in many ways with that of small businesses but there are differentiating components (Smith, 2007). In the recent time, the family business has emerged as one of the highly concern agenda in the global entrepreneurial development. For instance, Ramona et.al.,(2008) assert that family business is an emerging aspect of entrepreneurship which has evolved over the decades and still in its developing stage. Today, most of the businesses around are family businesses and they have been noted to account for the largest percentage of the businesses in many nations (Kuratko & Richard, 2004). Past studies have asserted that nearly 92% of the businesses in the United States are all in the control of one family (Kuratko & Hodgetts, 2004; Lam, 2009).

Davis and Harveston (1998) suggested that family businesses are the most dominant form of business in the United States representing nearly 90% of the total businesses. They are visible in the employment generation, economic growth and transformation and wealth creation. For instance, Kuratko and Hodgetts (2004) reported that family business generates about 59% of the jobs in the United States and 78% of all new employments. The report also indicates that the family businesses produce about 50% of the nation’s gross domestic products. This is an awesome contribution and is expected to happen to most countries in the world considering the contribution and development of small firms in the recent years. In light of the above findings, the importance of family business cannot be undermined.
The concept of family business is historical in origin yet it has been regarded as an emerging field in the entrepreneurship development especially in Kenya. For instance, Hoy et al., (1994) noted that family business is an emerging concept. They argued that the concept is just recently receiving attention in the academic field. However, several arguments on what really constitute family business are still ongoing. Thus, hitherto, authors and researchers in the field of entrepreneurship are yet to agree and strike a balance on a specific definition of family business.

According to Lorna, 2010; Handler, (1990). Many researchers and host of others have made frantic effort to arrive at certain specific definition. In as much as the masses seem to understand what is meant by the term family business, yet when they try to articulate a precise definition people discover that it is a very complicate phenomenon. Therefore, the following situations suggest the definition of family business: “a business is owned by a family but run by non-family managers. A business is owned by a large, multi-national corporation but run by a local family. A business is jointly owned by two unrelated partners, each of whom has a son in the business”. Lorna (2011) defined family business as “as one that will be passed on for the family’s next generation to manage and control”. All these give impression and basic understanding of what family business mean.” However, in a more directional and precise form, family business suggest solely businesses that are owned and managed by family either by the founder or any of his child in most cases (i.e. in Kenya and Africa at large) the eldest or first son.

2.3 Practice of Succession Planning
According to Sharma (2004), succession planning is emphasized in family business arena for two main reasons. First, activities relevant to succession planning are part of the succession process; second, succession planning is reckoned as a means to improve the success rate of ownership transition. Davis (1997) argues that succession planning has three main objectives: to efficiently and fairly distribute assets from older to younger generations; to pass control of the business in a way that will ensure effective business leadership; and to maintain and promote family harmony.
Although remarkable effort has been invested in family businesses towards meeting these three objectives, the effort does not normally lead to an effective succession but agony, confusion, and paralysis (Davis, 1997). The existing literature, such as Sharma et al. (2001) and Morris et al. (1997), suggests that well developed succession plans can increase the likelihood of cooperation among stakeholders in businesses, therefore enhancing the chance of a smooth and effective succession. However, converse to the significant concern on planning, business owners and managers rarely outline their future succession (Sharma et al., 2000, 2004).

According to Lansberg (1988), most stakeholders in family businesses are psychologically ambivalent toward succession planning. Company founders encounter psychological deterrents to succession planning as it may imply a letting go of power. Family members avoid planning, worrying about the subsequent loss of identity, family harmony, and privacy. Senior managers, having worked along with incumbents long-term, are reluctant to transfer from a personal relationship with the incumbent to a more formal one with the successor (Sharma et al., 2000, 2004). Successors, on the other hand, have to prepare themselves to handle residual conflicts. The absence of a succession plan can cause serious management problems, even leading to a business failure (File & Prince, 1996).

2.3.1 History of Succession Planning
Correspondingly, it is revealed that, from 1924 to 1984, 80 per cent of 200 successful family owned manufacturing firms no longer exist and only 13 per cent are still owned by the same family as in 1924 (Ward, 1987; Handler, 1994). The reasons for the demise of these family businesses are many. However, Ward (1987) indicates that inability to plan strategically for the business future is a major cause. In line with Ward (1987), Shulman (1991) advocates that family businesses should start thinking about transferring ownership and managerial responsibility five to twenty years in advance, while Dyck et al., (2002) and Davis (1992) all express similar sentiments. According to Price Waterhouse Coopers (PwC) global family business survey of 2007/2008, only one third of family business in the whole world, effectively manage the transition from one generation to the next (PwC, 2007).

Accordingly, Hoy and Verse (1994), examined the family business by concentrating more on the entrepreneurship context. They focused on the distinction and overlapping between
entrepreneurship and family business domains. The researchers provided six general perspectives of strategic management issues, which comprises of; leadership, culture, boards of directors, life cycles, strategic management processes, and ethics and value. Another similar report by Kuratko (2004) also offered a general idea about family business. However, the idea was limited to the factors that affect family business as presented in their model.

Looking at the other past studies concerning family business particularly on the business continuity, it is evidenced that more researches are needed to support the knowledge enhancement in family business domain. For instance, Davis et.al, (1998) has argued that studies on family business continuity only focus on the event itself with the major concern whether the founder has appointed a successor to replace his position. Davis et.al, (1998) claimed that other studies that have concentrated on family business performance and succession plan process indicate that succession has been one of the major banes of family business. These researches tend to address issues such as leadership transfer and business continuity but yet no concrete suggestion being made for business continuity process.

On the other hand, although one might claim that a considerable number of researches have been conducted to address the issue of succession in family business yet many family businesses continue to fail, either cease operation before being led by the successors or no successor to take over after the founding entrepreneur (Kuratko & Hodgetts, 2004).

2.3.2 Factors Affecting Survival of Family Owned Businesses
Research suggests that only 30% of family firms in the USA survive into the second generation of family ownership. In addition, approximately 15% to 16% of family businesses survived into the third. The comparable numbers in the UK are 24% and 14% respectively. Another study documented that only 30% of family businesses in the UK reach the 2nd generation, less than two thirds of these firms survive through the 2nd generation, and only 13% survive through the 3rd generation (Zahra & Sharma, 2004). The fact that very few family businesses survive beyond the first generation is thus rather universal and independent of cultural context or economic/business environment. Unlike non-family businesses, the efficient functioning of family businesses is often affected by the life cycle of the founding leader (Astrachan & Shanker 2003).
According to Bjuggren and Sund (2001), an often cited reason for the low survival rates amongst family businesses is the practice by families in handing over their businesses to their offspring, instead of more competent professional managers. It was suggested that the third generation, being born with a silver spoon, lack the drive to sustain, let alone expand the family business. Instead, they take the accomplishments of their parents and grandparents for granted, and concentrate on maximizing the enjoyment of the fruits of labor of their predecessors.

A number of studies in succession planning have been conducted to identify the factors that are important to ensure a successful hand over of a family business from one generation to another. Studies have also suggested that failures and break-ups of family businesses occur due to power struggles and internal feuds amongst siblings and members of the extended family, to give up their central roles in the management of the businesses and to relinquish control and power in the businesses (Klein, 2000).

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

However, long term sustenance of family business depends on its smooth survival across generations. Families that successfully survive three or four generations have a complex web of structures, agreements, councils and forms of accountability to manage their wealth (Jaffe & Lane, 2004). This seems to be more evident in the west compared to emerging economies such as India and Africa. Reflecting on the complexity of the process involved, succession planning has been an area of keen interest for researchers. This could be for a variety of reasons.

Organizational transition from an entrepreneurial stage to a system driven, professionally managed firm is not easy, and involves evolutions, revolutions and crisis. Also, there is often a simultaneous process of transformation taking place in the family and business with the size
of activities of both growing (Chrisman & Chua, 2003). Although ownership and management succession are the key concerns of a large number of business families, they do not devote enough attention to the process involved. A Study by (Watts & Yucker, 2004) has reported that families hesitate to address this issue. Succession dilemma is also closely related to the family policy on entry of new generation, retirement of incumbents and mechanisms for resolving conflicts.

2.3.3 Succession Politics

Succession processes are often marred by internal structure politics. All the same, in a well-designed model, a succession method are capable of being a sleek endeavor which can allow the incumbent leader to step down and permit the well-tidy successor to require over the workplace (Berke, 2005). Organizations’ boards ought to guarantee succession processes are operating properly and internal candidate’s square measure adequately developed in order to avoid potential failures of the fresh elite CEOs. However, the succession of leaders can generally become political. For instance, Cannella and Shen (2002) denote that it's not necessarily true that the successor can perpetually support the predecessor’s practices generally a poor firm’s performance leads prime executives to unite so as to defend themselves; also, power struggle might arise between the highest and senior executives.

Moreover, being known as a noticeable candidate doesn't essentially guarantee obtaining the CEO’s position. The tendency is that once the firm is doing well and also the chief operating officer is powerful, the named heirs are probably to depart because the chief operating officer tends to hold close power; however once the CEO is powerful whereas the firm is doing badly, candidates tend to stay (Cannella & Shen, 2002).

What is more, it absolutely was found that once an organization is doing badly, board members tend to view internal candidates critically; and once an organization is doing well, external administrators tend to encourage apparent candidates to remain with the corporate and push for candidate’s promotion against the incumbent leader (Cannella & Shen, 2002).

2.3.4 Succession Management Approaches

There are some determinations to outline the best tactic of running succession processes and for instance, the idea of sequence developments has been fluctuating from a simple concept of
replacement planning to a more methodical and proactive strategy of succession planning that focuses on upcoming organizational leadership wants (Charan, Drotter, & Noel, 2000).

Also, there have been some attempts to identify best practices applicable in the field of succession planning (Gandossy & Verma, 2006; Rothwell, 2005). Moreover, while Kesler (2002) broadens the concept of succession planning by delineating strategic and operational tips for designing and managing progression systems. Focus more on the organizational context, thus ever-changing the discussion on the way to a more comprehensive idea of succession management in its place of a narrow notion of succession development.

Alarmed by the probable fight for talent, some authors endorse the idea of talent management in the succession processes. Furthermore, Rothwell (2005) provides comprehensive guidelines on various aspects of succession planning and management efforts or programs. Rothwell (2005) does not only highlight the outlines of best-practices in the turf of succession planning and management, but similarly agreements an agenda against which an organization can portion its succession development efforts. Besides internal growing of leaders, alternative succession approaches exist as well; these include: subcontracting the work, regrouping the organizational structure, obtaining the services from within, using advisors, collaborating with like organizations, and recruiting internationally (Rothwell, 2005).

2.4 Succession Planning Experience in Family Businesses

According to Cheokas (2013), family owned businesses strive to not only be successful as measured by profit, market position, and other determinants used to gauge businesses success, but they also strive in the continuity of transitioning management and ownership from one generation to the next.

2.4.1 Family Businesses Sustainability

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

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

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

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

According to Zellweger and Nason (2008), in order to effectively manage a family business, a successor needs to make a commitment to manage the all-important family component. On the surface, this may seem obvious. However, the potential impact that the family component can
have on the management and ownership of the family business is too often underestimated, ignored, and/or mismanaged. The family component brings with it a number of unique management challenges as well as opportunities. The ability of a multigenerational family business to effectively deal with these unique management challenges and opportunities play a pivotal role in its short and long-term success.

According to Poza (2010), the good news is that many multigenerational family businesses have successfully managed their family component during the succession process. They have done this by making a commitment to applying proven family business strategies (family business best practices) to their succession process. As a result of the ongoing research and the experience gained from family business practitioners, a number of proven family business succession strategies have emerged to help family businesses effectively manage their family component.

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

2.4.2 Future Direction of Family Businesses

The very essence of the family business is that it is passed from one generation to the next, but the moment of transition and the years leading up to it can make or break the firm’s future success. One unique quality that sets family businesses apart is their ownership model and the fact that the firm passes from one generation to the next. This can either be a source of strength and longevity, or a structural weakness that can undermine an otherwise healthy business (Dunemann & Barret, 2004).

It is widely recognized that the transition from one generation to the next is one of the biggest risks facing any family-owned business. As with so many things in life the answer lies in planning ahead. There needs to be plans in place to be able to substitute the abilities of the
owner or manager. Although this is true for all key personnel in the business, there is concern with change of ownership and/or management positions held by family members in the business (Shepherd & Zacharakis, 2000).

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

The high-performing talent necessary to see family businesses into the future is a growing concern. Researchers state that it is particularly difficult for family businesses to attract talented employees with the right qualifications because the brightest candidates tend to prefer working for listed multinationals, where the career path is clearer and where there is the possibility of equity at some stage (Astrachan & Shanker, 2003).

According to Lee (2004), many family business advisors understand, if a family enterprise is to succeed through multiple generations, each generation must be ready and able to accept the ownership responsibilities as well as benefits that come with control of a large and complex enterprise. Only then will the family owned business achieve what many see as the ultimate goal of dynastic family enterprises successful succession across the generations. The same energy devoted to management succession must be given to ownership succession in order to avoid the all-too-familiar history of failed multigenerational family enterprises.

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

2.4.3 Benefits of Planning the Family Business
The benefits of planning is setting objectives and relating actions to reach those goals. Businesses should need to alter the existing goals or create new strategies if they are to stay healthy and monetarily viable. The dynamic exterior environment, motivated by increasingly reasonable markets, makes it hard if not difficult for any firm to uphold the status quo (Klein, 2000).

However, planning also allows administration to recognize new chances that are well-matched with the firm’s resources and abilities. The planning process creates an excellent opportunity to think and reflect amid the daily pressures of business activity. Through development and strategic planning the business may work on other grave issues. Planning has also enabled such firms to recognize policies and agendas that replicate their shifting values and permit them to develop a new vision of the future (Watts & Yucker, 2004).

Through planning firms may develop a common knowledge of the business, and they could also increase chances of coaxing those stakeholders to upkeep each other so that all can achieve their joint goals. As the business grows and matures, planning is critical for accommodating family relationships and changing agendas. Creating official structure to inspect change produces new and significant information and insights. Well-structured examinations should be intended to unlock info and novel ideas about how variations in the family affect the business (Astrachan & Shanker, 2003).

2.5 Chapter Summary
The chapter discussed the reviewed literature based on the research objectives, which were; to determine the best strategy for an effective succession plan, to study the practice of succession planning in family businesses and to assess the effects of strategic succession planning on
family businesses sustainability. The major aim of the study was to find out the effects of strategic succession planning on family business sustainability. The next chapter will present the research methodology to be used in this study.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter contains the methodology that will be used in conducting the study. The chapter highlights the process that led to the research design selection and also provides an outline of the research methodology by giving a description about the source data, method of conducting the research, the population, the sample, technique of collecting the data and also the technique of analyzing the data.

3.2 Research Design
This research adopted a descriptive research design which is defined by Cooper and Schindler (2006) as a set of methods and procedures that describe variables; they continued to state that descriptive research design is concerned with determining the frequency with which something occurs or relationships between variables. The descriptive design follows the post positivist paradigm of Saunder, Lewis and Thornhill (2003) which emphasized the importance of the phenomenological, inductive, and contextual approach to inquiry for research into human experience.

Descriptive research design is appropriate because it gives adequate results between two or more variables. Research specialists recommend a descriptive study in order to ascertain and describe the characteristics of the variables of interest in a given situation. The goal of descriptive study hence is to describe relevant aspects of the phenomena of interest from an individual organizational, industry oriented or other perspective (Best & Kahn, 2007). The study obtained and described the views of the respondents with regard to the effects of strategic succession planning on family business sustainability.

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

3.3 Population and Sampling Design

3.3.1 Population
Saunder, Lewis and Thornhill (2003) define a population as the full set of cases from which a sample was obtained. The population of this study consisted of large family owned businesses (those with 500 or more employees) in Nairobi. According to Wanjohi, and Mugure (2008) micro-entities are companies with up to 10 employees, Small companies employ up to 50 workers, medium-sized enterprises have up to 250 employees and large size companies are those with more than 500 employees. Family businesses are very diverse in nature and range from being small, to medium to large, listed or unlisted companies. There are four types of family owned businesses: sole practitioner, associated partners, the multi-disciplinary team and the professional service organization, Timmons and Spinelli (2007). This study targeted large multi-disciplinary family owned businesses. The population understudy was heterogeneous since it consisted of a mix of all ages and genders.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame
A sampling frame is a complete list of all cases in the population from which the sample population will be drawn (Cooper & Schindler, 2006). Since this study was dealing with the top management, business owners of these family owned businesses, relevant middle level managers and operational staff from the 3 large multi-disciplinary family owned businesses operating in Kenya. The sample size was in such a way that it was within plus or minus 0.05 of the population proportion with a 95 percent level of confidence as given by Saunders, Lewis and Thornhill (2003). The study used convenient sampling technique by taking 50% of the total population selected from the three businesses operating within Nairobi County in coming
up with a sample of 84 respondents (business owners, top level managers, middle level managers and operational staff).

3.3.2.2 Sampling Techniques
Stratified sampling technique was used in this study. This ensured that each respondents had equal opportunity to be included in the sample, granting them an equal opportunity to be selected as a representation of the population (Saunders, Lewis & Thornhill, 2003), this eliminated cause for any bias (Cooper & Schindler 2006). The research used convenient sampling technique to select 84 respondents from the strata of top management, business owners of these family owned businesses and other relevant middle level managers and operational staff.

3.3.2.3 Sampling Size
According to Mugenda and Mugenda (2003) the sample size should be as large as possible so as to produce the salient characteristics of the accessible population to an acceptable degree. Saunders et.al (2005) advocates a confidence level of 95% to be employed which means that if the sample is selected 100 times at least 95 of these samples should be certain to represent the characteristics of the population. The study used purposive sampling technique by taking 40% of the total population in coming up with a sample of 84 respondents who included; top management, business owners of these family owned businesses, relevant middle level managers and operational staff from the 3 large multi-disciplinary family owned businesses operating in Kenya.

A sample of 50% was considered representative enough to allow for generalization of the data for the whole target population. The respondents were chosen based on their duration of working, exposure and experience in their departments of work. The total population was narrowed down to 168 employees from the 3 family businesses operating within Nairobi County and respondents were selected based on their accessibility since they were all located in Nairobi.
Table 3.1: Sample size

<table>
<thead>
<tr>
<th>Position</th>
<th>Total Population (100%)</th>
<th>Sample Size (50%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management &amp; Business Owners</td>
<td>28</td>
<td>14</td>
</tr>
<tr>
<td>Middle level managers</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>Operational Staff</td>
<td>100</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>168</strong></td>
<td><strong>84</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Method

The study used questionnaires as data collection instrument, which solicited primary personal and business data from respondents. Questionnaires were used since it helped the researcher to collect large amount of data in large areas within a short time thus saving time for the study (Orodho, 2003). It was a good method that ensured that all relevant and important areas of research objectives were addressed. Some structured and unstructured questions were used because they helped provide more information as the respondents expressed their thoughts freely and spontaneously (Saunders et.al, 2005). The questionnaires contained open ended questions, where the respondents were allowed to answer the required questions. With the open ended questions format, the respondents were able to provide answers to the questions. This allowed for collection of large amounts of data within a short time and also anonymity of the respondents. The use of questionnaires offered an effective way of collecting information from a large sample in a short span of time than other methods, that are time consuming and tiresome. Section one of the questionnaires provided the demographic information of the respondents and section two gave information regarding the objective of the study which included the effects of strategic succession planning on family business sustainability.
3.5 Research Procedure
A pilot test involving 20 (5) respondents group was carried out to evaluate the completeness, precision, accuracy and clarity of the interview questions to the focused group. This helped at ensuring the reliability of the data collected for the purposes of the research. As part of the research procedure, a letter of introduction was attached to the questionnaires explaining the purpose of the study and the expected benefits to the target institutions. The questionnaires were preceded by an initial letter seeking permission from the various departmental heads so that the study could be carried out on the company. The questionnaires were administered to the respondents during normal working hours. The whole exercise was conducted within a period of three weeks. The questionnaires were expected to take an average of twenty minutes to complete for each respondent.

3.6 Data Analysis Methods
The data collected was analyzed using both qualitative and quantitative methods. Quantitative data was used to obtain descriptive statistics such as frequency, percentages, mode, median and standard deviation, while qualitative method was used to analyze the open ended question and descriptive statistics (Best & Khan, 2007). The effects of strategic succession planning on family business continuity was examined with the help of Statistical Package for Social Science (SPSS) and specific statistical methods such as multiple linear regression. Multiple regressions helped to establish how a set of independent variables explained a proportion of the variance of a dependent variable to a significant level through significance test of $R^2$. It also helped to explain the relative predictive importance of independent variables by comparing the beta weights.

3.6 Chapter Summary
The chapter described the methodology of research that was used by this study proposal. Descriptive research design was used, with the data analyzed using SPSS and linear regression to determine the relationship between independent and dependent variables. Chapter four will present analysis and findings of the study.

CHAPTER FOUR
4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter presents the findings of the study, data analysis and interpretation. The study aim was to assess the effects of strategic succession planning and family business sustainability. This study was guided by the independent variables; the best strategy for an effective succession plan, the practice of strategic succession planning in family owned businesses and the succession planning experience in family businesses.

4.2 Response Rate
The study targeted 84 respondents from top management, business owners of these family owned businesses and other relevant middle level managers and operational staff. Table 4.1:

<table>
<thead>
<tr>
<th>Response rate</th>
<th>Sample size</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned questionnaires</td>
<td>72</td>
<td>86</td>
</tr>
<tr>
<td>Un-returned questionnaires</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

The results indicate that out of the 84 questionnaires administered, 72 were well filled and returned, which gave a response rate of 86%. According to Mugenda and Mugenda (2003) the statistically significant response rate for analysis should be at least 70%. The high response could be attributed to self-administration of the questionnaire.

4.3 General and Demographic Information
This section includes the general demographic information. Respondents were asked about their gender, age, employment position and level of education attained.
4.3.1 Gender
The results showed that 53% of the respondents were male while 47% were female. The respondents were asked to indicate their gender. The findings were as indicated in figure 4.1 below

![Gender of Respondents](image)

**Figure 4.1: Gender of Respondents**

4.3.2 Age of the Respondents
The study found out that 38% of the respondents were between below 30 years of the age, 35% of the respondents were between 30-39 years, 15% were between 40-49 years of age and 13% were above 55 years of age. The finding indicates that all the respondents were mature enough to give valid responses on the research study. The study sought to establish the age of the respondents as shown in figure 4.2.
4.3.3 Academic Qualification

The findings indicate that majority of the respondents (44%) had Diploma qualifications, 26% had bachelors’ degree qualifications, 15 % had Certificate qualifications and 14% were of the respondents had post graduate qualifications. The finding highlights that respondents were knowledgeable and they had vast information on succession planning and family business sustainability of the sampled organizations. The respondents were asked to indicate the highest level of education, the finding were indicated below in figure 4.3.

Figure 4.2 Age of Respondents
4.3.4 Position of Employment

The study established that 46% of the respondents were operation staff, 38% were middle level managers and 17% were in top level management worked for 11-15 years. The study sought to establish the cadre of employment for the respondents. The findings were as shown below in figure 4.4

Figure 4.3: Academic Qualification of Respondents

Figure 4.4 Position of employment
4.4 To Determine Best Strategy for an Effective Succession Plan

The study established that majority (46%) of the company’s business were being run by the second generation, (35%) by first generation, (15%) by the third generation, (3%) by the fourth generation and finally 1% by the fifth generation. The findings complements that of Zahra and Sharma (2004) who found that only 30% of family businesses in the UK reach the 2nd generation, less than 2/3 of these firms survive through the 2nd generation, and only 13% survive through the 3rd generation. This implies the fact that a few Kenyan family businesses seem to survive beyond the first generation is universal in the whole world and not locally based. The study sought to determine the best strategy for an effective succession plan for the current generation running the company’s business. The findings are indicated in figure 4.5

![Graph showing the distribution of generations running the family business](image)

**Figure 4.5 Current Generation Running the Family Business**

4.4.1 Presence of Succession Plan in the Business

Table 4.2 indicates that 69% of the family owned business had a plan on how to succeed the current leadership. The findings also show that 74% of the respondents thought that the survival of the company this far attributed to a succession planning strategy. The results agreed with Mazzola, Marchisio and Astrachan (2008) argument that planning for the future is a key activity for any successful organization that is intent upon maintaining a stable and effective
workforce. This implies that the Kenyan business in the study have succession planning at hand as a strategic process of preparing for the future.

**Table 4.2: Presence of Succession Plan**

<table>
<thead>
<tr>
<th>Succession</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The business has a plan on how to succeed the current leadership.</td>
<td>50</td>
<td>69</td>
</tr>
<tr>
<td>The survival of the company this far attributed to a succession planning strategy.</td>
<td>53</td>
<td>74</td>
</tr>
</tbody>
</table>

**4.4.2 Measurement of Succession planning strategy**

The results show that (39%) of the respondents ranked capability of the current leadership as very high while 39% of the respondents rated the family owned business strategic planning skills as high. In addition, 35% of the respondents graded the presence of a succession plan as very high while 35% rated that the directors vision for succession of family owned business as high. Further, 33% of the respondents were of high opinion that succession plan are clearly communicated while 40% were of high opinion that potential successor is available. Similarly, 28% of the respondents had high opinion that there exist family wrangles in succession of the family owned business while 31% ranked professional coaching in family owned business to ensure succession as high. Finally, 39% of the respondents were of very high opinion that the future forecast of the business and the market of the family owned business can be foreseen based on the succession of the said business. Scale reliability was determined by computing the overall Cronbach’s alpha reliability coefficient for the items of succession planning strategy. The reliability was demonstrated since the overall Cronbach’s alpha statistic was 0.894 which is greater than 0.7. The findings complements Sharma et al. (2001) and Morris et al. (1997), suggestions that well developed succession plans can increase the likelihood of co-operation among stakeholders in businesses. This implies that the Kenyan businesses have succession plans for enhancing the chance of a smooth and effective succession. The respondents were requested to express the extent of agreement with the aspects of succession planning strategy. The results of the measurement are shown in table 4.3.
Table 4.3: Measurement of Succession Plan

<table>
<thead>
<tr>
<th>Succession planning strategy</th>
<th>Very High (%)</th>
<th>High (%)</th>
<th>Fair (%)</th>
<th>Low (%)</th>
<th>Very Low (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capability of the current leadership</td>
<td>39</td>
<td>33</td>
<td>15</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Strategic planning skills</td>
<td>26</td>
<td>39</td>
<td>26</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Presence of a succession plan</td>
<td>35</td>
<td>22</td>
<td>21</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Directors vision</td>
<td>35</td>
<td>32</td>
<td>19</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Clearly communicated succession plan</td>
<td>22</td>
<td>33</td>
<td>24</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Availability of a potential successor</td>
<td>22</td>
<td>40</td>
<td>21</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Family wrangles</td>
<td>14</td>
<td>28</td>
<td>21</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>Professional coaching</td>
<td>15</td>
<td>31</td>
<td>29</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>The future forecast of the business and market</td>
<td>39</td>
<td>22</td>
<td>24</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Overall Cronbach’s Alpha = 0.894</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.5 Practice of Strategic Succession Planning in Family Owned Businesses

The study sought to determine practice of strategic succession planning in family owned businesses.

4.5.1 Frequency of Leadership Change

Majority of the respondents (49%) rated the frequency of leadership change in family owned business as not often while 28% of the family owned business does not change the leadership. In addition, 17% of the respondents rated the frequency of leadership change as medium, 3% rated the change as often and 4% rated it as very often. The findings add weight to Watts and Yucker (2004), whose findings stated that although ownership and management succession are the key concerns of a large number of business families, they do not devote enough attention to the process involved. Families business hesitates to address the issue of succession plan on entry of new generation, retirement of incumbents and mechanisms for resolving conflicts. The implication is that although the Kenyan businesses have succession plans at hand, there is a minimal rate of leadership change creating the atmosphere of possible conflict in succession. The study sought to find out how often the family owned businesses changed leadership. The findings are indicated in figure 4.6
4.5.2 Presence of Succession Plan Strategy

Majority (61%) of the family owned business have a succession plan strategy in place while 39% of the business did not have a succession plan strategy. The findings agreed with Molly, Laveren and Deloof (2010) assertion that, business owners give thought to a succession plan, but they put off implementation. This can cause serious problems if the founder leaves the business earlier than planned due to death or illness. The successor will be making his or her first key business decisions during a difficult time and the health of the business could suffer. The implication is that just like in other countries, though the local businesses seem to have a succession plan, there may be a hesitation on its execution. The study sought to find out whether the company had a succession plan strategy in place. The findings are indicated in figure 4.7.
4.5.3 Period of Current Succession Planning Strategy

The study found that majority (63%) of the family owned business period of current succession planning strategy covers between 4-5 years, 33% covers between 2-3 years and 5% covers one year. The findings contrasts Ward (1987) and Shulman (1991) who advocated that family businesses succession strategy should start thinking about transferring ownership and managerial responsibility five to twenty years in advance. This implies that the succession plan strategies in the Kenyan context are short term. The respondents were asked to indicate the number of years the current succession planning strategy covers. The findings are indicated in figure 4.8.
Figure 4. 8 Period of Current Succession Planning Strategy

4.5.4 Company’s Succession Plan Strategy

The study found out that 46% of the family owned business had never updated the company’s succession plan strategy while 27% of the family owned business had updated the company’s succession plan strategy within the past three years. In addition, 27% of the businesses had updated the company’s succession plan strategy within the past year. The findings complements Watts and Yucker (2004) statement that, although ownership and management succession strategy are the key concerns of a large number of business families, they do not devote enough attention to the process involved. The implication is that the studied Kenyan business are privy of the importance of Families addressing a succession plan, though some have a dilemma that may result into future conflicts. The study sought to find out when the company’s succession plan strategy was last updated. The findings are indicated in figure 4.9.
4.5.5 Measure of the Practice of Succession Planning

The results show that (53%) of the respondents strongly agreed with the opinion that strategic succession plan help smooth running of family business with 37% strongly disagreeing with the opinion that succession plan does not help in family owned business. Similarly, 53% of the respondents agreed that family willingness aide in the practice of succession planning while 37% strongly agreed with the opinion that business directors are to decide on the succession. Further, 30% of the respondents strongly agreed that the strategies applied in succession should be given by experts while 35% agreed with the opinion that family members should decide who to succeed the current leader.

Finally, 41% of the respondents agreed to the opinion that education and personal traits are key determinants during succession. Scale reliability was determined by computing the overall Cronbach’s alpha reliability coefficient for the items of the Practice of Succession Planning. The reliability was demonstrated since the overall Cronbach’s alpha statistic was 0.712 which is greater than 0.7. The findings add weight to Jaffe and Lane (2004) argument that, long term sustenance of family business depends on its smooth survival across generations. Families that successfully survive three or four generations have a complex web of structures, agreements,
councils and forms of accountability to manage their wealth. This means that there is an expressive understanding of the importance of succession planning in the studied businesses.

The respondents were requested to express the extent of agreement with aspects of succession planning in family owned businesses. The results are shown below in table 4.4.

**Table 4.4 Practice of Succession Planning**

<table>
<thead>
<tr>
<th>The Practice of Succession Planning</th>
<th>Strongly Agree (%)</th>
<th>Agree (%)</th>
<th>Neutral (%)</th>
<th>Disagree (%)</th>
<th>Strongly Disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic succession plan help smooth running of family business</td>
<td>53</td>
<td>31</td>
<td>13</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Succession plan does not help</td>
<td>4</td>
<td>18</td>
<td>14</td>
<td>27</td>
<td>37</td>
</tr>
<tr>
<td>Family willingness</td>
<td>24</td>
<td>53</td>
<td>17</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Business directors are to decide on the succession</td>
<td>37</td>
<td>30</td>
<td>17</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>The strategies applied in succession should be given by experts</td>
<td>30</td>
<td>34</td>
<td>17</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>Family members should decide who to succeed the current leader</td>
<td>26</td>
<td>35</td>
<td>15</td>
<td>17</td>
<td>7</td>
</tr>
<tr>
<td>Education and personal traits are to determine during succession</td>
<td>39</td>
<td>7</td>
<td>13</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Overall Cronbach’s Alpha =0.712**

**4.6 Succession Planning Experiences in Family Owned Businesses**

The results indicate that 61% of the respondents were in agreement that there existed a team of professionals to guide the company through the twist and turns of a succession plan while 74% were in agreement that the existing succession plan was being maintained both throughout and after transition in the event of family transition. Finally, 71% of the respondents agreed that the company’s succession plan strategy in place is clearly communicated to all stakeholders. The findings complements Mazzola, Marchisio and Astrachan (2008) argument that planning for the future is a key activity for any successful organization that is intent upon maintaining a
stable and effective workforce. The implication is that the studied business regards succession planning as a part of the strategic process of preparing for the future. The study sought to determine the aspect of succession planning experiences in family owned businesses. The respondents were asked questions relating to succession planning experiences.

The findings are indicated in table 4.5.

**Table 4.5 Succession Planning Experiences**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a team of professionals to guide the company through the twist and turns of a succession plan.</td>
<td>43</td>
<td>61</td>
</tr>
<tr>
<td>The existing succession plan will be maintained both throughout after transition in the event of family transition.</td>
<td>50</td>
<td>74</td>
</tr>
<tr>
<td>The company succession plan strategy in place is clearly communicated to all stakeholders.</td>
<td>49</td>
<td>71</td>
</tr>
</tbody>
</table>

4.6.1 **Experience of Strategic Succession Planning on Business Survival**

Majority, 91% of the respondents had positive experience in organizations with strategic succession planning on business survival. The findings add weight to Rodrigo (2013) and File and Prince (1996) assertions that strategic succession planning is critical for the sustainability of family owned businesses and the absence of a succession plan can cause serious management problems, even leading to a business failure. This implies that the studied businesses had experienced successions and transitions in their lifetime. The study sought to find out the respondents experience in organizations with strategic succession planning on business survival. The findings are indicated in figure 4.10.
4.6.2 Provision of a Future Road Map for the Business

Majority, 87% of the respondents indicated that the family owned businesses had a provision of a future road map for the business. The findings complements Molly, Laveren and Deloof (2010) who stated that in many cases, business owners have a succession plan, but they put off implementation. This can cause serious problems if the founder leaves the business earlier than planned due to death or illness. The implication for this study is that though the studied businesses had a succession plan, they faced the dilemma of execution just like other businesses in the world. The study sought to find out whether the family owned businesses had a provision of a future road map for the business. The findings are indicated in figure 4.11.
4.6.3 Nature of Succession Strategies

Majority (69%) of the respondents indicated that family owned business used formal strategies to remain relevant and sustainable in the future while 31% indicated that the businesses use informal strategies. The findings are in line with Poza (2010) argument that, many multigenerational family businesses have successfully managed their family component during the succession process. They have done this by making a commitment to applying proven family business strategies (family business best practices) to their succession process. The implication is that successful family businesses in Kenya make use of proven family business succession strategies that have assisted in effectively management of succession. The study sought to determine the nature of succession strategies used by the business to remain relevant and sustainable in the future. The findings are indicated in figure 4.12.

![Figure 4.12 Nature of Succession Strategies](image)

**Figure 4.12 Nature of Succession Strategies**

4.6.4 Measure of Sustainability of Family Business

The results show that majority (69%) of the respondents agreed with the opinion that the requirement of strategies for a business to remain sustainable in future was very important. Similarly, 50% of the respondents agreed with the opinion that succession planning was important as it was the key factor for future moving to the next generation while 46% of the
respondents agreed with the opinion that it was important that the succession from generation to the other was dependent of family cohesion.

Further, 39% agreed to the opinion that it was important that the strategies developed by the owner of the business should determine future of the business while 39% agreed to the opinion that it is important for the growth of the family owned businesses get to future generations only when there is a unifying figure in the family. Finally, 30% of the respondents agreed to the opinion that it was important for the growth of the family owned businesses get to future generations only when there is a unifying figure in the family. The findings agreed with Murangiri (2011) statement that, the mode and the strategies employed to facilitate the transgenerational transition of ownership and control have been observed to have a significant influence on the survival and performance of family businesses. The implication is that there is an agreement on the vitality of effective strategic succession planning to guarantee the effective transition of the family business to the desirable future. The study sought to rate the respondents knowledge of aspects of sustainability of family business in family owned businesses. The findings are indicated in table 4.6.

Table 4.6 Sustainability of Family Business

<table>
<thead>
<tr>
<th>Sustainability of Family Business</th>
<th>Very Important (%)</th>
<th>Important (%)</th>
<th>Fair (%)</th>
<th>Less Important (%)</th>
<th>Not Important (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business requires strategies to remain sustainable in future</td>
<td>69</td>
<td>20</td>
<td>9</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Succession planning is the key factor for future moving to the next generation</td>
<td>50</td>
<td>29</td>
<td>19</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>The movement from generation to the other is dependent of family cohesion</td>
<td>31</td>
<td>46</td>
<td>20</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>The strategies developed by the owner of the business determines future of the business</td>
<td>34</td>
<td>39</td>
<td>19</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>The growth of the family owned businesses get to future generations only when there is a unifying figure in the family</td>
<td>39</td>
<td>34</td>
<td>19</td>
<td>6</td>
<td>3</td>
</tr>
</tbody>
</table>
The length at which family businesses sustain in the market is dependent on the life of the original entrepreneurs. Overall Cronbach’s Alpha = 0.761

**4.7 Inferential Analysis of Study Variables**

This section explains the correlation and regression analysis of study variables.

**4.7.1 Correlation Analysis**

The results indicate that best strategy for an effective succession plan was found to be positive and significantly related to sustainability of family business ($r = 0.516$, p-value = 0.000). Practice of strategic succession planning was found to be positively related to sustainability of family business ($r = 0.704$, p-value = 0.000) at 0.05 levels of significance. Succession planning experience was found to be positively related to sustainability of family business ($r = 0.372$, p-value = 0.000) at 0.05 levels of significance. Succession planning had the best correlation of 0.704 which is a strong positive correlation. The implication is that strategic succession planning if well undertaken will guarantees a smooth succession and sustainability of family business. The correlation of the independent and dependent variables is explained in table 4.7.

**Table 4.7 Correlation Analysis**

<table>
<thead>
<tr>
<th>Sustainability of family business</th>
<th>Best strategy for effective succession plan.</th>
<th>Practice of Strategic Succession Planning</th>
<th>Succession planning experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.516**</td>
<td>.704**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.002</td>
</tr>
<tr>
<td>N</td>
<td>66</td>
<td>66</td>
<td>66</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sustainability of family business</th>
<th>Best strategy Pearson for an effective Correlation</th>
<th>Succession planning plan.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.516**</td>
<td>.336**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.006</td>
</tr>
<tr>
<td>N</td>
<td>66</td>
<td>66</td>
</tr>
</tbody>
</table>
Correlation is significant at 0.01 level (2-tailed)

Correlation is significant at 0.01 level (2-tailed)

4.7.2 Regression

Regression indicates the strength of the relationship between the independent variables (Best strategy for an effective succession plan, practice of Strategic Succession Planning and succession planning experience) and the dependent variable (Sustainabilit of family business). The model analysis of regression is shown in table 4.9.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.780a</td>
<td>.609</td>
<td>.590</td>
<td>.58726</td>
</tr>
</tbody>
</table>

a. Predictors: (constant), Experience, Practice and Best strategy

b. Dependent variable: Sustainability

The R² value is the coefficient of determinant (expressed as a percentage) and it shows the variability of the dependent variable explained by the variability in independent variable(s). The R square value in this case is 0.609 which clearly suggests that there is a strong relationship between best strategy for an effective succession plan, practice of strategic succession planning and succession planning experience and sustainability of family business. This indicates that best strategy for an effective succession plan, practice of strategic succession planning and succession planning experience share a variation of 60.9% of sustainability of family
business. Therefore, further research may be conducted to investigate the other factors (39.1%) that explain sustainability of family business.

4.7.3 Analysis of Variance (ANOVA)

Table 4.9 Analysis of Variance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>33.253</td>
<td>2</td>
<td>16.627</td>
<td>31.640</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>21.382</td>
<td>21</td>
<td>1.030</td>
<td>1.610</td>
<td>.208</td>
</tr>
<tr>
<td>Total</td>
<td>54.635</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (constant), Experience, Practice and Best strategy

b. Dependent variable: Sustainability

With a sig=.000 as indicated in table, a significance level of over 99% is provided. This model significance implies that the model is acceptable. The total deviation in the dependent variable in the model is 54.635. The model was able to explain 33.253 of the total sum of squares while 21.382 of the total sum of squares were not explained. The F ratio (in the Analysis of Variance Table) is 32.140 and significant at sig=.000. This provides evidence of existence of a linear relationship between the dependent variable (sustainability) and the independent variables (Experience, Practice and Best strategy). In other words the entire model was a good fit since (F-value=32.140 and p-value=0.000<0.05).

4.7.4 Coefficients of Study Variables

Table 4.10 Analysis of Variance Coefficients of Study Variables

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.152</td>
<td>.072</td>
<td>2.103 3.235 .040</td>
</tr>
<tr>
<td>Best strategy</td>
<td>.252</td>
<td>.078</td>
<td>.279 6.699 .002</td>
</tr>
<tr>
<td>Practice</td>
<td>.514</td>
<td>.077</td>
<td>.572 6.699 .000</td>
</tr>
<tr>
<td>Experience</td>
<td>.150</td>
<td>.075</td>
<td>.168 2.012 .049</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Sustainability
The unstandardized beta coefficients column in the coefficient table was used to obtain the overall equation. When these beta coefficients are substituted in the equation, the plot of sustainability of family business, experience, practice and best strategy show that there could be a linear relationship. The regression equation comprising both the explanatory variables is

$$E(Y) = \alpha + \beta_1 L + \beta_2 S + \beta_3 T$$

where;

Sustainability = 0.152 + 0.252X_1 (best strategy) + 0.514X_2 (practice) + 0.150X_3 (experience)

Best strategy for an effective succession plan was found to have a positive linearly significant influence on sustainability of family business. One unit change in best strategy for an effective succession plan resulted in 0.252 unit increase in sustainability of family business. Practice of strategic succession planning was found to have a positive linearly significant influence on sustainability of family business. One unit change in practice of strategic succession planning resulted in 0.514 unit increase in sustainability of family business. Succession planning experience was found to have a positive linearly significant influence on sustainability of family business. One unit change in succession planning experience resulted in 0.150 unit increase in sustainability of family business.

The beta coefficients indicated the relative importance of each independent variable (best strategy for an effective succession plan, practice of strategic succession planning and succession planning experience) in influencing the dependent variable (succession planning experience). This implication is that practice of strategic succession planning is the most factor important in influencing succession planning experience of family business, followed by best strategy for an effective succession plan and then succession planning experience.

4.8 Chapter Summary

In this chapter, the findings are in respect to the information from the respondents. The first section provided an overview of the demographic factors such as gender, age, academic qualification position of employment. It was followed by best strategy for an effective succession plan. Lastly the chapter discussed succession planning practices. Chapter five provides conclusion, summary discussions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents a discussion on the findings of the study. The discussion is made such that it links the study findings with the previous studies and the theoretical concepts on the same. The chapter has several sections namely the summary of the findings, the discussion of the findings, conclusions of the study and recommendations of the study.

5.2 Summary
The purpose of this study was to assess the effects succession planning and family business sustainability. The research was guided by three objectives: to determine the best strategy for an effective succession plan; to study the practice of strategic succession planning in family owned businesses and to examine the succession planning experience in family businesses. The scope of the study was the large family owned businesses (those with 500 or more employees) in Nairobi, Kenya. The aim was to sample at least three large families owned businesses (Nakumatt, Sarit Center and Chandaria Industries) which had survived to second, third and fourth generation. The survey was carried out for a period of approximately four weeks.
Descriptive research design was used and the target population comprised of large family owned businesses (those with 500 or more employees) in Nairobi. The study purposively sampled three large family owned businesses which have survived to second, third and fourth generation to ensure business continuity. Stratified and convenient sampling techniques were further used to select 84 respondents as the sample size. The main source of data was through questionnaires with a pilot test conducted to find out the reliability of the questionnaire before the actual administration. Data analysis was both qualitative and quantitative.

Multiple regressions helped to establish how a set of independent variables explained a proportion of the variance of a dependent variable. The overall return rate for the instruments was 84% and which was acceptable in this research. The model analysis of regression indicated the R square value as 0.609 which suggested a strong relationship between best strategy for an effective succession plan, practice of strategic succession planning and succession planning experience and sustainability of family business. Succession planning had the best correlation of 0.704; a strong positive correlation.

5.3 Discussion

5.3.1 Best Strategy for an Effective Succession Plan
The results on the best strategy for an effective succession plan for the current generation running the company’s business established that 46% of the family businesses were being run by the second generation, 35% by first generation, 15% by the third generation, 3% by the fourth generation and finally 1% by the fifth generation. The findings complemented Zahra and Sharma (2004) who found that only 30% of family businesses in the UK reach the 2nd generation, less than 2/3 of these firms survive through the 2nd generation, and only 13% survive through the 3rd generation. This implied that a few Kenyan family businesses seem to survive beyond the first generation is universal in the whole world and not locally based. The results on presence of succession plan in the business indicated that 69% of the family owned business had a plan on how to succeed the current leadership with 74% of the respondents stating that the survival of the company was attributed to a succession planning strategy. The results agreed with Mazzola, Marchisio and Astrachan (2008) argument that planning for the future is a key activity for any successful organization that is intent upon maintaining a stable
and effective workforce. This implied that the Kenyan business in the study have succession planning at hand as a strategic process of preparing for the future.

There was a general agreement with the aspects of succession planning strategy showed that (39%) of the respondents ranked capability of the current leadership as very high while 39% of the respondents rated the family owned business strategic planning skills as high. In addition, 40% were of high opinion that potential successor was available while 39% had a very high opinion that the future forecast of the business and the market of the family owned business could be foreseen based on the succession of the business. The findings complemented Sharma et al. (2001) and Morris et al. (1997), suggestions that well developed succession plans can increase the likelihood of co-operation among stakeholders in businesses. This implied that the Kenyan businesses have succession plans for enhancing the chance of a smooth and effective succession.

Best strategy for an effective succession plan had positive and significantly relationship to sustainability of family business (r = 0.516, p-value = 0.000). Similarly, best strategy for an effective succession plan had the second best (a positive linearly significant) influence on sustainability of family business. One unit change in best strategy for an effective succession plan resulted in 0.252 unit increase in sustainability of family business.

5.3.2 Practice of Strategic Succession Planning in Family Owned Businesses
The results of the determination of practice of strategic succession planning in family owned businesses had the 49% rating the frequency of leadership change in family owned business as not often while 28% of the family owned businesses do not change the leadership. The findings added weight to Watts and Yucker (2004), whose findings stated that although ownership and management succession are the key concerns of a large number of business families, though families business hesitates to address the issue of succession plan. The implication is that although the Kenyan businesses have succession plans at hand, there is a minimal rate of leadership change creating the atmosphere of possible conflict in succession.

The results on whether the company had a succession plan strategy in place had the majority of respondents (61%) stating that the family owned business had a succession plan strategy in place while 39% of the business did not have a succession plan strategy. The findings agreed
with Molly, Laveren and Deloof (2010) assertion that, business owners give thought to a succession plan, but they put off implementation. The implication is that just like in other countries, though the local businesses seem to have a succession plan, there may be a hesitation on its execution.

The response on the number of years the current succession planning strategy covered showed that majority (63%) of the family owned business period of current succession planning strategy covers between 4-5 years, 33% covers between 2-3 years and 5% covers one year. The findings contrasted Ward (1987) and Shulman (1991) who advocated that family businesses succession strategy should start thinking about transferring ownership and managerial responsibility five to twenty years in advance. This implied that the succession plan strategies in the Kenyan context are short term.

The results on when the company’s succession plan strategy was last updated showed that 46% of the family owned business had never updated the company’s succession plan strategy. The findings complemented Watts and Yucker (2004) statement that, although ownership and management succession strategy are the key concerns of a large number of business families, they do not devote enough attention to the process involved. The implication was that Kenyan business are privy of the importance of Families addressing a succession plan, though some have a dilemma that may result into future conflicts. On measuring of the practice of succession planning the results show that (53%) of the respondents strongly agreed with the opinion that strategic succession plan help smooth running of family business. Similarly, 53% of the respondents agreed that family willingness aide in the practice of succession planning. The findings added weight to Jaffe and Lane (2004) argument that, long term sustenance of family business depends on its smooth survival across generations. This meant that there is an expressive understanding of the importance of succession planning in the studied businesses.

Practice of strategic succession planning had a positively relationship to sustainability of family business (r = 0.704, p-value = 0.000) at 0.05 levels of significance. It also had the best (a positive linearly significant influence) on sustainability of family business. One unit change in practice of strategic succession planning resulted in 0.514 unit increase in sustainability of
family business. This implication is that practice of strategic succession planning is the most important factor in influencing succession planning experience of family business.

5.3.3 Examining the Succession Planning Experience in Family Businesses

The results indicated that 61% of the respondents were in agreement that there existed a team of professionals to guide the company through the twist and turns of a succession plan while 74% were in agreement that the existing succession plan was being maintained both throughout and after transition in the event of family transition. Finally, 71% of the respondents agreed that the company’s succession plan strategy in place is clearly communicated to all stakeholders. The findings complemented Mazzola, Marchisio and Astrachan (2008) argument that planning for the future is a key activity for any successful organization that is intent upon maintaining a stable and effective workforce. The implication is that the studied business regards succession planning as a part of the strategic process of preparing for the future.

The results on the experience of organizations with strategic succession planning on business survival, had the majority (91%) of the respondents having positive experience in organizations with strategic succession planning on business survival. The findings added weight to Rodrigo (2013) and File and Prince (1996) assertions that strategic succession planning is critical for the sustainability of family owned businesses. This implied that the studied businesses had experienced successions and transitions in their lifetime.

Succession planning experience had a positively related to sustainability of family business ($r = 0.372$, $p$-value = 0.000) at 0.05 levels of significance. Succession planning experience also had a positive linearly significant influence on sustainability of family business. One unit change in succession planning experience resulted in 0.150 unit increase in sustainability of family business.

5.3.4 Family Business Sustainability

The results on whether the family owned businesses had a provision of a future road map for the business had the majority (87%) of the respondents indicating positive response (that the family owned businesses had a provision of a future road map). The findings complemented Molly, Laveren and Deloof (2010) who stated that in many cases, business owners have a succession plan, but they put off implementation. The implication for this study is that though
the studied businesses had a succession plan, they faced the dilemma of execution just like other businesses in the world.

The results on the nature of succession strategies used by the business to remain relevant and sustainable in the future had the majority (69%) of the respondents indicating that family owned business used formal strategies to remain relevant and sustainable in the future. The findings were in line with Poza (2010) argument that, many multigenerational family businesses have successfully managed their family component during the succession process. The implication is that successful family businesses in Kenya make use of proven family business succession strategies that have assisted in effectively management of succession.

On measuring the respondents’ knowledge of aspects of sustainability of family business in family owned businesses, majority (69%) of the respondents agreed with the opinion that the requirement of strategies for a business to remain sustainable in future was very important. Similarly, 50% of the respondents agreed with the opinion that succession planning was important as it was the key factor for future moving to the next generation. The findings agreed with Murangiri (2011) statement that, the mode and the strategies employed to facilitate the trans-generational transition of ownership and control have been observed to have a significant influence on the survival and performance of family businesses. The implication is that there is an agreement on the vitality of effective strategic succession planning to guarantee the effective transition of the family business to the desirable future.

5.4 Conclusions
The study concluded that best strategy for an effective succession plan, practice of strategic succession planning and succession planning experience positively influence family owned businesses in Kenya.

5.4.1 Relationship between Succession Planning Strategy and Family Business Sustainability
The study concludes that the best succession planning strategy consists of several elements this is because succession planning itself is one of the most emotional and complex issues family businesses face.
Whereas having a succession plan is the first step in the right direction towards family business sustainability, a clearly communicated succession plan, strategic planning skills, professional coaching, capability of current leadership, availability of potential successor and future forecast of the business and market are key ingredients when coming up with the best strategy for an effective succession plan.

5.4.2 Relationship between the Practice of Succession Planning and Family Business Sustainability

It encouraging to witness an increasing awareness in Kenya, by owners and key personnel in family businesses, of the threats and risks facing their businesses, one being the lack of a succession plan.

The study concludes that the practice of strategic succession planning is the most important factor in influencing succession planning experience of family business when it comes to transgenerational business sustainability. Majority of the successful family businesses in Kenya were being run by the second generation who had a plan on how to succeed the current leadership. Most of the successful family owned businesses had a succession plan strategy in place which was covering between 4-5 years into the future life of the business.

This also means family businesses that successfully survive three or four generations have a complex web of structures, agreements, councils and forms of accountability to manage their wealth. The study concluded that there is an expressive understanding of the importance of succession planning in the studied businesses and the practice is being steadily embraced across family businesses.

5.4.3 Relationship between Succession Planning Experience and Family Business Sustainability

It was clear to see that many factors regarding succession planning decisions present serious challenges to family businesses. This is because family businesses are more than just a job for most family business owners; therefore, decisions about the future direction of the business often have emotional attachment. Furthermore, since other family members are often involved in the decision making process, the business succession can cause unforeseen challenges within the family. An important component in determining successful transition is the time factor;
advance planning is essential to allow for alterations and preparations on the existing road map in case the situation demands so.

The study concluded that, a positive succession planning experience as witnessed in the successful family businesses in the study, is hugely attributed to the existence of a form of professional coaching to guide the company through the twist and turns of a succession plan.

The study also concluded that family owned businesses that had a provision of a future road map for the business are more likely to survive.

5.5 Recommendations

5.5.1 Recommendation for Improvement
The acknowledgment of the benefits of entrepreneurial dynamics in corporate framework is increasingly recognized in both entrepreneurship and strategic management literature, as companies today face a reality in which frame breaking novelty is a significant component of survival. Thus management and leadership should prosper to promote and inspire corporate entrepreneurship within their business in order to be significant in the dynamic corporate world.

5.5.1.1 Succession Plan
It is important for family owned businesses in Kenya to have at hand a succession plan to ensure a smooth transition in the future.

5.5.1.2 Family and Strategy
Strategy and family affairs go hand in hand. Family businesses ought to define a clear succession plan strategy and the agreed road map needs to be on paper (formal). On the flip side of it, such a strategy can be end up being ineffective if family affairs are not handled in harmony. Therefore, it is essential to have an agreed-upon strategic succession plan and a transparent mechanism to manage matters related to family members, their accountability, management of conflicts and disagreements among them.
5.5.1.3 Development Opportunities
The potential successors should receive enough development opportunities involving a mentoring program and job development opportunities to prepare them for eventual takeover of the business.

5.5.1.4 Experts
If necessity calls, the family businesses should incorporate experts with professional knowhow to run the business and offer expert guidance.

5.5.1.5 Time Bound
The succession plan should be time-bound and updated to be realistic and relevant to the current situations in the business life so that it becomes an invaluable business tool to guide trans-generational business transition while ensuring sustainability.

5.6 Area for Further Research
The study focused only on three aspects of succession planning; the strategy, the practice and the experience. This information could be in exhaustive and thus generalizable. To help curb this, it is recommended that further studies be done to unearth more on the subject matter. This will ensure increased reliability of the data and results and permit some form of generalization.

The study on succession planning and family business sustainability should be generalized to other family businesses in Kenya in addition to the three studied for comparative purposes. The study on the other variables not considered under this study contributing 39.1% that explain sustainability of family business should also be undertaken.

It is also good to note that this study was only conducted in Nairobi County and took into consideration only three family owned businesses. Therefore, other studies should involve more firms and explore the effects of strategic succession planning on family businesses sustainability for the purpose of giving a holistic view of the subject matter accompanied with adequate holistic information.
REFERENCES


Mandl, I. (2012). KMU Austrian Research Institute, Succession in the family business; exploring the effects if demographic factors on offspring intention to join and take over the business. *Journal of small business management*, 37, (3), 43-61


APPENDICES APPENDIX I: INTRODUCTION LETTER

UNITED STATES INTERNATIONAL UNIVERSITY

RE: Survey Questionnaire

Dear Respondent,

I am a graduate student studying for a Degree in Master of Business Administration (MBA) at the United States International University. The purpose of the study is to assess succession planning and family business sustainability.

You are part of the selected sample of respondents whose views I seek on the above mentioned matter. Your honest answers will be completely anonymous, but your views, in combination with those of others are extremely important in this research. All the information you provide will be treated with strict confidentiality and used for the purpose of completing this study only. Please answer the questions as accurately as possible.

Kindly tick the appropriate answer for each question and please answer all questions. I guarantee that all information will be handled with strict confidentiality.

Thank you for your co-operation.

Arthur A Andebe
APPENDIX II: QUESTIONNAIRE

STRATEGIC SUCCESSION PLANNING AND FAMILY BUSINESS SUSTAINABILITY

Introduction

You have been selected to participate in a study to assess the effects of strategic succession planning and family business sustainability.

You are requested to respond to each question thoughtfully and truthfully. There are no wrong or right answers (Your answer is the right answer). All responses will be treated with utmost confidentiality and for the purpose of this study alone. Please do not write your name anywhere on this questionnaire.

SECTION A: DEMOGRAPHIC INFORMATION

Please tick (✓) against the relevant answer.

1. What is your gender? ( ) Male ( ) Female
2. Please indicate your age in years: ( ) Below 30 ( ) 30 – 39 ( ) 40 – 49 ( ) 50 and above.
3. What is your Highest Professional Qualification?
   ( ) Masters, ( ) Degree, ( ) Diploma, ( ) Tertiary Education, ( ) Other
4. What is your Job Position in this business:
   ( ) Top Management, ( ) Middle level management, ( ) Operational staff

SECTION B: BEST STRATEGIES

5. What is the current generation running the company’s business? ( ) 1st Generation,
   ( ) 2nd Generation, ( ) 3rd Generation, ( ) 4th Generation ( ) 5th Generation, ( ) Any Other
6. Please indicate whether the business has a plan on how to succeed the current leadership.
   ( ) There is a plan ( ) There is no plan
7. To what extent would you rate the following factors as affecting a succession planning strategy?

Rating Scale: 1 = Very High 2 = High 3 = Fair 4 = Low 5 = Very Low

<table>
<thead>
<tr>
<th>SUCCESION PLANNING STRATEGY</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
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<tbody>
<tr>
<td>Capability of the current leadership</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Strategic planning skills</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>Presence of a succession plan</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>Directors vision</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Clearly communicated succession plan</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Availability of a potential successor</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Family wrangles</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>Professional coaching</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
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<tr>
<td>The future forecast of the business and market</td>
<td>1</td>
<td>2</td>
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</table>

8. List other critical factors that contribute to a successful succession planning strategy

................................................................................................................................................................................
................................................................................................................................................................................

9. Is the survival of the company this far attributed to a succession planning strategy?

( ) Yes       ( ) No

SECTION C: SUCCESSION PLANNING PRACTICES

10. How often the company changes leadership?

( ) Very Often   ( ) Often   ( ) Medium   ( ) Not Often   ( ) Not at all

11. Does the company have a succession plan strategy in place?

( ) Yes       ( ) No

Briefly explain what happens
12. Please list some of the strategies in place to succeed the current leadership

13. Please indicate the number of years the current succession planning strategy covers.

   ( ) 1 Year    ( ) 2 – 3 years    ( ) 4-5 Years    ( ) Other

14. Please indicate when the company’s succession plan strategy was last updated?

   ( ) Within the past year    ( ) Within the past 3 years    ( ) Never

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

Rating Scale: 1 = Strongly Agree 2 = Agree 3 = Don’t Know 4 = Disagree 5 = Strongly Disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Rating Scale</th>
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<tbody>
<tr>
<td>Strategic succession plan help smooth running of family business</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Succession plan does not help</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Family willingness</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Business directors are to decide on the succession</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>The strategies applied in succession should be given by experts</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Family members should decide who to succeed the current leader</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Education and personal traits are to determine during succession</td>
<td>1 2 3 4 5</td>
</tr>
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</table>

SECTION D: SUCCESSION PLANNING EXPERIENCES

16. Is there a team of professionals to guide the company through the twists and turns of a succession plan?    ( ) Yes    ( ) No

17. In the event of family transition, will the existing succession plan be maintained both
throughout and after the transition? ( ) Yes ( ) No

18. Please indicate your experience in organizations with strategic succession planning on business survival. ( ) Positive ( ) Negative

Briefly explain.................................................................................................................................................................

19. Is the company’s succession plan strategy in place clearly communicated to all stakeholders? ( ) Yes ( ) No

SECTION E: FAMILY BUSINESS SUSTAINABILITY

20. Does the business provides a future road map for the company? ( ) Yes ( ) No

21. Please indicate the nature of succession strategies used by the business to remain relevant and sustainable in the future.

( ) Formal Strategies ( ) Informal Arrangements

Briefly explain........................................................................................................................................................................

22. To what extent would you rate the importance of the following statements concerning succession planning on sustainability and future direction of a family business?

Rating Scale: 1 = Very Important 2 = Important 3 = Fair 4 = Less Important 5 = Not Important

<table>
<thead>
<tr>
<th>SUSTAINABILITY OF FAMILY BUSINESS</th>
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<tr>
<td>Business requires strategies to remain sustainable in future</td>
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<tr>
<td>Succession planning is the key factor for future moving to the next generation</td>
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<tr>
<td>The movement from generation to the other is dependent of family cohesion</td>
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<tr>
<td>The strategies developed by the owner of the business determines future of the business</td>
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</table>
The growth of the family owned businesses get to future generations only when there is a unifying figure in the family.

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<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>The length at which family businesses sustain in the market is dependent on the life of the original entrepreneurs</td>
<td>1</td>
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</table>

23. Briefly explain what should be done to ensure family owned businesses are sustained into the second, third and successive generations.

.........................................................................................................................................................

24. Name some of the inherent pitfalls that affect the growth of the family owned businesses into the future generations.

................................................................................................................................................................

25. What are the strategies and succession planning methods that should be adopted to ensure sustainability of family owned businesses for future generations to come?

................................................................................................................................................................

THANK YOU