FACTORS DETERMINING SUCCESSOR DEVELOPMENT
IN FAMILY BUSINESS

BY

BILHA N. GITONGA

UNITED STATES INTERNATIONAL UNIVERSITY

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BILHA N. GITONGA

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Partial Fulfillment of the Requirement of the Masters in Business
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STUDENT DECLARATION

I, the undersigned, declare that this research report is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ----------------------------- Date: -----------------------------

Bilha Gitonga Student (634893)

This research report has been submitted for examination with my consent as the designated supervisor.

Signed: ----------------------------- Date: -----------------------------

Dr. Joseph Ngugi

Signed: ----------------------------- Date: -----------------------------

Dean, Chandaria School of Business
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DEDICATION

This research report is dedicated to my entire family for their support during my studies. A special dedication to my husband Martin for his unwavering support and his constant and loving push to complete the project.

To my mums, Margaret and Grace for believing in me and for words of wisdom and perseverance. To my father in law, James, for providing a good example that I seek to emulate.

To my little daughter, Wambui for being my source of great joy even when things seemed so tough.
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Third I would like to thank all the respondents to this study. They provided data which enhanced the analysis and presentation of findings. Without their cooperation this paper would not have been completed. I am most grateful to all the respondents and especially the owners and managers of Top 100 mid-sized companies in 2013 reported by KPMG and Nation Media Group.

I would also like to acknowledge the special role played by the United States International University that has offered me a chance to undertake my studies and further my knowledge. In addition to knowledge, the university has provided an opportunity for interaction as well as networking with respected scholars in management.

Finally, I would like to acknowledge my family for being supportive of me in all my endeavors. God Bless you all.
ABSTRACT

The general objective of the study was to examine the factors that determine successor development in family owned businesses. The specific objectives of the study were to establish the role of self-efficacy in successor development, to assess the role of commitment in successor development, to evaluate the impact of internal development on successor development and impact of external development on successor development.

The study utilized descriptive research design using a survey approach. To describe the patterns and trends in the data, the study sourced its population from the Top 100 mid-sized companies identified by KPMG and the Nation Media group in 2013. The businesses were spread out to various industry specifics. Using a stratified random sampling technique, the researcher obtained responses from 54 companies which represented an 83% response rate. Data for the study was collected using a questionnaire personally administered by the researcher. Data collected was analyzed using SPSS vs. 22 and Amos 18.0 for descriptive statistics and inferential statistics.

The study found that majority of the top 100 mid-sized companies were in the ICT or energy sectors. In addition, majority of the businesses had been in operation for at least 2 years while managers had been working in the business for a similar period. The major reason for acquisition of leadership roles in the Mid-sized companies was retirement of the predecessor or routine promotion in the company. Also, most employees were adequately prepared for the transition process in the company.

Self-efficacy was found to have a role to play in succession development. Employees and Senior Managers should believe in themselves, should have the attitude and strength to take challenges, attain set objectives and conquer challenges and obstacles in their paths in order to succeed. Furthermore, managers should be confident when undertaking their tasks for increased performance. In addition, managerial as well as entrepreneurial efficacy is critical. Commitment to the business also plays a huge role in successor grooming in a family business. However, affective commitment was found to be low among the individuals interviewed. This study recommends that family businesses should improve the employee affective commitment towards business.

According to this study, internal development did not emerge significant to successor development. This was attributed to the fact that internal development was measured as
the number of years worked within the family firm without considering the developmental experience. External development emerged significant as a factor affecting successor development with respondents demonstrating that they believe external experience is necessary to avoid conflicts and to increase company efficiency.

The study concluded that three factors were significant in successor development, that is, self-efficacy, commitment and external development. Commitment emerged the factor that displayed the strongest direct effect on successor development. This was followed by external development and lastly self-efficacy. Internal development on the other hand displayed weak effects. Further analysis displayed that managers did not possess affective commitment and the researcher concluded that it is because of inexistence of a match between the career opportunities available in a family firm and an individual’s career aspirations.

The study recommended that managers should continue to increase their self-efficacy through mastery experiences, vicarious experiences, verbal persuasion, somatic and emotional state. Further, the study recommended that the family firms may improve affective commitment among the potential successors by providing career growth opportunities within the firm. Also the study recommended that family firms should focus on developmental experiences of the potential successors rather than the mere passage of time worked in the family firms. Lastly the study recommended that potential successors should obtain external experience so as to gain confidence and to bring in new ideas into the family firms.
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### ACROYNMS

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<tr>
<td>AFBS</td>
<td>American Family Business Survey</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>EFA</td>
<td>Exploratory Factor Analysis</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
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<tr>
<td>SPSS</td>
<td>Statistical Product for Social Sciences</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Family businesses are the drivers of socio-economic development and wealth creation around the world. Their overall global impact is significant as they contribute more than half of the GDP, employment and they account for a good proportion of market capitalization (Panjwani, Aggarwal, and Nand, 2008). Approximate estimates put the proportion of all worldwide business enterprises that are owned or managed by families between 65 and 80 percent (Gersick, Davis, Marion, and Lansberg, 1997). Gersick et al., (1997) proposed that family businesses have three systems; the family, the business ownership and the business management systems. These systems undergo change over time and this dynamism complicates the family business definition. All businesses undergo succession of different kinds as time goes by. However, succession in a family business sparks interest because succession of ownership and management in family business follows a different logic and different processes from non-family business thus complex (Brundin, Samuelsson, and Melin, 2008).

Most of the times, the owner’s retirement and succession issues involve passing on the ownership to the junior generation and keeping the ownership within the family or the extended family. However, it may involve selling or closing the business (Lee, Jasper, and Goebel, 2003). Some of the reasons leading to the selling or closing the business include the lack of ability to differentiate between business and family affairs, lack of a structured way of managing family affairs, lack of succession plan, lack of a long term vision, unpreparedness for external threats say competition within the company industry, globalization impact and lack of focus on enhancing shareholder value (Maalu, McCormick, K’Obonyo, and Machuki, 2013).

Existing family business literature identifies the continuity of the family business as a major concern. The way in which leaders handle the transfer of business to the next generation determines the fate of the business there after (Maalu, et al., 2013). This is usually complicated within the small and medium enterprises where the familiness is largely concentrated. The SMEs are sensitive to changes in the business environment
where they are operating due to their size and resource base as they face challenges of growth and transition. Among these challenges is the succession process (Maalu, et al., 2013).

One of the most important aspects of leadership succession is the successor origin. A successor may be either internally developed or may be an outsider. Chung and Luo (2012) argue that the choice between an internal and an external successor is determined by the structure of the firm. For firms that are structured on social relationships, family and insider successors are best chosen while for an organization dominated by a mature market-based logic, an outsider would be appropriate as stakeholders view this as a sign of commitment to professional management (Chung and Luo, 2012).

Existing literature on family business places a lot of emphasis on post-succession performance. For instance, Lansberg (1999) suggests that only 30 percent of businesses go beyond the first generation and 10 percent continue to the third generation. Other studies have focused on succession planning and the satisfaction of the succession process (Sharma, Chrisma, and Pablo, 1997). Such scholarly works have stimulated research interest in the concept of successor development which is an important component of the succession process. A successor needs skills and abilities to lead a business and such may be gained from development and grooming. Managerial skills are acquired from learning and development (Sardeshmukh, 2008). Abilities and skills of managers are a source of competitive advantage within a firm (Zhu, Chew, and Spangler, 2005). In non-family firms, successors rise from managerial posts within or outside the firm. Such managers come with a lot of experience as they have acquired competencies over the years. Thus CEO successors in non-family firms have a track record of performance and are usually well advanced in age. It therefore follows that these managers may not require grooming for the leadership role (Sardeshmukh, 2008). On the other hand, successors in family firms are usually from a different generation usually twenty to thirty years younger than the incumbent. They usually lack experience and hence the need for training for the leadership role (Sardeshmukh, 2008).

Human capital of the successor has initially been linked with firm performance. Perez-Gonzalez (2006) suggests that post-succession performance is related to the quality of successor’s undergraduate education. Post-succession performance is also linked with college education of the heirs (Morris, Williams, Allen, and Avila, 1997). Inexperienced
management may result in business failure and bankruptcy (Baldwin, 1997). Dyck, Mauws, Starke, and Mischke (2002) further show that ensuring that the successor has the appropriate skills and experience is inexorably linked to successful succession. Also Morris et al., (1997) identified adequate training as an important factor leading to successful transition in the family firm. Thus it is clear that a strategic direction, survival, and performance of the firm are affected by a successor’s abilities and cognitive development which are acquired through the successor grooming process.

Much of the literature concentrates on the willingness of the incumbent to let go of the family firm and the willingness of the successor to take over the firm but there is limited literature of the grooming of the successor. Not much research has been done pertaining the dynamics and process of successor grooming. Thus this study attempts to fill this knowledge gap in the family business literature. This study examines four factors that determine successor development. These are the successor self-efficacy, commitment, work experience outside the family business (external development) and work experience within the company (internal development).

1.2 Statement of the Problem

Family-owned businesses normally expose themselves to collapse more than necessary because of their relative inattention to the value of good governance and succession planning. Benefits of succession planning are numerous. In many public companies, succession is a near-constant focus, and the best companies often focus on two or three cycles ahead to prepare future leaders (Deloitte, 2013). In family-owned businesses, one would expect that there would be the same great focus on succession planning, especially because of the pride that comes with passing a business from one generation to the next; surprisingly, this is not always the case. Succession should be an operational imperative because the leadership strength may be part of what drives a company’s success, whether it is for intergenerational transfer or to increase a company’s attractiveness to potential investors (Deloitte, 2013).

Ward (1987) studied why family businesses fail and came up with some shocking statistics. Of the fortune 500 companies, since 1955 only 188 have kept their status on this list as independent concerns More than 60 per cent have been sold or acquired or have watched their sales decline significantly in the past thirty years. Ward suggests that
failure to plan strategically for the future of the firm is the major reason for the demise of the family firm. Ensuring competent trans-generational leadership is a major concern in family firms. Transfer of leadership in family firms is difficult due to a limited pool of expertise for the firms to pick from and the complex social ties and emotional factors that characterize the controlling family (Carlo and Guido, 2013).

There are two types of succession identified in the family literature: management and ownership (Sharma, Chrisman, and Chua, 2003). Successor origin is typically divided into two categories: inside successions, where new CEOs are hired from within the company; and outside successions, where new CEOs are hired from outside the company (Zhang and Rajagopalan, 2003). Succession in the extant literature has also been identified as a process composed of three distinct phases: the pre-succession phase, the trigger phase, and the post-succession phase (Steier and Miller, 2010).

Leadership succession often leads to a disruption for a company when important human capital is lost and routines and processes that are established are disrupted. Thus, a negative performance is sometimes associated with the pre-succession due the uncertainties that come with succession discontinuities (Zhang and Rajagopalan, 2009). Therefore, the choice between internal and external ownership transitions is influenced by owner-family structure, family involvement, and relationships within the owner-family. A family business could need to professionalize and delegate authority because of growth, lack of management skills within the family, preparation for succession, or to change the norms and values of the business (Matthews, 1984). However, owner-managers could be reluctant to delegate control because of a lack of formal training, insufficient knowledge of management techniques (Dyer, 1989), fear of losing control (Perrigo, 1975), or a belief that professionalization is an unnecessary, expensive overhead.

The family business literature contains a myriad of studies about factors that could influence the succession process. However, studies analyzing successor development are almost non-existent. Other studies carried out in Kenya include the study of Successional Issues within Asian Family Firms by Jivraj, and Woods (2002). This study explores succession within Asian family firms by considering whether experiences of succession are influenced by ethnicity. There is therefore a gap relating to the successful successor grooming and this particular study is therefore an attempt to address this gap. Most of the
studies related to this one have been carried out in other countries whose context is significantly different from Kenya or whose focus was limited. One such study is a doctoral study by Sardeshmukh (2008). His study focused on an integrative model of successor development to understand how internal and external development impact the commitment and self-efficacy of the successor, and conflict and turnover in the senior management. Further, the study aimed to decipher the blackbox of assumed relationships between demographic variables and psychological states of senior managers. This study did not however focus on the senior management conflict and turn-over or the demographic and psychological states of senior managers.

1.3 General Objective

The general objective of the study was to examine the factors that determine successor development in a family business.

1.4 Specific Objectives

The specific objectives of the study were:

1.4.1 To establish the role of self-efficacy in successor development

1.4.2 To assess the role of commitment in successor development

1.4.3 To evaluate the impact of internal development on successor development

1.4.4 To evaluate the impact of external development on successor development

1.5 Importance of the Study

The study provides a new perspective from which to understand family businesses and also to appreciate the importance of succession planning to ensure business sustainability.

1.5.1 The trade and business associations

As family businesses are also part of their membership, the study can help develop a better appreciation of the succession challenges facing their membership. This study develops a new avenue for the development of appropriate policies relating to succession.
1.5.2 Policy makers

This study will help to create enabling environment that fosters beneficial and effective succession practices in family businesses. This study will also develop a new avenue for the development of appropriate policies relating to succession.

1.5.3 Researchers and Academicians

This study will add to the general body of knowledge on succession planning and family businesses and provide ideas for further study especially in the Kenyan Context.

1.6 Scope of the Study

This study was conducted in the month of June 2014, in the county of Nairobi. The study focused on the Top 100 mid-sized companies in the country as reported in the KMPG and Nation Media group report. Stratified sampling was used in selection of sample size by use of the different industries the companies are in. Data for the study was collected using a questionnaire personally administered by the researcher. The researcher encountered one major limitation in the study which is data access. There was low response rate amongst the respondents due to their busy schedules. To overcome this limitation, the researcher personally administered the questionnaire and made follow up through emails and phone reminders.

1.7 Definition of Terms

The definition of key terms is as discussed below:

1.7.1 Family Business

A family business as a business governed and/or managed on a sustainable, potentially cross-generational basis, to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families (Sharma, Chrisman, and Chua, 1997).
1.7.2 Succession Process

The succession process is defined as the actions, events and developments that affect the transfer of managerial control from one family member to another (Sharma, Chrisman, Pablo, and Chua, 2001).

1.7.3 Succession Planning

In the context of family firms, succession planning refers to the deliberate and formal process that facilitates the transfer of management control from one family member to another (Sharma, 1997).

1.7.4 Entrepreneur

Bolton and Thompson (2000) have defined an entrepreneur as “a person who habitually creates and innovates to build something of recognized value around perceived opportunities”

1.8 Chapter Summary

This chapter looked at the background of the study which was followed by the statement of the problem. This chapter also covered the purpose of the study and the research questions. The chapter concluded by highlighting the importance of the study.

Chapter two of this study gives an elaborate literature review on this subject. Chapter three of the study discusses the research design, population design, sampling design, data collection methods, research procedures, data analysis among others. Chapter four highlights the results and findings and finally chapter five gives summary, discussion, conclusions of the study and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Leadership succession remains at the forefront of the family business literature. Effectiveness and competitive advantage of a family business may be enhanced by selecting and developing successors. Acquiring and retaining rightful leaders in any firm is as important as business strategy. This chapter reviews the family business literature on successor development in family firms. This was covered in four sections namely: the role of self-efficacy in successor development, the role of commitment in successor development, the impact of internal development on successor development and the impact of external development on successor development.

2.2 The Role of Self-Efficacy in Successor Development

Self-efficacy can be defined as the belief in one’s own ability to successfully accomplish something. Thus people with a strong sense of efficacy believe they can perform difficult tasks. Such people see these as challenges rather than threats (Bandura, 1997). The concept of self-efficacy is a theory in itself as well as a component of the social cognitive theory. Social cognitive theory incorporates three aspects namely; behavior, environment, and cognition. These three factors influence each other in that individual's actions affect not only the environment but also the cognitions which in turn impacts future behavior (Sardeshmukh, 2008).

People with a strong sense of efficacy believe that they can accomplish even difficult tasks and they view these as challenges to be mastered rather than threats to be avoided (Bandura, 1994). Efficacious people set challenging goals and maintain strong commitment to them and in the face of failure they increase and sustain their efforts to be successful. They approach difficult situations with confidence and take control over them. This approach has been seen to reduce stress and lower the risk of depression (Bandura, 1994). On the other hand, people who doubt their ability to withstand difficult tasks view these tasks as threats. Thus they avoid them based on their own personal weakness or on the obstacle facing them. Such people give up easily when faced with impending failure.
Consequently such an approach results in stress and high risk of depression (Bandura, 1994).

2.2.1 Development of Self-efficacy

The self-efficacy theory suggests that the perception of efficacy is affected by four factors. These are mastery experience, vicarious experience, verbal persuasion, somatic and emotional state (Pajares, 2002). Mastery experiences are the most effective way to develop self-efficacy because people are likely to believe they can do something if they have done it before and done it well (Bandura, 1997). Vicarious experience refers to the observation of the successes and failures of other existing models similar to one’s own and this also contributes to self-efficacy. Verbal or social persuasion may also improve self-efficacy of people at what they do. This includes persuasive feedback. Physical and emotional state of a person also affects the self-efficacy. The emotional well-being of a person while doing something influences success or failure (Pajares, 2002).

2.2.2 Self-Efficacy in the Family Business Context

In a family business, the top managers perform the dual role of entrepreneurs as well as managers. Thus previous family business experience not only contributes to greater entrepreneurial self-efficacy but also entrepreneurial intentions (Carr and Sequeira, 2007).

Similarly, successors run an established business; they therefore undertake several managerial tasks, indicating the need for managerial self-efficacy as well. In conclusion, it can be argued that self-efficacy takes both the entrepreneurial and managerial roles (Sardeshmukh, 2008).

2.2.2.1 Entrepreneurial Self-efficacy

Entrepreneurial self-efficacy can be defined as an individual’s confidence in his or her ability to perform entrepreneurial roles and tasks successfully (Zhao, Seibert, and Hills, 2005). Entrepreneurial self-efficacy is argued to be an important emerging contrast in the entrepreneurship literature (Forbes, 2005). Understanding entrepreneurial self-efficacy is important as it affects one’s willingness to engage in entrepreneurship and also that of existing entrepreneurs (Forbes, 2005). Within the family firm literature, Carr and Sequeira (2007) discuss relationships between family firm experience, entrepreneurial intent, and entrepreneurial self-efficacy. Also, entrepreneurial self-efficacy has been associated with
firm growth (Baum, Locke, and Smith, 2001). Similarly, entrepreneurial self-efficacy is also linked with growth of a firm and potentially risky decisions (Hmieleski and Corbett, 2007).

2.2.2.2 Managerial Self-efficacy

Managerial self-efficacy refers to an individual’s belief that they can successfully perform a management position (Vianen, 1999). Management is normally characterized with long hours of work and sometimes stress. Greater self-efficacy is linked to reduced stress levels in spite of task challenge (Wood, Bandura, and Bailey, 1999). Self-efficacy also determines motivation levels, thus the higher the efficacy the higher the motivation levels (Bandura, 1989). In conclusion, it follows that the greater the managerial self-efficacy of the successor, the more likely it is that they will take on more challenging managerial roles, and pursue growth opportunities which are important for strategic renewal of the family business (Sardeshmukh, 2008).

2.3 The Role of Commitment in Successor Development

Commitment can be defined as a force which experienced as a frame of mind or psychological state that pushes an individual toward a course of action of relevance to one or more targets (Meyer and Herscovitch, 2001). Therefore, in the case of family firm successors, the target of their action is the family business and the course of action in question is to engage in is to pursue a career in their family business (Meyer and Herscovitch, 2001). Successor commitment is characterized by the successor’s frame of mind or psychological state that compels an individual toward the focal behavior of continuing to profitably operate the family firm (Jiang, 2011).

Throughout the extant literature, it is evident that some scholars use willingness and commitment in the same context and or assign the same meaning to both terms. However, the two terms are distinct. The term commitment appears to hold a stronger connotation than willingness. For instance, a successor can be willing to take over the family business but may not be fully committed and therefore put at risk the continuity of the family firm and all those who depend on it. Sharma and Irving’s (2005) research pulled from organizational behavior literature on offers a solution for this problem by addressing the different levels of willingness accounted for in the four shades of successor commitment. Even though successors may share a common focal behavior of pursuing a career in the
family firm, the motivation or willingness can vary largely (Dumas, Dupuis, Richer, and Cyr, 1995). Commitment towards family business has been highlighted as an important desirable attribute in successors of family firms.

Existing literature suggests that when commitment prevails, the junior generation family members are most likely to be co-operative in performing their role in the leadership transition, they are satisfied with the succession process, and therefore may even pursue a career in family business (Dyck et al., 2002). Furthermore, the level of commitment that a successor has to the continuation of the business can determine how he approaches problems that arise in the family business. As a result of these findings, family business leaders have a role to search ways to assess and nourish junior generations’ commitment towards the family business (Gilding, 2000).

Organizational commitment literature identifies four types of successor commitment to family business – affective (based on perceived desire), normative (based on perceived sense of obligation), calculative (based on perceived opportunity costs involved), and imperative (based on perceived need). Existing literature suggests that affective and normative commitment types are the two strongest types of commitment (Meyer, Stanley, Herscovitch, and Topolnytsky, 2002). Sharma and Irving (2005) further propose that each form of commitment leads to a different level of binding strength of a successor with the organization. However, commitment often develops because of varied motives, so different forms of commitment can be found to exist simultaneously (Meyer and Herscovitch, 2001). Jiang (2011), also noted that even though successors may have entered the business with one kind of commitment type, by the time of succession, successor commitment types were largely affective and normative; thus cementing that stronger commitment levels from successors lead to the successful continuation of the family business. Additionally, the sense of obligation or desire to be in the family business pushes a successor to make tough personal decisions that eventually assist the family business persevere, even when faced with various obstacles.

2.3.1 Affective Commitment

Affective commitment is based on an individual’s emotional attachment to, identification with, and involvement in the company (Meyer and Allen, 1991). Thus, affective commitment is shown by a desire to follow a course of action of relevance to the target. Thus, an individual with high affective commitment to an organization shows a strong
belief in, acceptance of, and an excitement about organizational goals. There exists a strong desire to contribute to these goals. S/he perceives a possibility of simultaneously contributing to the organization, as well as, satisfying her/his personal ambitions and career aspirations (Sharma and Irving, 2002). High level of confidence in one’s own abilities to make a positive contribution to the organization is exhibited (Sharma and Irving, 2005).

Extant literature on family business successors shows that when they perceive a match between their career choices and opportunities available in their family firm or alignment between their family and work related identities, these individuals portray a desire to pursue a career in their family business and make a positive contribution to it (Sharma, 1997). Also, there is an obvious sense of pride and feeling of competence in their ability to contribute to the company. Such individuals have a willingness of putting in an extra effort that is beyond the call of duty (Sharma and Irving, 2002).

2.3.2 Normative Commitment

Normative commitment on the other hand is based on a sense of obligation or feeling that an individual ought to pursue a course of action. Meyer and Herscovitch (2001) suggest that such sense of obligation comes about as a result of the internalization of norms through socialization, benefits accrued that compels a need to reciprocate, and/or acceptance of the terms of a psychological contract (Rousseau and Parks, 1993). In his social learning theory Bandura (1977) suggests that parents’ employment has a major influence on career choices of their children. Children, more so sons, tend to follow the occupational path of their fathers (Mortimer, Lorence, and Kumka, 1986). Gottfredson (1981) suggested that career aspirations of parents for their children set parameters for acceptable career choices for their children. These studies thus give evidence of social learning impact on the development of key career-related attitudes.

In family businesses, it is not just the passive acceptance and familiarity of the parents’ careers that influences the next generation’s perceptions of career choices, but rather a strong sense of obligation towards the continuity of their family name and traditions, and a psychological agreement with members of the family (Dutta, 1997). Family has a huge influence on an individual’s attitudes, values, and behaviors considered either acceptable or unacceptable (Kawakawa, 2001). Practices such as primogeniture are majorly recognized and still remain popular modes of leadership transfer in family businesses in
many cultures (Barnes, 1988). Therefore, a widespread cultural and family acceptance of such modes of power and leadership transfer, the junior generation family members accept these practices as the right or acceptable way of doing things (Sharma and Irving, 2005).

### 2.3.3 Calculative Commitment

Calculative commitment is developed when an individual values an investment and further perceives a threatened loss of this investment or specific rewards, unless s/he indulges in a related focal behavior (Meyer and Herscovitch, 2001). Behavioral economics literature has time and time again shown that in comparison to an opportunity to acquire an object, people value very much what they already possess (Kahneman, Knetsch, and Thaler, 1990). Described as the endowment effect, this propensity for possessiveness for an object and the perception of its value has been found to increase with the ownership duration and the amount of sunk costs incurred in getting the object (Issacharoff, 1998).

In the context of family businesses, family members normally have property rights assigned to them by virtue of their position within the family (Schulze, Lubatkin, Dino, and Buchholtz, 2001). As the junior generation family members are born into these rights to their family business, the business to be a valuable asset due to the ownership duration and family’s sunk costs in the business (Shepherd and Zacharakis, 2000). It is therefore likely that they would perceive losing their status and/or the value of their investment if they decided not to pursue employment in their family business. These investments may not only be economic but also psychological or emotional in nature. Carson, Carson, and Bedeian (1995) use the term occupational entrenchment to describe factors that keep an individual tied to a job or career choice. These factors may include investments made into one’s occupational choice for instance the status associated with being employed with the family business. There are also the emotional costs associated with pursuing a different career path, particularly in terms of disrupted interpersonal relationships. This is especially the case if the family does not support a family member’s wish to pursue employment opportunities outside of the family business (Sharma and Irving, 2005).
2.3.4 Imperative Commitment

Imperative commitment develops when a junior generation family member feels obligated to the business by the perception of a lack of career alternatives. Irving, Coleman, and Cooper (1997) suggested that continuance of career commitment is related to an external locus of control, that is, the strong belief that one has little or no control over his or her environment. Similarly, Blau and Ryan (1997) reported that employees with a lower general work ethic also tend to experience a feeling of being tied in their occupation.

Family businesses usually serve as convenient holiday or part time employment locations for junior family members in their formative years. Inasmuch as leaders in family businesses report that involving family members in their business complicates their jobs (Ford and McLaughlin, 1986), they encourage such participation (Mass Mutual, 1995), as it enables them to keep an eye on their youngsters, at the same time meeting their offspring’s desire to take up employment. As much as this is initiated purely by convenience, these opportunities introduce juniors to the prevailing culture in their family businesses (Dyer, 1986). Therefore, they gain firm-specific knowledge (Cannelaand Shen, 2001) and within no time, their learning curves shorten and familiarity with the family business increases. On the other hand, external employment opportunities may be filled with uncertainties involving extensive liabilities of newness (Stinchcombe, 1965). While some individuals may find the external opportunities exciting and related careers liberating, many may want to stick to comfort zone within the family business perhaps because their self-efficacy for employment outside the family business is very low. Therefore if a family member believes that s/he has few alternatives outside of the family business, they are not likely to leave the family business and seek external employment.

2.4 The Impact of Internal development on Successor Development

In the past, family firms groomed their own offspring to succeed them. Children apprenticed under the adult family member to learn and join the business. This training is mainly common in the artisan industries. Even in the current family businesses, grooming within the business forms an important aspect of successor development (Sardeshmukh, 2008). Training within the family business at a young age provides the potential successor a ground level view of the operations and this initial experience matches with premarket
experience (Lentz et al., 1990). Thus, junior generation may get informal mentoring in the business from the founders and this can be a source of experiential learning (Kolb, 1984). This informal socialization over time may offer the family potential successor a more holistic perspective of the business, which is very important for proprietors (Lentz et al., 1990). Close familiarity and socialization reduces uncertainty about future cash flows, lengthens performance and investment time horizons, as well as promotes adherence to the area of core competency (Le Breton- Miller and Miller, 2006).

Krueger (2007) further compares growing up in a family business is to getting automatic business education. Also, the developmental experiences gained in this informal socialization can be more goal-directed within the family firm and thus be used as a tool for strategic alignment of managerial resources (Kerr et al., 1989). For instance, the successor may be afforded education or training, which enhances general human capital, without the fear of him/her leaving the firm. Similarly, planned developmental experiences can be aimed to develop the manager to match with the strategy. Grooming within the family firm may allow greater chance for leadership training (Sardeshmukh, 2008). Leadership processes in businesses are highly complex as they comprise of an interaction between the leader’s abilities and situational variables (Fiedler, 1996). In family firms, the situational context is fairly stable and the grooming process attempts to enhance and bring out the leadership abilities of the potential successor (Sardeshmukh, 2008).

Other than just developing business skills, family successors also achieve a more accurate grasp of the vision of the founder-owner. Being a part of the same family may enable younger generation of family owners tap into the social networks their parents generated. The family name may enable younger generation to access resources and connections that the founder-owners have been interacting with. This therefore may enable the family successor to be more effective in the family business than he/she would be outside the business. Impact of within the firm development extends beyond learning the business skills. Running a successful family business involves striving to maintain the delicate balance of business and family principles and also requires entrepreneurial decision making under incomplete information. This kind of understanding and judgment is tacit in nature and cannot be available in a codified form or taught in a structured way (Sardeshmukh, 2008). Sardeshmukh( 2008) also argues that training within the firm with active mentoring may enhance leadership potential and entrepreneurial abilities of
successors. Thus, experiential and vicarious learning by being a part of the business family are an important source of firm-specific human capital for the potential successor.

Lambrecht (2005) suggested three reasons for choosing a successor within the family. These are fulfillment of values, family name preservation, and long-term advantages to the family. This is in line with Smith and Amoako-Adu (1999) who also have several arguments for appointing a family member as a successor. They suggest that family members have a greater stake in the success of the firm due to social associations and that family members groomed within the business have greater knowledge about the business. Family successors are thus highly valued by the founder owners even though a large proportion of family firms fail to attain a family based succession. Even though there is a strong preference for family successors, not many firms undertake the process of succession planning with successor development being a very important aspect (Sardeshmukh, 2008). Studies on grooming of an internal successor have shown that there are various types of knowledge that can be passed on to a potential successor. These are general technical and experiential knowledge (Royer, Simons, Broyd, and Rafferty, 2008). General knowledge is relatively cheap to communicate. Also technical knowledge is easily obtained from schools via training. The kind of highest transfer cost is experiential knowledge, which is obtained through training and experience. This knowledge cannot be readily formalized and relates to specific conditions of place and time (Royer, Simons, Broyd, and Rafferty, 2008). Thus a potential family successor can easily acquire this knowledge by learning by doing and observation (Royer, Simons, Broyd, and Rafferty, 2008). However, one potential problem is that an inside-family successor may not possess the capabilities, competencies, and talent to manage the firm adequately. A potential internal successor has to have the experiential knowledge learned in the lifelong process of being a family (business) member as well as the knowledge (Royer, Simons, Broyd, and Rafferty, 2008).

2.5 The Impact of External development on Successor Development

Formal education may impart some management skills to the individuals, however, the most important skill for CEO successor, leadership, cannot just be taught in in a classroom (Lorz, 2011). Mintzberg (2004) argued that education does little for acquisition of skills that managers really need, the people skills and decision making skills. Other scholars have argued that skills and concepts provided by education may be of little help
to a self-employed proprietor (Lentz et al., 1990). Thus, such skills are acquired on the job, and job experiences are critically important in development of the successor. Experience from past jobs can be an important part of the successor development process.

2.5.1 Advantages of External Development

Management research suggests that external successors may have a greater ability to bring about change, because they are not biased to the current ways of operating and managing within a firm (Cannella and Lubatkin, 1993). Blundell (1999) shows evidence that on and off the job training from the past jobs is associated with increased productivity. Training outside the family business also affords the business the opportunity to purchase ready-made human capital without having to make the investment for it (Lorz, 2011). Working outside the family firm exposes an individual to interaction with several employers under very many different circumstances. This diversity is highly important in grooming a successor. These diverse skills acquired outside the family business can also be useful in developing broad repertoires of skill and behaviors (Datta et al., 2005), which can help develop organizational flexibility that is very important for strategic renewal of family businesses.

Additionally, companies transferred within the family suffer from the fact that successors tend to be drawn from a smaller competence pool, compared to firms that rely on external successors. This limitation is likely to have an unfavorable effect on a firm’s Capabilities, that is, its capacity to generate value (Grant, 1996). Several studies have that found the average ability of an external successor to be higher than the average ability of a family successor, because of the fact that the former comes from a far larger talent pool (Chua, Chrisman and Bergiel, 2009). New owners from outside the family are more likely to appoint non-family managers who will introduce strategies and organizational change aimed at improving performance, and these will typically take time to measurably pay-off. Thus, companies transferred within the family might suffer from negative long-term performance consequences compared to companies transferred to outsiders (Pérez-González, 2006), since the outside-owned companies are less likely to put a kin-based restriction on management (Chua, et al., 2009).

External experience may give the family successors greater feeling of independence and confidence and they may be able to bring in new ideas from outside into the family firm (Lorz, 2011). Some successful family business founder owners (Fagan, 2007) also advise
the junior generation explore outside employment before entering the family business. Also, some skills may not be available within the firm to learn and in view of this the only way of learning them may be through education and external experience (Lorz, 2011). Bennedsen et al., 2007 did a study and found that external successors contributed to profitability of the firm more than internal successors more so in fast growing industries. Claessens and Djankov (1999) also found that external successors contributed to firm high performance. In as much as internal successors possess firm-specific knowledge, they often become complacent and are unable or unwilling to adjust to the prevailing market changes. Conversely, external successors who normally have acquired experience from other fields bring with them fresh ideas and perspectives to enable the firm to cope with any emerging challenges (Chung and Luo, 2012).

2.5.1.1 Disadvantages of External Development

On the other hand, external development is not all positive. Hatch and Dyer (2004) found that acquiring human capital from external sources can reduce learning and the greater turnover associated with such practices leads to low performance rates. At the same time, not all the external experiences may be transferable to the context of family businesses especially if such external experience was gained in a larger firm in a more structured setting, it may not be beneficial in the small business environment often found in the family business setting (Lorz, 2011). This may even prevent the successor from acquiring tacit knowledge of the business. Such external experience and ideas of the successor may further cause resistance and lead to conflict within the family business. Research on organizational learning also suggests that because leaders from outside of the organization have different backgrounds from the founder-owners, external successors are likely to search for new organizational routines which may prove to be disruptive to business (Newman, 1999).

Similarly, Hambrick (1993) noted that firms that hire successors externally may perceive insiders as overly committed to the current status in the family business. In searching for a successor, the Board may consider candidates either from within or outside of the industries in which the hiring firm participates. Firms in some industries may benefit from managerial knowledge of unique and complex industries, such as banking or hospitals (Moskowitz, 1996). Boards may also search more widely within the current industry when there a limited number of viable candidates or if firm desires a change from
industry norms. As far as matching of the skills of external candidates to firm needs is concerned, economic logic regarding information asymmetries requires consideration. In particular, the Board faces greater difficulties in acquiring information about external candidates, relative to an internal succession process (Harris and Helfat, 1997). An external search for a successor generally takes more time in order to locate suitable candidates and to gather information about the skills of candidates, perhaps including the use of an executive search firm. Even after investing in this information gathering activity, the Board still may have less information about external than internal candidates.

Similarly, with regard to external candidates as a group, the Board may have less good information about the skills of candidates from outside of the industry than about candidates from within the hiring firm’s industry. Boards frequently have comparative data used to benchmark performance of firms within an industry, and have a large amount of information about executive talent for the best managed units in the industry. For external candidates from outside of the hiring firm’s industry, however, Boards do not have access to as good information about talent levels or about the fit between the skills of potential candidates and the needs of the firm and this proved to be a huge hurdle in getting an external successor.

2.6 Chapter Summary

This Chapter presented a summary of literature and studies relating to factors affecting successor development in family businesses in Kenya. The chapter reviewed literature on the role of self-efficacy in successor development, the role of commitment in successor development, the impact of internal development on successor development and the impact of external development on successor development. Chapter three highlights at the research methodology used to collect and analyse data.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The main purpose of this study was to study the factors that determine successor development in a family business. This chapter addresses the methodology that was used in carrying out this study. The chapter then discusses the research design, population and sampling design. Further on, the data collection method, research procedure and data analysis methods used for this study are discussed. A summary of this chapter is then given at the end of the aforementioned sections.

3.2 Research Design

A research design is the plan and structure of investigation so conceived as to obtain answers to research questions (Cooper and Schindler, 2011). It is important as it lays down the structure of the research problem and plan of investigation used to obtain empirical evidence on relationships of the research problem. Thus, in essence, it can be referred to as the glue that holds the research project together and integrates it as a part of a whole. A number of research designs exist which a researcher can use in order to carry out an investigation based on the problem or opportunity under study. These include exploratory research, reporting, causal, descriptive and predictive research designs. The choice and preference of each of these relies on the appropriateness of the design for one’s particular research questions and objective (Saunders, Lewis, and Thornhill, 2009).

For this particular study, a survey research design was employed. A survey is an example of descriptive research. Descriptive research is research which describes phenomena as they exist. It is used to identify and obtain information on the characteristics of a particular problem or issue (Collis and Hussey, 2003). The reasons for this choice of design was that it contributes to a relatively high rate of response, it is less time consuming and also due to the personal touch the researcher ensures that the right people fill in the questionnaires.
3.3 Population and Sampling Design

This section presents the population and sampling design techniques and systems utilized in the study. It shows how the characteristics of the population, the sampling frame within the population and how a sample size that was deemed adequate and representative was acquired.

3.3.1 Target population

Coopers and Schindler (2011) define a population as the total collection of elements about which we wish to make inferences. It can further be defined as the entire group of possible respondents to a survey question. The target population of the study consisted of the top 100 mid-sized companies as identified by KPMG Kenya Office and the Nation Media Group in 2013. These firms were ranked ahead of their peers in terms of revenue growth, profit growth, returns to shareholders and liquidity. Their characteristics were turnover range of between Ksh 70 billion and Ksh 1 Billion, 3-year audited financial track record, not listed in the stock exchange and it should not be a bank, consultancy or an insurance company.

3.3.2 Sampling Design

Sampling design shows how a sample size adequate and representative of the population is acquired. This section describes processes through which the sample size was acquired. The major factors influencing the choice of sampling design was resource and time constraints.

3.3.2.1 Sampling Frame

Denscombe (2007) defines a sampling frame as an objective list of the population from which the researcher can make a selection. The sampling frame for this study was obtained from the business daily publication of the Business daily dated October 12, 2013 where the top 100 medium sized companies for the year 2013 were listed.

3.3.2.2 Sampling Technique

This study used a stratified sampling technique. Stratified sampling method is the process by which the sample is constrained to include elements from each of the segments (Cooper and Schindler, 2011). A stratified sampling technique was justified for use in this
study as it was based on scientific rules of probability, ensured adequate representation of all classes of companies and reduced the probability of respondent bias in the study, that is, respondents predominantly selected from one class. In this study, the population was divided into various sectors, namely Manufacturing, Services, ICT, Hospitality, Retail, Distribution, Health, Agriculture and a group referred to as others which comprised of Automotive, Construction, Education, Energy, Transport and Allied Services, Real Estate and Logistics.

3.3.2.3 Sample Size

Denscombe (1998) poised that, the sample must be carefully selected to be representative of the population and the researcher also needs to ensure that the subdivisions entailed in the analysis are accurately catered for. Taking into consideration variables like homogeneity in the data, and the experiences of other researchers (Bierstaker et al., 2006), this study utilized a sample size of 65. The use of 65 respondents in the study was justified as it was in line with the recommendations of Mugenda and Mugenda (2003) and Blumberg et al. (2011) who indicated that a study should include at least 30% of the total population. Since the sample size of 65 represented 65% of the population it was deemed appropriate. The distribution of the companies in their respective strata’s is as shown below.

Table 3.1: Sample Size Distribution

<table>
<thead>
<tr>
<th>Industry</th>
<th>Population</th>
<th>% Sample</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>16</td>
<td>65%</td>
<td>10</td>
</tr>
<tr>
<td>ICT</td>
<td>15</td>
<td>65%</td>
<td>10</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>20</td>
<td>65%</td>
<td>13</td>
</tr>
<tr>
<td>Hospitality</td>
<td>2</td>
<td>65%</td>
<td>1</td>
</tr>
<tr>
<td>Retail</td>
<td>5</td>
<td>65%</td>
<td>3</td>
</tr>
<tr>
<td>Distribution</td>
<td>11</td>
<td>65%</td>
<td>7</td>
</tr>
<tr>
<td>Health</td>
<td>10</td>
<td>65%</td>
<td>7</td>
</tr>
<tr>
<td>Agriculture</td>
<td>12</td>
<td>65%</td>
<td>8</td>
</tr>
<tr>
<td>Others</td>
<td>9</td>
<td>65%</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td>65</td>
</tr>
</tbody>
</table>
3.4 Data Collection

This study made use of the primary data collection method. A questionnaire was developed by the researcher guided by the research questions. The respondents targeted were the owner-founders and the top management teams. The use of a questionnaire was ideal as it allowed for collection of a large amount of data within a short time. The questionnaires also made it possible for anonymity of respondents to foster collection of qualitative data from the employees without fear or pressure.

The questionnaire consisted of five parts; these were namely the general information section, the self-efficacy of the successor, commitment of the successor, the internal development of the respondent(work experience within the company) and lastly the external development(external work experience) of the respondent. To avoid ambiguity of responses provided, two research assistants were employed for this study and they guided the feedback process by offering support to any respondent who needed help. This way, data collected was valid and provided from a respondent’s good judgment and understanding.

3.5 Research Procedures

The researcher first developed the data collection instrument that is the questionnaire in relevance to the research questions. A pre-test was carried out in two firms to establish the reliability and clarity of the survey questionnaire. This was done to give indications on the length of time it would take to complete the questionnaire, questions that respondents found ambiguous, those questions they were uncomfortable with and make any other comment that could improve the questionnaire. The questionnaires involved both closed and open-ended questions and were administered to the respondent through hand delivery alongside a letter of introduction. The researcher ensured that as much as possible the questionnaire was filled on the day it is delivered to ensure that the respondent does not push it aside.

3.6 Data Analysis

Data collected in this study was analyzed using Statistical Package for Social Sciences (SPSS) and Amos 18.0. Data collected was first cleaned for errors and then tabulated to reveal numerical counts for all categories of answers in the questionnaire. Both
qualitative and quantitative analysis was employed in this section. Descriptive analysis involved frequency distribution, variances, and percentages, which the researcher used to determine the proportion of respondents choosing the various responses. Once computed, statistical measures were incorporated and the output was presented using figures and tables.

3.7 Chapter Summary

This chapter describes the methodology that was used in carrying out the study. It has discussed research design, population and sampling design that was used. It has also discussed the data collection, research procedure and data analysis methods used in this study. Chapter four gives the results and findings of the study according the research questions. SPSS and Amos 18.0 were used for analysis of the data.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

Chapter four presents the findings and results of the study based on data collected and analyzed using steps and procedures elaborated in Chapter three. The data was collected from questionnaires self-administered to the owners or top managers of the family businesses included in the Top 100 mid-sized companies in Kenya in the year 2013. In total the study sought to collect data from a sample of the 100 top sized companies in Kenya. Questionnaires were sent to 65 companies for completion and data collection. However, 54 complete and error free questionnaires were collected and utilized in the study. This represented an 83% response rate.

Data collected was analyzed using SPSS vs. 22 and Amos 18.0 for measures of deviations, means, modes and other descriptive statistics. Analyzed data is presented using frequency distributing tables and figures. Inferential statistics was also carried out. Uni-variate analysis for showing the one on one relationship of the constructs was also done. Factors which were significant uni-variately were further subjected to a rigorous multivariate analysis, and the steps carried out in a hierarchical manner. Firstly, variable screening involving investigation of missing data, data inconsistencies among responses, the investigation of outliers, and the use of skewness and Kurtosis measures was done. At this stage also the response (unengaged respondents) was evaluated using the standard deviations, were small variances were used to charge lack of commitment across the cases. These were dropped as they provided minimal solutions to the hypothesis at hand. This was followed by an Exploratory Factor Analysis (EFA) in which an iterative process was undertaken until the researcher arrived at a clean pattern matrix .Also adequacy, convergent validity; discriminant validity and reliability of the model were achieved.

4.2 Background Information

This section presents the background characteristics of the respondents
4.2.1 Company Industry

As shown in Table 4.1 below, majority of the industries in the study were drawn from the energy and the ICT sectors with each having a proportion of 27.8%. Further, 5.6% of the respondents were drawn from the finance industry, 16.7% were drawn from the transport sector, 11.1% were drawn from the communications sector, and 5.6% were drawn from the mining sector and 5.6% in the tourism sector. These findings imply that the energy and ICT sector were the industries with major companies in the top 100 mid-sized companies.

Table 4.1: Industry of Companies

<table>
<thead>
<tr>
<th>Sector</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Energy</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Transport</td>
<td>9</td>
<td>16.7</td>
</tr>
<tr>
<td>Communication</td>
<td>6</td>
<td>11.1</td>
</tr>
<tr>
<td>ICT</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Mining</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Tourism</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.2 Gender

According to this study, 44.4% of the respondents were of the male gender while 55.6% were of the female gender. This findings show that women were more in the respondent population than men. The results are shown in Figure 4.1.
4.2.3 Age

Thirty eight point nine percent of the respondents to this study were of the ages between 26 – 30 years. Further, 11.1% of the respondents were of the ages below 25 years, 27.8% were of the ages between 31 – 40 years while 22.2% were of the age above 40. This finding implies that most respondents to the study were above 26 years. This is as shown in Table 4.2 below.

Table 4.2: Age of Respondents

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25</td>
<td>6</td>
<td>11.1</td>
</tr>
<tr>
<td>26 – 30</td>
<td>21</td>
<td>38.9</td>
</tr>
<tr>
<td>31 – 40</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Above 40</td>
<td>12</td>
<td>22.2</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.4 Years in Operation

This study found that 5.6% of the companies had been in operation for less than 1 year, 50% (majority) had been in operation for between 2 – 10 years, 27.8% had been in operation for between 11 – 20 years while 16.7% were of the ages above 21 yrs. These findings show that over 95% of the companies had been in operation for at least 2 years. The results are shown in Figure 4.2.
4.2.5 Experience in the Company

Sixteen point seven percent of the respondents had experience of less than 1 year in the company, 66.7% had experience of between 2 – 10 years, and 16.7% had experience of between 11 and 20 years. This is as shown in Table 4.3 below.

Table 4.3: Experience in the Company

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>9</td>
<td>16.7</td>
</tr>
<tr>
<td>2 - 10 yrs.</td>
<td>36</td>
<td>66.7</td>
</tr>
<tr>
<td>11 - 20 yrs.</td>
<td>9</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.6 Level of Management

Majority of the respondents in this study were senior managers. This is deduced from the findings of the study that 66.7% indicated to be senior managers while 33.3% indicated they were not senior managers. This is as shown in Figure 4.3. The findings imply that the findings of the study were reliable as they were deduced mainly from the target population, senior managers. The results are shown in Figure 4.3.
4.2.7 Daily Management of Operations

In addition to being senior managers in the organization 72.2% of the respondents indicated that they were involved in the day to day management of the organization while 27.8% were not involved. This has a positive impact on the findings as the data is collected from individuals with managerial experiences. The results are shown in Table 4.4.

Table 4.4: Daily Management of Operations

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>39</td>
<td>72.2</td>
</tr>
<tr>
<td>No</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.8 Role Transition

According to this study, majority of the respondents (54%) transited into the leadership role between the years 2011 – 2014. Further, 39% of the respondents transited in the years between 2001 and 2010 while 7% transited into the leadership role between the years 1990 and 2000. These findings imply that over 90% of the respondents had been in the leadership role for less than 14 years, while 54% had been in the leadership role for less than 5 years. The results are shown in Figure 4.4.
4.2.8.1 Reason for Transition

Further the study sought to investigate the reason for the transition to the leadership position. According to 44.4% of the respondents, they transited into the role of senior management through retirement of predecessors, 5.6% transited through dismissal of predecessor, 13% transited due to voluntary departure of the predecessor, 7.4% transited through death or disability of predecessor while 29.6% transited through routine promotion as shown in Table 4.5 below. This shows that retirements and promotions are the major reasons for transition to senior positions in the Top 100 mid-sized companies in Kenya. The results are shown in Table 4.5.

**Table 4.5: Reason for Transition**

<table>
<thead>
<tr>
<th>Reason for Transition</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement of Predecessor</td>
<td>24</td>
<td>44.4</td>
</tr>
<tr>
<td>Dismissal</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Voluntary Departure of Predecessor</td>
<td>7</td>
<td>13.0</td>
</tr>
<tr>
<td>Death/Disability of Predecessor</td>
<td>4</td>
<td>7.4</td>
</tr>
<tr>
<td>Routine Promotion</td>
<td>16</td>
<td>29.6</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.2.8.2 Level of Transition Preparedness

Finally this section sought to investigate the level of preparedness of the managers for their transition into senior management positions. According to 11.1% of the respondents they were completely unprepared, 7.4% were unprepared, 5.6% were partially prepared, and 14.8% were prepared while majority 61.1% was very prepared. These findings show that most employees are well prepared for transition into Senior Management positions. The results are shown in Table 4.6.

**Table 4.6: Level of Transition Preparedness**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completely Unprepared</td>
<td>6</td>
<td>11.1</td>
</tr>
<tr>
<td>Unprepared</td>
<td>4</td>
<td>7.4</td>
</tr>
<tr>
<td>Partially Prepared</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Prepared</td>
<td>8</td>
<td>14.8</td>
</tr>
<tr>
<td>Very Prepared</td>
<td>33</td>
<td>61.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.9 Relationship to Controlling Family

According to this study, 53.3% of the respondents were not related to controlling family. Nevertheless, 9.3% of the respondents were related to the controlling family through marriage and 31.5% of the respondents were married to the controlling family through blood. This shows that majority of the senior managers in Top 100 mid-sized companies were not related to the ownership family. The results are shown in Figure 4.5.
Figure 4.5: Relationship to the Controlling Family
Though most of the top sized companies were managed by non-relatives, this study sought to identify the generation of the current managers in the relatives managed businesses. According to 25.9% of the companies, the managers were 1st generation, 9.3% were in the 2nd generation, 3.7% were in the 3rd generation and 1.9% was in the 4th generation as shown in Figure 4.6 below.

Figure 4.6: Generation of Managers

4.3 Education Levels

This section presents the findings of the study on education level of managers and its impact of performance and company leadership.
4.3.1 Level of Education

The findings of this study showed that 72.2% of the respondents to this study (Senior Managers) had a Bachelor’s Degree level of education. Further, the study found that 16.7% had a Master’s degree and 11.1% had a Professional course certificate. This is as shown in Table 4.7 below.

Table 4.7: Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masters</td>
<td>9</td>
<td>16.7</td>
</tr>
<tr>
<td>Bachelors</td>
<td>39</td>
<td>72.2</td>
</tr>
<tr>
<td>Other Professional Course</td>
<td>6</td>
<td>11.1</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.2 Business Related Courses

Sixty one point one percent of the respondents to this study did not take a business related course. Nevertheless, 38.9% of the respondents undertook a business related course as shown in Figure 4.7

Figure 4.7: Business Related Courses

Further, the study found that most the business courses undertaken by the respondents were: sales and marketing, marketing management, commerce, human resource management, economics and statistics. In addition, the business oriented professional certificates undertaken by the respondents was Certified Public Accountants (CPA).
4.3.3 Company Leadership and Education Choices

According to 83.3% of the respondents, the prospect of taking over the business leadership had a direct impact on the educational choice. However, 16.7% of the respondents indicated that the prospect of taking over the business leadership did not have a direct influence on the education choice. This is as shown in Table 4.8 below.

Table 4.8: Leadership Prospect and Education Choice

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>45</td>
<td>83.3</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.4 Education and Performance

Finally, this study sought to investigate whether the level of education had an impact on the performance of the individuals. Eighty three point three percent indicated that the level of education improved their performance while 16.7% indicated that it did not. The results are shown in Figure 4.8.

Figure 4.8: Education and Performance

4.4 Self-Efficacy and Commitment

This section presents the findings of the study on self-efficacy and commitment of employees in the business.
4.4.1 Goal Achievement

According to 61.1% of the respondents they strongly agree that they were able to achieve most of the goals that they had set for themselves. Twenty seven point eight percent agreed, 5.6% were neutral, and 5.6% strongly agreed. This implies that most senior managers achieved their set goals. The results are shown in Table 4.9.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>33</td>
<td>61.1</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.2 Accomplishing Difficult Tasks

Fifty five point six percent of the respondents strongly agreed that when facing difficult tasks, they were certain that they would accomplish them. On the other hand, 38.9% agreed and 5.6% were neutral. This shows that over 90% of the senior managers achieved difficult task. The results are shown in Figure 4.9.

![Figure 4.9: Accomplishing Difficult Tasks](image-url)
4.4.3 Achieving Important Outcomes

The respondents were subjected to the question; In general do you think you can obtain outcomes that are important to you. Fifty five point six percent of the respondents strongly agreed, 38.9% agreed and 5.6% were neutral. This implies that most senior managers in Top 100 mid-sized companies achieved important outcomes. The results are shown in Table 4.10.

Table 4.10: Achieving Important Outcomes

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>30</td>
<td>55.6</td>
</tr>
<tr>
<td>Agree</td>
<td>21</td>
<td>38.9</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.4 Attaining Set Mindsets

Fifty five point six percent of the respondents strongly agreed that they believed that they can succeed at any endeavor that they set their minds on. Further, 33.3% of the respondents agreed while 11.1% were neutral. These findings show that over 85% of the Senior Managers believed that they could achieve their set goals and endeavors. The results are shown in Figure 4.10.

Figure 4.10: Attaining Set Mindsets
4.4.5 Overcoming Challenges

Over 70% of the respondents to this study were of the opinion that they could successfully overcome most challenges. This is deduced from the findings that 44.4% strongly agreed, 33.3% agreed and 22.2% were neutral that they could overcome challenges they encountered. The results are shown in Figure 4.11.

![Figure 4.11: Overcoming Challenges](image)

4.4.6 Effective Performance on Different Tasks

Forty four point four percent of the respondents strongly agreed that they were confident that they could perform effectively on many different tasks. Thirty eight point nine percent of the respondents agreed and 16.7% of the respondents were neutral. The results are shown in Table 4.11.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>24</td>
</tr>
<tr>
<td>Agree</td>
<td>21</td>
</tr>
<tr>
<td>Neutral</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
</tr>
</tbody>
</table>

4.4.7 Good Performance under Tough Conditions

Asked whether they could perform tasks well under tough conditions, 38.9% of the respondents agreed, 50% agreed while 5.6% were neutral and disagreed respectively. This
implies that over 80% of the senior managers believe they perform tasks well even under hard conditions. The results are shown in Table 4.12.

**Table 4.12: Good Performance under Tough Conditions**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>21</td>
<td>38.9</td>
</tr>
<tr>
<td>Agree</td>
<td>27</td>
<td>50.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**4.4.8 Emotional and Personal Attachment to the Business**

Respondents to this study were asked various questions to assess their personal commitment, attachment to the business personally and emotionally. According to this study more than half of the senior managers would not be happy to spend the rest of their careers in the business. This implies that most Senior Managers would seek an employer change in their careers. This is deduced from the findings that 27.8% strongly agreed that they would be happy to spend the rest of their careers in the business, 16.7% agreed, while 27.8% for each were neutral and disagreed. The results are shown in Table 4.13.

**Table 4.13: Spending Rest of the Career**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Agree</td>
<td>9</td>
<td>16.7</td>
</tr>
<tr>
<td>Neutral</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**4.4.8.1 Business Problems as Personal Problems**

Further, the study sought to investigate whether the employees feel as if the business problems were their own problems. According to the study, 33.3% of the respondents
strongly agreed that the business problems constituted personal problems, 5.6% agreed, 27.8% were neutral, 27.8% disagree and 5.6% strongly disagreed. The findings show that over 60% of the Senior Managers had low personal attachment to the business as they did not see the business problems as their own. The results are shown in Table 4.14.

Table 4.14: Business Problems as Personal Problems

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>18</td>
<td>33.3</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Neutral</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.8.2 Sense of Belonging

Thirty eight point nine percent of the respondents strongly agreed that they did not feel a sense of belonging to the business. Further, 38.9% were neutral, 16.7% disagreed and 5.6% strongly disagreed that they did not feel a sense of belonging to the business. This finding shows that over 50% of the employees had a sense of belonging to the business while a significant proportion did not feel any sense of belonging in the company. The results are shown in Table 4.15.

Table 4.15: Sense of Belonging

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>21</td>
<td>38.9</td>
</tr>
<tr>
<td>Neutral</td>
<td>21</td>
<td>38.9</td>
</tr>
<tr>
<td>Disagree</td>
<td>9</td>
<td>16.7</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>5.6</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.4.8.3 Emotional Attachment

Emotional attachment in the business was high in the business. This is due to the 33.3% and 5.6% of the employees who strongly agreed and agreed that they did not feel any sense of emotional attachment to the business. Nevertheless, 33.3% (Neutral), 22.2% (Disagreed) and (5.6%) of the respondents indicated that they had a sense of emotional attachment to the business. The results are shown in Figure 4.12.

Figure 4.12: Emotional Attachment

4.4.8.4 Feeling Part of the Family Business

Twenty seven point eight percent of the respondents strongly agreed that they did not feel as part of family business while 22.2% agreed. In addition, 38.9% of the respondents were neutral while 11.1% disagreed that they felt like part of the family in the business. The results are shown in Table 4.16.

Table 4.16: Feeling Part of the Family Business

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>15</td>
<td>27.8</td>
</tr>
<tr>
<td>Agree</td>
<td>12</td>
<td>22.2</td>
</tr>
<tr>
<td>Neutral</td>
<td>21</td>
<td>38.9</td>
</tr>
<tr>
<td>Disagree</td>
<td>6</td>
<td>11.1</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.4.9 Explanatory Factor Analysis (EFA) for Self-Efficacy and Commitment

Explanatory Factor Analysis (EFA) is a statistical approach that is used to identifying complex interrelationships among items that are apart of unified concepts. The assumption is that there is no relationship between factors of interests. The analysis produced two factors were explaining 78 percent of the total variance of the self-efficacy as indicated in table 4.19. These were, SEC2 (When facing difficult tasks, I am certain that I will accomplished them), SEC3 (In general I can obtain outcomes that are important to me) and SEC12 (I don’t feel like “part of the family” at my business) as indicated in table 4.17, Table 4.18 and figure 4.13.

**Table 4.17 Variables used in the EFA of self – efficacy**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description of the Item</th>
<th>Construct</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC1</td>
<td>I am able to achieve most of the goals that I have set for myself</td>
<td>Self-Efficacy</td>
</tr>
<tr>
<td>SEC2</td>
<td>When facing difficult tasks, I am certain that I will accomplish them.</td>
<td></td>
</tr>
<tr>
<td>SEC3</td>
<td>In general, I think I can obtain outcomes that are important to me</td>
<td></td>
</tr>
<tr>
<td>SEC4</td>
<td>I believe I can succeed at any endeavour I set my mind to</td>
<td></td>
</tr>
<tr>
<td>SEC5</td>
<td>I am able to successfully overcome many challenges.</td>
<td></td>
</tr>
<tr>
<td>SEC6</td>
<td>I am confident that I can perform effectively on many different tasks.</td>
<td></td>
</tr>
</tbody>
</table>

**Table 4.18 Variables used in the EFA of Commitment**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description of the Item</th>
<th>Construct</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC8</td>
<td>I am happy to spend the rest of my career with this business</td>
<td>Commitment</td>
</tr>
<tr>
<td>SEC9</td>
<td>I really feel as if the business’ problems are my own</td>
<td></td>
</tr>
<tr>
<td>SEC10</td>
<td>I do not feel a strong sense of “belonging” to this Business</td>
<td></td>
</tr>
<tr>
<td>SEC11</td>
<td>I do not feel “emotionally attached” to this business</td>
<td></td>
</tr>
<tr>
<td>SEC12</td>
<td>I do not feel like “part of the family” at my business</td>
<td></td>
</tr>
<tr>
<td>SEC13</td>
<td>This business had a great deal of personal meaning for me</td>
<td></td>
</tr>
</tbody>
</table>
Table 4.19 EFA for Self-Efficacy and commitment

Total Variance Explained

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total % of Variance</td>
<td>Cumulative %</td>
<td>Total % of Variance</td>
</tr>
<tr>
<td>1</td>
<td>7.779</td>
<td>59.841</td>
<td>7.779</td>
</tr>
<tr>
<td>2</td>
<td>2.378</td>
<td>18.293</td>
<td>2.378</td>
</tr>
<tr>
<td>3</td>
<td>.818</td>
<td>6.293</td>
<td>.818</td>
</tr>
<tr>
<td>4</td>
<td>.719</td>
<td>5.530</td>
<td>.719</td>
</tr>
<tr>
<td>5</td>
<td>.572</td>
<td>4.400</td>
<td>.572</td>
</tr>
<tr>
<td>6</td>
<td>.298</td>
<td>2.295</td>
<td>.298</td>
</tr>
<tr>
<td>7</td>
<td>.231</td>
<td>1.776</td>
<td>.231</td>
</tr>
<tr>
<td>8</td>
<td>.137</td>
<td>1.052</td>
<td>.137</td>
</tr>
<tr>
<td>9</td>
<td>.049</td>
<td>.373</td>
<td>.049</td>
</tr>
<tr>
<td>10</td>
<td>.015</td>
<td>.113</td>
<td>.015</td>
</tr>
<tr>
<td>11</td>
<td>.003</td>
<td>.026</td>
<td>.003</td>
</tr>
<tr>
<td>12</td>
<td>.001</td>
<td>.009</td>
<td>.001</td>
</tr>
<tr>
<td>13</td>
<td>2.186E-016</td>
<td>1.681E-015</td>
<td>2.186E-016</td>
</tr>
</tbody>
</table>
Figure 4.13: Scree plot for Self-efficacy and Commitment

4.4.9.1 Pattern Matrix

Upon developing the pattern matrix, SEC 9 (I really feel like the business problems are my own) loaded highly than any other factor more than any other construct as shown by table 4.20. From the analysis, it shows that eight responses (SEC 6-13) are loading to factor 1 and the common thing with these factors is the sense of belonging in the family business, confidence and willingness to work under any conditions and the sense of being valued. On the other hand a loading of factor 2 implies that a section of the respondents felt that they can succeed elsewhere not necessarily in the family business. SEC 1, SEC 4 and SEC5 capture the self-efficacy variable of the respondent.
Table 4.20: Pattern Matrix for Self-efficacy and Commitment

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC9</td>
<td>.999</td>
<td></td>
</tr>
<tr>
<td>SEC8</td>
<td>.992</td>
<td></td>
</tr>
<tr>
<td>SEC13</td>
<td>.910</td>
<td></td>
</tr>
<tr>
<td>SEC10</td>
<td>.905</td>
<td></td>
</tr>
<tr>
<td>SEC12</td>
<td>.869</td>
<td></td>
</tr>
<tr>
<td>SEC11</td>
<td>.812</td>
<td></td>
</tr>
<tr>
<td>SEC4</td>
<td></td>
<td>.987</td>
</tr>
<tr>
<td>SEC1</td>
<td></td>
<td>.716</td>
</tr>
<tr>
<td>SEC5</td>
<td></td>
<td>.602</td>
</tr>
</tbody>
</table>

4.5 Employee Development

This section presents the findings of the study on employee development inside and outside the company.

4.5.1 Career Length

According to this study, 13% of the Senior Managers had been in the career for less than 2 years, 80% had a career spanning 3 – 8 years while 7% had a career of above 9 years. This is as shown in Figure 4.14.

![Figure 4.14: Career Length](image-url)
4.5.2 Experience in the Business

According to 24% of the respondents, they had been working in the company for less than 2 years. However, majority of the respondents i.e. 76% had been working for the company for between 3 – 8 years. This is as shown in Figure 4.15.

![Figure 4.15: Experience in the Business](image)

4.5.3 Functions and Departments in the Business

Majority of the respondents to this study had experience in one or two departments only. This is deduced from the findings of this study which show that 38.9% of the respondents had worked in one department while 44.4% had worked in two departments. Nevertheless, 16.7% of the respondents had worked in three or more departments. This is as shown in Figure 4.16.

![Figure 4.16: Functions and Departments worked](image)
4.5.4 External Work Experience

Forty four point four of the respondents had external work experience while 55.6% of the respondents had been working in the same organization. This is as shown in Figure 4.17.

Figure 4.17: External Work Experience

4.5.5 Number of Companies Worked before Joining This Company

According to 55.6% of the companies, they had not worked for any other company. On the other hand, 24.1% of the respondents had worked in one other company, 9.3% had worked in two other companies while 11.1% had worked in three other or more companies. These findings show that more most of the employees had been working in the same company for their entire careers. This is as shown in Table 4.21.

Table 4.21: Number of Companies Worked before Joining the Company

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>30</td>
</tr>
<tr>
<td>One</td>
<td>13</td>
</tr>
<tr>
<td>Two</td>
<td>5</td>
</tr>
<tr>
<td>Three</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
</tr>
</tbody>
</table>
4.5.6  Number of Years Work Experience Outside the Company

As shown in Figure 4.17 below, 46% of the respondents indicated that they had worked for less than 2 years outside the company while 54% indicated that they had been working in an outside company for between 3 – 8 years. This is as shown in Figure 4.18.

![Figure 4.18: Number of Years Worked Outside the Company](chart.png)

4.5.7  Number of Years of Senior Management Experience

According to 92% of the respondents, they had less than 2 years’ experience in Senior Management in a company outside the current business. Eight percent of the respondents had senior management experience of between 3 – 8 years in a company outside the current organization as shown in Table 4.22.

**Table 4.22: Senior Management Experience outside the Company**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2</td>
<td>11</td>
<td>92%</td>
</tr>
<tr>
<td>3 – 8</td>
<td>1</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100%</td>
</tr>
</tbody>
</table>
4.5.8 Similarity between Industry and Family Business

Respondents to this study were requested to rate the similarity between the industry and family business operational standards. The rating was done on a scale of one to five with one being exactly the same while five was totally different. The mean rating of the study was 1.02 with a standard deviation of 1.407 indicating that most managers believed that the industry practices were similar to the operational practices in the family business. This is as shown in Table 4.23.

Table 4.23: Similarity between Industry and Family Business

<table>
<thead>
<tr>
<th>Similarity of industry and business</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>54</td>
<td>0</td>
<td>5</td>
<td>1.02</td>
<td>1.407</td>
</tr>
</tbody>
</table>

4.5.9 Board of Directors

Seventy seven point eight percent of the respondents indicated that they business had a board of directors while 22.2% indicated that the business did not have a board of directors. This is as shown in Figure 4.19.

Figure 4.19: Board of Directors
4.5.9.1 Number of board of directors

Further the study found that, 4% of the businesses had a board of directors comprising of less than 5 members. Forty four percent of the businesses had a board of directors composed of between 6-10 members while more than half (52%) had a board of directors of more than 11 members. This is as shown in Figure 4.20.

![Figure 4.20: Number of Board Members](image)

4.5.9.2 Family members in Board of Directors

Finally, the study found that 28% of the board of directors composed of less than 5 family members, 63% comprised of between 6 – 10 family members while 9% comprised of 11 and above family members. This findings show that in most Top 100 mid-sized companies, the family members in boards was between 6 – 10 members. This is as shown in Table 4.24.

Table 4.24: Family Members in Board of Directors

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 5</td>
<td>15</td>
<td>28</td>
</tr>
<tr>
<td>6 – 10</td>
<td>34</td>
<td>63</td>
</tr>
<tr>
<td>11 and above</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100</td>
</tr>
</tbody>
</table>
4.5.10 Exploratory Factor Analysis for Internal Development

On undertaking the EFA, only four factors were extracted scoring explaining 72 percent of the total variance of the internal development as indicated in table 4.26 and figure 4.21. These were, ID2 (total number of years of work experience in the entire career), ID4 (number of other companies worked for before joining this company), ID5 (number of years of work experience outside this company) and ID8 (how many people are in the board).

Table 4.25: Variables used in the EFA for Internal Development

<table>
<thead>
<tr>
<th>Item</th>
<th>Description of the Item</th>
<th>Construct</th>
</tr>
</thead>
<tbody>
<tr>
<td>ID1</td>
<td>Total number of years of work experience in entire career</td>
<td>Internal Development (ID)</td>
</tr>
<tr>
<td>ID2</td>
<td>Number of years of work experience in this company</td>
<td></td>
</tr>
<tr>
<td>ID3</td>
<td>Number of functional areas/departments worked in this company</td>
<td></td>
</tr>
<tr>
<td>ID4</td>
<td>Number of other companies worked for before joining this company</td>
<td></td>
</tr>
<tr>
<td>ID5</td>
<td>Number of years of work experience outside this company</td>
<td></td>
</tr>
<tr>
<td>ID6</td>
<td>Number of years of senior management experience outside this company</td>
<td></td>
</tr>
<tr>
<td>ID7</td>
<td>rate how similar the industry was to your family business</td>
<td></td>
</tr>
<tr>
<td>ID8</td>
<td>How many people are in the board of directors</td>
<td></td>
</tr>
<tr>
<td>ID9</td>
<td>How many board members are family members</td>
<td></td>
</tr>
</tbody>
</table>
Table 4.26: EFA of the Internal Development

Total Variance Explained

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadingsa</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>2</td>
<td>1.857</td>
<td>20.631</td>
<td>47.419</td>
</tr>
<tr>
<td>3</td>
<td>1.207</td>
<td>13.415</td>
<td>60.833</td>
</tr>
<tr>
<td>4</td>
<td>1.004</td>
<td>11.157</td>
<td>71.990</td>
</tr>
<tr>
<td>5</td>
<td>.745</td>
<td>8.278</td>
<td>80.268</td>
</tr>
<tr>
<td>6</td>
<td>.697</td>
<td>7.742</td>
<td>88.010</td>
</tr>
<tr>
<td>7</td>
<td>.549</td>
<td>6.096</td>
<td>94.106</td>
</tr>
<tr>
<td>8</td>
<td>.384</td>
<td>4.265</td>
<td>98.371</td>
</tr>
<tr>
<td>9</td>
<td>.147</td>
<td>1.629</td>
<td>100.000</td>
</tr>
</tbody>
</table>

Figure 4.21: Scree plot on Internal Development
4.5.11 EFA for External Development

On undertaking the EFA, only two factors were extracted scoring explaining 76 percent of the total variance of the external development as indicated in table 4.28 and figure 4.22 below. These were, ED2 (the existence of people from outside the company’s top management is necessary to avoid internal conflicts and increase the efficiency of the company) and ED 4 (the dominance of the family members in top management in the company ensures continuity and its succession from one generation to another)

Table 4.27: Variables used in the EFA for External Development

<table>
<thead>
<tr>
<th>Item</th>
<th>Description of the Item</th>
<th>Construct</th>
</tr>
</thead>
<tbody>
<tr>
<td>ED1</td>
<td>The company depends on the existence of people from outside the family in top management to manage the company's activities</td>
<td>External Development (ED)</td>
</tr>
<tr>
<td>ED2</td>
<td>The existence of people from outside the company's top management is necessary to avoid internal conflicts, and increase the efficiency of the company</td>
<td></td>
</tr>
<tr>
<td>ED3</td>
<td>The presence of persons from outside the family in the top management of the company effects positively on succession process</td>
<td></td>
</tr>
<tr>
<td>ED4</td>
<td>The dominance of the family members in top management in the company ensures Continuity and its succession from one generation to another.</td>
<td></td>
</tr>
<tr>
<td>ED5</td>
<td>The presence of persons from outside the family in the company's top management improving decision-making process</td>
<td></td>
</tr>
<tr>
<td>ED6</td>
<td>In case there are people from outside the family in the top management the company does not considered as family business company.</td>
<td></td>
</tr>
</tbody>
</table>
Table 4.28: EFA of the External Development

Total Variance Explained

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total % of Variance</td>
<td>Cumulative %</td>
<td>Total % of Variance</td>
</tr>
<tr>
<td>1</td>
<td>2.867</td>
<td>47.788</td>
<td>2.867</td>
</tr>
<tr>
<td>2</td>
<td>1.718</td>
<td>28.627</td>
<td>1.718</td>
</tr>
<tr>
<td>3</td>
<td>.753</td>
<td>12.556</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>.536</td>
<td>8.926</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>.102</td>
<td>1.702</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>.024</td>
<td>.401</td>
<td></td>
</tr>
</tbody>
</table>

Figure 4.22: Scree plot on External Development
4.6 Summary of all Variables used in the Study

In conclusion, a pattern matrix for all the factors was run as shown in table 4.29. This table shows that while considering successor development in a family business, four factors grouped together are deemed important. These are SEC2 (when facing difficult tasks am certain that I will accomplish them), SEC3 (In general think I can obtain outcomes that are important to me), ED4 (The dominance of the family members in top management in the company ensures Continuity and its succession from one generation to another) and SEC12 (I do not feel like “part of the family” in my business).

Table 4.29: Pattern Matrix for all the Variables used

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC2</td>
<td>.975</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEC3</td>
<td>.975</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ED4</td>
<td>.769</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEC12</td>
<td>.569</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ID5</td>
<td></td>
<td>-.877</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ED5</td>
<td></td>
<td>.831</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ED1</td>
<td></td>
<td></td>
<td>.903</td>
<td></td>
</tr>
<tr>
<td>ID4</td>
<td></td>
<td></td>
<td>.685</td>
<td></td>
</tr>
<tr>
<td>ID2</td>
<td></td>
<td></td>
<td></td>
<td>.909</td>
</tr>
<tr>
<td>ID8</td>
<td></td>
<td></td>
<td></td>
<td>.572</td>
</tr>
</tbody>
</table>

All constructs are significant ($t>1.96$-5% significance Levels).
The regression model on Table 4.30 demonstrated that only three of the factors significantly affect successor development in family businesses. These were, commitment which displayed the strongest direct effect on successor development (r=0.262), followed by external development (r=0.214) and lastly self-efficacy (r=0.208). Internal development on the other hand displayed weak statistically insignificant effects (r=0.871, p=0.260).

This means that self-efficacy, commitment and external development are good predictors of successor development in a family business with a variance of 76% explaining the

---

<table>
<thead>
<tr>
<th>Variable</th>
<th>Relationship</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Development</td>
<td>&lt;--- Successor Development</td>
<td>.214</td>
<td>.097</td>
<td>2.206</td>
<td>.027</td>
</tr>
<tr>
<td>Internal Development</td>
<td>&lt;--- Successor Development</td>
<td>.871</td>
<td>.773</td>
<td>1.127</td>
<td>.260</td>
</tr>
<tr>
<td>Commitment</td>
<td>&lt;--- Successor Development</td>
<td>.262</td>
<td>.116</td>
<td>2.265</td>
<td>.024</td>
</tr>
<tr>
<td>Self –Efficacy</td>
<td>&lt;--- Successor Development</td>
<td>.208</td>
<td>.074</td>
<td>2.823</td>
<td>.005</td>
</tr>
<tr>
<td>ED5</td>
<td>&lt;--- External Development</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ED4</td>
<td>&lt;--- External Development</td>
<td>1.088</td>
<td>.387</td>
<td>2.812</td>
<td>.005</td>
</tr>
<tr>
<td>ED1</td>
<td>&lt;--- External Development</td>
<td>-.194</td>
<td>.408</td>
<td>-.475</td>
<td>.635</td>
</tr>
<tr>
<td>ID8</td>
<td>&lt;--- Internal Development</td>
<td>-.020</td>
<td>.189</td>
<td>-.107</td>
<td>.915</td>
</tr>
<tr>
<td>ID5</td>
<td>&lt;--- Internal Development</td>
<td>-.331</td>
<td>.235</td>
<td>-1.410</td>
<td>.159</td>
</tr>
<tr>
<td>ID4</td>
<td>&lt;--- Internal Development</td>
<td>.023</td>
<td>.076</td>
<td>.302</td>
<td>.763</td>
</tr>
<tr>
<td>ID1</td>
<td>&lt;--- Internal Development</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEC12</td>
<td>&lt;--- Commitment</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEC3</td>
<td>&lt;--- Self- Efficacy</td>
<td>1.000</td>
<td>.000</td>
<td>32936.086</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>SEC2</td>
<td>&lt;--- Self –Efficacy</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
three variables. This supported the research objectives. On the other hand, internal development was statistically insignificant to predict the successor development.

Figure 4.23 Research Model
Table 4.31: Model fit indices for the Measurement Level

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Threshold</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square/df (cmin/df)</td>
<td>P value &lt;3 good, &lt;5 sometimes permissible</td>
<td>1.571</td>
</tr>
<tr>
<td>P value</td>
<td>&gt;0.05</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>CFI</td>
<td>&gt; .95 great, &gt; 0.90 traditional, &gt; 0.80 sometimes permissible</td>
<td>0.919</td>
</tr>
<tr>
<td>GFI</td>
<td>&gt;0.95</td>
<td>0.830</td>
</tr>
<tr>
<td>AGFI</td>
<td>&gt;0.80</td>
<td>0.772</td>
</tr>
<tr>
<td>SRMR</td>
<td>&lt;0.09</td>
<td>-</td>
</tr>
<tr>
<td>RMSEA</td>
<td>&lt;0.05 good; 0.05 - .10 moderate, &gt; 0.10 bad</td>
<td>0.077</td>
</tr>
<tr>
<td>PCLOSE</td>
<td>&gt;0.05</td>
<td>0.026</td>
</tr>
</tbody>
</table>

The fit indices on Table 4.31 indicated that the model fits the data. This was an evidence that supported the goodness of fit of the model to the data with the following parameters (CMIN/DF= 1.571, RMSEA= 0.077, CFI=0.919, GFI=0.830, AGFI=0.772). The structural weights model shown on Figure 4.23 was 76% with path coefficient as 0.214, 0.260 and 0.208 (External Development, Self-efficacy and Commitment respectively. Therefore, the model used for successor development was validated as a good model in the Kenyan context.

4.7 Chapter Summary

This chapter has presented and explained the results and findings of the study based on the four research questions. The research questions are: The role of self-efficacy in successor development; the role of commitment in successor development; the impact of internal development on successor development and the impact of external development on successor development. Chapter five presents the summary, discussions, the conclusions and recommendations of the study.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, the discussions of the findings, conclusions and recommendations of the study based on the findings. In addition, the chapter presents the recommendations for further studies.

5.2 Summary of Findings

This general objective was to determine the factors that affect successor development in family owned businesses. The specific objectives of the study were to establish the role of self-efficacy in successor development, to assess the role of commitment in successor development, to evaluate the impact of internal development on successor development and to evaluate the impact of external development on successor development.

The study utilized descriptive research design using a survey approach. To describe the patterns and trends in the data, the study sourced its population from the Top 100 mid-sized companies identified by KPMG and the Nation Media group in 2013. The businesses were spread out to various industry specifics. Using a stratified random sampling technique, the researcher obtained a sample size of 65. Data for the study was collected using a questionnaire personally administered by the researcher. The researcher thereafter obtained 54 responses which represented an 83% response rate. Data collected was analyzed using SPSS vs. 22 and Amos 18.0 for descriptive statistics such as percentages and mean. Regression analysis, factor analysis and t-statistics were also carried out. Presentation of data was done using frequency distribution tables and figures to aid in interpretation of findings.

This study a found that majority of the top 100 mid-sized companies were in the ICT or energy sectors. In addition, majority of the businesses had been in operation for at least 2 years while managers had been working in the business for a similar period. The major reason for acquisition of leadership roles in the Mid-sized companies was retirement of the predecessor or routine promotion in the company. Also, most employees were adequately prepared for the transition process in the company.
This study showed that self-efficacy affects successor development. Most respondents displayed self-efficacy as they had self-belief to achieve personal and organizational goals regardless of challenges or conditions in the environment. Commitment was also found to affect successor development, according to this study; most employees did not have a personal or emotional attachment to the business also known as affective commitment as they did not feel “part of the family” in the business. However the other types of commitment, that is, normative, calculative and imperative were demonstrated.

Further, internal development did not emerge statistically significant in this study and this may be explained by the fact that it was measured in terms of years worked in the family business rather than the developmental experience. External development emerged significant as employees who had earned experience from outside the firm may be more willing to take risks in business and also they may bring in new better ideas and implement change. Majority of respondents have not worked for any other company but they believed that the existence of people from outside the company’s top management is necessary to avoid internal conflicts and increase the efficiency of the company. At the same time, most respondents were of the opinion that the dominance of family members in the top management of the company ensures continuity and its succession from one generation to another.

5.3 Discussion of Results

This section presents a discussion of the findings of this study. Discussion of the findings is done in view of reviewed literature in chapter two.

5.3.1 The Role of Self-efficacy in Successor Development

Self-efficacy is defined as the belief in one’s fundamental abilities and strengths to successfully accomplish something. Thus people with a strong sense of efficacy believe they can perform difficult tasks. Such people see these as challenges rather than threats (Bandura, 1997). This is based on the social cognitive theory which has three major factors: behavior, environment, and cognition.

In the examination of these three factors in the study, this study found that, most employees in the company had an inner drive to achieve most goals that they had set out for themselves. In addition, the study found that most employees were certain that they
could accomplish difficult tasks and that they could obtain outcomes that were important
to them. In addition, this study found that most managers believed they could succeed in
any endeavors that they set their minds to and that they could successful overcome many
challenges. In addition, most senior managers were confident that they could perform
effectively on many different task despite the working or environmental conditions. This
study therefore found that most employees had a high cognitive motivation and self-belief
to achieve their goals and objectives regardless of the environmental conditions and
challenges. These factors are instrumented in enhancing the succession plans of the
business.

In contrast, Bandura (1994) had similar findings with Sardeshmukh (2008). In their
respective studies, they noted that the concept of self-efficacy is a theory in itself as well
as a component of the social cognitive theory. Social cognitive theory incorporates three
aspects namely; behavior, environment, and cognition. These three factors influence
each-other in that individual's actions affect not only the environment but also the
cognitions which in turn impacts future behavior (Sardeshmukh, 2008). People with a
strong sense of efficacy believe that they can accomplish even difficult tasks and they
view these as challenges to be mastered rather than threats to be avoided (Bandura, 1994).
Efficacious people set challenging goals and maintain strong
commitment to them and in the face of failure they increase and sustain their efforts to be
successful. They approach difficult situations with confidence and take control over them.
This approach has been seen to reduce stress and lower the risk of depression (Bandura,
1994). In tandem with the findings of this study, Carr and Sequeira (2007) and
Sardeshmukh (2008) found that in a family business, the top managers perform the dual
role of entrepreneurs as well as managers. Thus previous family business experience not
only contributes to greater entrepreneurial self-efficacy but also entrepreneurial intentions
(Carr and Sequeira, 2007). Similarly, successors run an established business; they
therefore undertake several managerial tasks, indicating the need for managerial self-
efficacy as well. Similar deductions were made in this study especially since the
respondents to the study were drawn from family owned businesses.

In addition, to personal efficacy, this study found that senior managers in the Top 100
mid-sized companies had entrepreneurial as well as managerial efficacy. Entrepreneurial
efficacy includes an individual’s confidence in his or her ability to perform
entrepreneurial roles and tasks successfully (Zhao, Seibert, and Hills, 2005). This is
critical in the growth and profitability of the business even in this study. Based on the sample population characteristics, the companies can be described as fast growing and profitable businesses. Managerial self-efficacy refers to an individual’s belief that they can successfully perform a management position (Vianen, 1999). Management is normally characterized with long hours of work and sometimes stress. Greater self-efficacy is linked to reduced stress levels in spite of task challenge (Wood, Bandura, and Bailey, 1999).

5.3.2 The Role of Commitment in Successor Development

On the other hand the study found that most employees did not plan to spend the rest of their careers in the business, nor did they perceive the business problems as their own problems. Further, employees did not feel a strong sense of belonging to the business or felt as part of the family a far as the business was concerned. These indicators led to low affective and commitment by the employees to the business. This is a worrying trend in the Top mid-sized companies based on the findings of various scholars and researchers. Successor commitment is characterized by the successor’s frame of mind or psychological state that compels an individual toward the focal behavior of continuing to profitably operate the family firm (Jiang, 2011). Managers and employees must show willingness and commitment in the business for effective succession planning (Meyer and Herscovitch, 2001; Jiang, 2011; Sharma and Irving’s, 2005; Dumas, Dupuis, Richer, and Cyr, 1995; Dyck et al., 2002). Extant literature on family business successors shows that when they perceive a match between their career choices and opportunities available in their family firm or alignment between their family and work related identities, these individuals portray a desire to pursue a career in their family business and make a positive contribution to it (Sharma, 1997). Thus the low affective commitment could be as a result of a missing match of an individual’s career aspirations and the opportunities available in the family business.

5.3.3 The Impact of Internal Development on Successor Development

Family firms have long groomed their own offspring’s to succeed them. Children apprenticed under the adult family member to learn and join the business. This training is mainly common in the artisan industries. Even in the current family businesses, grooming within the business forms an important aspect of successor development (Sardeshmukh, 2008). This intergenerational grooming deals with the transfer of specific human capital.
Laband and Lentz (1983) suggested that the transfer of intangible family specific capital, like knowledge, goodwill as well as the brand or name loyalty can be viewed as a mode of intergenerational wealth transfer. This study has found that this trend is still very much applicable in the Top 100 mid-sized companies. According to this study, most of the employees have gained experience internally having working for the same organization for very long. Nevertheless there have been instances where outside experience has been acquired in the business.

Also, contrary to assertions by Lentz et al., (1990) and Kolb (1984) that generational or family succession planning is the most effective way and common strategy adopted by companies, this study found that most of the Senior Managers in the organizations were not related to the controlling family. However, this study did not seek to identify whether the senior managers thought that they were considered for succession. Training within the family business at a young age provides the potential successor a ground level view of the operations and this initial experience matches with premarket experience (Lentz et al., 1990). Thus, junior generation may get informal mentoring in the business from the founders and this can be a source of experiential learning (Kolb, 1984) This informal socialization over time may offer the family potential successor a more holistic perspective of the business, which is very important for proprietors (Lentz et al., 1990). Family successors are thus highly valued by the founder owners even though a large proportion of family firms fail to attain a family based succession. Even though there is a strong preference for family successors, not many firms undertake the process of succession planning with successor development being a very important aspect (Sardeshmukh, 2008).

In this study the number of years and individual has worked in the family business did not emerge to be significant as far as successor grooming is concerned. This is however not inconsistent with literature as Fairlie and Robb (2007) did a study showing it’s not so much the number of years that one has worked in a family business that matters but rather the developmental experience.

5.3.4 The Impact of External development on Successor Development

External development has also been identified as integral in successor development in the Top 100 mid-sized companies. According to this study, a significant number of employees with outside experience have been identified indicating that in addition to
relying on internal development, companies were also seeking external development amongst its employees. According to this study some companies sought individuals with experience in other companies for a period of not less than 2 years. This is similar to the conclusions of Mintzberg (2004) who argued that skills and concepts provided by education may be of little help to a self-employed proprietor (Lentz et al., 1990). Thus, such skills are acquired on the job, and job experiences are critically important in development of the successor. Experience from past jobs can be an important part of the successor development process. Nelton (1986) and Danco (1982) recommended that successors should gain experience from outside the business. Many consultants recommend at least three to five years in another business. Others suggest that at least one promotion should occur, thereby demonstrating the individual’s ability. Experience outside the company helps the successor develop an identity and prepare for a wider range of problems that may be useful to the family firm. (Lansberg and Anstrachan, 1994). In this study, most of the employees with external experience had been working on other organizations for more than 2 years which is similar to the recommendations of Lansberg and Anstrachan (1994). Other scholars who have advocated for external development of successors include: Cannella and Lubatkin, (1993); Blundell (1999); Lorz, (2011), Datta et al., (2005), Grant, (1996) and Chua, Chrisman and Bergiel, (2009). This study went in line with existing literature as the factor of external development with a top loading was

Finally, this study found that companies in the Top 100 mid-sized companies have adopted best practices in the operation of businesses. Indeed, this study found that industry operations in most companies were similar to those of the family managed businesses. In addition, most companies have boards of directors. Nevertheless, majority of the members in the boards of directors were members of the same family. Uni-variate analysis clearly shows that most of the managers believe that external experience is critical in the continuity of the family business which is in line with extant family business literature.
5.4 Conclusions

This section presents the conclusions of the study.

5.4.1 The Role of Self-Efficacy in Successor Development

This study demonstrates that self-efficacy is very important in successor development in family businesses. Managers and owners in these family businesses should be in a position to achieve the goals they have set for themselves, to accomplish difficult tasks, obtain outcomes that are important to them, succeed at any endeavors they have set their mind to, to successfully overcome many challenges and to have the confidence to perform effectively many different tasks.

Thus, this study concludes that in addition to personal efficacy, senior managers must also possess skills and managerial efficacy as well as entrepreneurial efficacy to drive the attainment of set goals and objectives. This is critical in successor development, growth and sustainability of business and more so in family owned businesses.

5.4.2 The Role of Commitment in Successor Development

Commitment emerged moderately significant in the regression model. This is line with existing literature for instance, Jian (2011) who displayed that commitment is a critical aspect and it contributes to successful successor development. Analysis shows that the respondents have low affective commitment and this may be to the fact that their career aspirations are not being matched to the opportunities available in the business firm. Most of the respondents however displayed the other three types of commitment. Normative commitment was shown by the respondents as they feel as if the business’ problems are their own; calculative commitment is shown by the fact that they felt that the business has a great deal of personal meaning for them and finally imperative commitment as the managers felt that they would want to spent the rest of their career with the family business.

5.4.3 The Impact of Internal Development on Successor Development

Internal development was not significant statistically in this study. This study concludes that internal development should therefore not just be measured in terms of the years worked in the family business but rather the developmental experience. This is critical as
it shows that the mere passage of time of an employee in a family business does not contribute to successor development. This is in line with the extant literature that shows that when a potential successor has significant developmental experience for instance mentoring and feedback, they report higher managerial self-efficacy and entrepreneurial self-efficacy which in turn affects successor development positively (Sardeshmukh, 2008).

5.4.4 The Impact of External Development on Successor Development

External development emerged as a significant factor affecting successor development. External experience was measured in terms of the number of years a manager has worked outside the company. Despite the fact a large number of them haven’t worked outside the family business, respondents in this study believe that work experience from outside the family business is critical in ensuring business continuity. This is in line with extant literature which shows that external experience gives family successors a greater feeling of independence and confidence and they are in a position to bring in new ideas from outside the company (Lorz, 2011).

5.5 Recommendations

This section presents the recommendations of the study.

5.5.1 Recommendations for Improvement

This section presents the recommendations for improvement in the business.

5.5.1.1 The Role of Self-Efficacy in Successor Development

This study showed that the respondents are efficacious. They demonstrated this as they strongly believe that they can accomplish difficult tasks. In line with literature, self-efficacy is developed through mastery experience, vicarious experience, and verbal persuasion, somatic and emotional state. Thus managers should seek to develop and continually increase their self-efficacy. Therefore they should seek to gain mastery experience by perfecting themselves in their tasks by doing them over and seeking to do a better job subsequent times. Vicarious experience is achieved by observation of successes and failures of other existing models, verbal persuasion involves persuasive feedback and lastly they should ensure they are well in terms of their emotional well-being.
5.5.1.2 The Role of Commitment in Successor Development

This study showed that there was low affective commitment among the managers. To improve employee commitment, the business can improve the organization culture, ensure employee partial ownership of the business or generally enhance motivation in the employees by improving the social welfare of the employees and if need be their families. Also, the top management should ensure that potential successors perceive a match between their career choices and the opportunities available in their family firm. This will in turn make the managers portray a desire to pursue a long term career in the firm and make a positive contribution to it. Such managers will have a willingness to put in extra effort in their work that is beyond their normal roles.

5.4.1.3 The Impact of Internal Development on Successor Development

Most companies have relied on internally developed employees for succession planning. As part of successor grooming focus shouldn’t be on how many years that an individual has worked within the family business but rather the developmental experience they have gained over time. Thus emphasis should be on an employee gaining developmental experience rather than the mere passage of time in the company. This may be well obtained by mentoring the managers, promoting them through the ranks, giving feedback on performance and rotating them in the different departments so that they may eventually have a feel of the entire business.

5.4.1.4 The Impact of External Development on Successor Development

In order to have a competitive edge and broaden the skills and human capital in the business, companies must seek to source externally developed and experienced employees. Acquisition of externally developed employees can be done through talent poaching from competitors or other industry companies.

In addition to employee development, medium sized companies must seek to improve the levels of managerial expertise and conformance to industry standards to enhance succession planning. Specifically, companies must adopt modern management practices as well as having in place independent boards of directors who are not family members.
5.5.2 Recommendations for Further Studies

Based on the findings of this study the following recommendations for further studies are recommended:

Further studies should be undertaken to establish the relationship between succession planning and financial performance of the company. Does succession planning improve financial performance after the succession is just a managerial fad? These are some of the important questions that the study should seek to answer.

Secondly, further studies should seek to investigate the relationship between managerial training and succession planning. The study should seek to investigate whether training on succession planning aids in smooth transition or whether training has a significant impact on the level of transition.
REFERENCES


Brundin, E., Samuelsson, E., & Melin, L. (2008). All businesses undergo succession of different kinds as time goes by. Succession of ownership and management in family business follows a different logic and different processes from non-family business. *Center for Family Enterprise and Ownership*.


APPENDICES

APPENDIX I: COVER LETTER

BILHA NJOKI GITONGA

P.O. BOX 14634, 00800,
NAIROBI, KENYA.

1/6/2014

Dear Respondent,

I am a graduate student at United States International University, carrying out research on Determinants of a successful succession process in family businesses. This is in partial fulfillment of the requirement of the Master of Business Administration (Strategic Management) degree program at the United States International University (Africa).

You have been randomly selected to participate in this study. It is estimated that it will take less than ten (10) minutes of your time to complete the questionnaire. Please respond as honestly and objectively as possible. Your participation is very essential for the accomplishment of this study and it will be highly appreciated. I guarantee that the information that you will provide will be treated with the utmost confidentiality and will be used only for academic purposes.

This is an academic research and confidentiality is strictly emphasized, your name will not appear anywhere in the report. Kindly spare some time to complete the questionnaire attached.

Thank you.

Yours faithfully,

BILHA.N.GITONGA
Dear Respondent,

Thank you for agreeing to participate in this questionnaire. Any information provided will be treated with utmost confidentiality and no single responses will be reported on its own but as a summation of all the responses. You will require an estimated time of about 10-15 minutes to fill in the questionnaire.

SECTION A: GENERAL INFORMATION

1. Department

2. Company Industry

3. Gender ( ) Male  ( ) Female

4. Using the categories below please indicate your age

<table>
<thead>
<tr>
<th>Less than or 25 years</th>
<th>26-30 years</th>
<th>31-40 years</th>
<th>41 years and above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Using the categories below please indicate how long the business has been in operation.

<table>
<thead>
<tr>
<th>Less than or 1 year</th>
<th>2-10 years</th>
<th>11-20 years</th>
<th>21 years and above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Using the categories below please indicate how long you have worked with the firm.

<table>
<thead>
<tr>
<th>Less than or 1 year</th>
<th>2-10 years</th>
<th>11-20 years</th>
<th>21 years and above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Are you working in the senior management of the business? Yes ( ) No ( )

8. Are you currently managing day to day operations of the business? Yes ( ) No ( )

If Yes

8a. When did you take over the leadership role? ________________ (Indicate year)

8b. What was the reason for transition?
Retirement of the predecessor ( ) Voluntary departure of the predecessor ( )
Dismissal ( ) Death/Disability of the predecessor ( )
Other ( ) Routine promotion ( )

8c. How prepared did you feel when you took over the leadership role?
(1= Completely unprepared- 5= Very prepared) 1 2 3 4 5

9. How are you related to the controlling family? (Please circle one option.)
Not related ( ) Marriage ( )
Adoption ( ) Blood ( )
If related

9a. What is your birth order? Eldest ( ) Middle ( ) Youngest ( )

9b. Which generation of the family do you belong to?
1st ( ) 3rd ( )
2nd ( ) 4th or more ( )

10. Please indicate details in table below

<table>
<thead>
<tr>
<th>Program</th>
<th>Specialization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctorate</td>
<td></td>
</tr>
<tr>
<td>Masters</td>
<td></td>
</tr>
<tr>
<td>Bachelors</td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td></td>
</tr>
<tr>
<td>Other professional course</td>
<td></td>
</tr>
</tbody>
</table>

11. Did you take any business related courses? Yes ( ) No ( )
If Yes

11a. How many business related courses did you take? _____________

12. The prospect of leading this company impacted my education choices. Yes ( ) No ( )
13. Does your level of education affect the performance of work? Yes ( ) No ( )

**SECTION B: SELF-EFFICACY**

1. Please tick the numeric value corresponding to your personal opinion for each statement.

<table>
<thead>
<tr>
<th>Code</th>
<th>Variable</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC 1</td>
<td>I am able to achieve most of the goals that I have set for myself.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 2</td>
<td>When facing difficult tasks, I am certain that I will accomplish them.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 3</td>
<td>In general, I think I can obtain outcomes that are important to me</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 4</td>
<td>I believe I can succeed at any endeavor I set my mind to</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 5</td>
<td>I am able to successfully overcome many challenges.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 6</td>
<td>I am confident that I can perform effectively on many different tasks.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 7</td>
<td>Even when things are tough, I can perform any tasks well</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
### SECTION C: COMMITMENT

1. Please tick the numeric value corresponding to your personal opinion for each statement.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC 8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am happy to spend the rest of my career with this business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I really feel as if the business' problems are my own</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I do not feel a strong sense of &quot;belonging&quot; to this Business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I do not feel &quot;emotionally attached&quot; to this business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I do not feel like &quot;part of the family&quot; at my business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>SEC 13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This business had a great deal of personal meaning for Me</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

### SECTION D: INTERNAL DEVELOPMENT

1. Total number of years of work experience in entire career ____________ Years

2. Number of years of work experience in this company ____________ Years

3. Number of functional areas/departments worked in this company ____________

4. Do you have any external work experience? Yes ( ) No ( )

If Yes
4a. Number of other companies worked for before joining this company ______________

4b. Number of years of work experience outside this company _____ Years

4c. Number of years of senior management experience outside this company _____ years

4d. Please rate how similar the industry was to your family business on a scale of 5

(1=Exact same industry - 5=totally different industry)

( 1 ) ( 2 ) ( 3 ) ( 4 ) ( 5 )

5. Does this business have a board of directors? Yes ( ) No ( )

If Yes

5a. How many people are in the board of directors? ______

5b. How many are family members? ______________

<table>
<thead>
<tr>
<th>Code</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>ID1</td>
<td>Total number of years of work experience in entire career affects successor development</td>
</tr>
<tr>
<td>ID2</td>
<td>Number of years of work experience in this company will affect successor development</td>
</tr>
<tr>
<td>ID3</td>
<td>Number of functional areas/departments worked in this company will affect successor development</td>
</tr>
<tr>
<td>ID4</td>
<td>Number of other companies worked for before joining this company will affect successor development</td>
</tr>
<tr>
<td>ID5</td>
<td>Number of years of work experience outside this company will affect successor development</td>
</tr>
<tr>
<td>ID6</td>
<td>Number of years of senior management experience outside this company will affect successor development</td>
</tr>
</tbody>
</table>
### SECTION E: EXTERNAL DEVELOPMENT

1. Please tick the numeric value corresponding to your personal opinion for each statement.

<table>
<thead>
<tr>
<th>Code</th>
<th>Variable</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>ED1</td>
<td>The company depends on the existence of people from outside the family in top management to manage the company's activities</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ED2</td>
<td>The existence of people from outside the company's top management is necessary to avoid internal conflicts, and increase the efficiency of the company</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ED3</td>
<td>The presence of persons from outside the family in the top management of the company effects positively on succession process</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ED4</td>
<td>The dominance of the family members in top management in the company ensures Continuity and its succession from one generation to another.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ED5</td>
<td>The presence of persons from outside the family in the company's top management improving decision-making process</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ED6</td>
<td>In case there are people from outside the family in the top management the company does not considered as family business company.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

THANK YOU FOR TAKING YOUR TIME TO COMPLETE THE QUESTIONNAIRE
# APPENDIX III: TOP 100 MID-SIZED COMPANIES 2013

1. Lean Energy Solutions Ltd
2. East African Canvas Co. Ltd
3. Digital City Ltd
4. Plenser Ltd
5. Alwin Agencies (K) Ltd
6. Propack Kenya Ltd
7. Vivek Investments Ltd
8. Powerpoint Systems (EA) Ltd
9. Coninx Industries Ltd
10. Synermedica Pharmaceuticals Kenya Ltd
11. Coast Industries and Safety Suppliers Ltd
12. Isolutions Associates
13. Wotech Kenya Ltd
14. Avtech Systems Ltd
15. Kenya Bus Service
16. Muranga Forwarders
17. Synermed Pharmaceuticals Ltd
18. Tissue Kenya
19. Kenya Highland Seed
20. Famiar Generating Systems
21. Alexander Forbes
22. Chemical and Schools Supplies
23. Charleston travel ltd
24. Onfon Media
25. Elite Tools
26. Eurocon tiles Products
27. Endeavour Africa
28. Rongai Workshop and Transport
29. R & R Plastics
30. Chigwell holdings
31. Classic Mouldings
32. Pewin Cabs
33. Novel technologies
34. Xtreme Adventures
35. Vintage Africa
36. Punjabi Electrical and Industrial hardware ltd
37. Spry Engineering
38. General Cargo Services
39. Pinnacle Travels and Safaris
40. Panesars Kenya Ltd
41. Specialized aluminium Renovators
42. Cube Movers Ltd
43. Brogibro Company
44. Total Solutions
45. Tyremasters
46. XRX Technologies
47. Sensation Ltd
48. Eureka Technical Services
49. Palbina Travel
50. Waumini Insurance Brokers
51. ASL Credit
52. Zaverchand Punja Ltd
53. Canon Chemicals
54. Packaging Manufacturers (1976)
55. Trident Plumbers
56. Typotech
57. Kinpash Enterprises
58. Vehicle and Equipment Leasing
59. Sheffield Steel Systems
60. Complast Industries
61. Dune Packaging Ltd
62. Hebatullah Brothers
63. Spice World
64. Museum Hill Wines
65. Yogi Plumbers
66. Vajra Drill
67. MelvinMarsh International
68. andia Fresh Produce Suppliers
69. Fayaz Bakers Ltd
70. Specicom technologies
71. Mombasa Canvas
72. SilverbirdTravel Plus
73. Iron Art
74. Radar Ltd
75. Master Power Systems
76. Hardware and Welding Suppliers
77. Masters Fabricators
78. Software Technologies
79. Heritage Foods Ltd
80. Africa tea Brokers
81. Raerex EA ltd
82. Travel Shoppe Ltd
83. Oriental general Stores
84. Chuma Fabricators
85. Statprint Ltd
86. Sollatek Electronics
87. Smartbrands
88. De Ruiter East Africa
89. Kisima Drilling
90. Care Chemists
91. Brollo Kenya
92. Canon Aluminum Fabricators
93. Sat guru Travel and Tours
94. Kuna hardware and Steel
95. Deepak Industries
96. Skylark Creative Products
97. Unreel Freight Services
98. BBC Auto Spares
99. Lintec Africa Ltd
100. Politicks Ltd