SUCCESSION STRATEGY AND PERFORMANCE OF SMALL AND MEDIUM FAMILY BUSINESSES IN NAIROBI, KENYA

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ABSTRACT
Succession is an inevitable event in the life of a family business. The mode and the strategies employed to facilitate the trans-generational transition of ownership and control have been observed to have a significant influence on the survival and performance of family businesses. Against the background of minimal research on family business succession in Kenya, and rich entrepreneurship, this study aimed at determining the nature of business succession strategies and their influence on the performance of small and medium family businesses in Nairobi. Data on the businesses’ transition strategies and their performance were obtained from 249 SMEs through a structured questionnaire and interviews. The results indicate that family owned SMEs in Nairobi did not explicitly document their succession strategy. However contrary to expectations regarding the nature of succession, it was evident that they make significant unwritten plans for trans-generational succession. While the study did not indicate a strong and significant relationship between succession and firm performance, it emerged from the case studies that firms that went through smooth succession also recorded significant growth post transition. The results are discussed in terms of their implications for the pertinent theories, previous research findings and family business management.

Key words: Succession strategy, family owned SME, performance.

INTRODUCTION
Family businesses have been around for centuries, and even today account for a large part of economic activity all over the world. They are an important part of our society and make a significant contribution to economic development (PwC, 2007; Timmons and Spinnelli, 2007; Urassa, 2009). Family firms range from the very small microenterprises to very large corporate entities all of whom make significant contribution to GDP and general welfare of the population in many economies around the world. Family firm researchers have adopted stewardship theory as a way to explain how family leaders may enjoy a competitive advantage from the unique organizational culture that results from family leaders practicing stewardship (Pearson & Marler, 2010). The entrepreneurship theory provides a perspective from which to understand the family firm as an entity that comes about as a result of entrepreneurial process. The institutions theory is presented as a way of understanding the family firm from the constraints that define decisions and actions in a family business.

Adopting a strategic perspective, Sharma et al. (1997) define 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. However, like most concepts in social sciences, a family business is a multi-dimensional concept (Rutherfold et al., 2008). It has been observed to have not less than three systems including the family, the business ownership and the business management systems (Gersick et al., 1997). These systems go through change over time and the dynamism complicates the definition of a family business. While Some definitions emphasize legal control over ownership by members of a family and the intention to transfer the business to the next generation (Lansberg, 1988; Daily and Dollinger, 1992), other definitions emphasize the mutual influence of firm and family interests and objectives (Donnelley (1988). More recent studies acknowledge that the family and the business systems are not dichotomous but rather interact to a certain degree (Klein et al., 2005; Rutherfold, et al., 2008). They aver that every business is a little family and every family is a little business.

Literature on family businesses overlaps in many ways with that of small businesses but there are differentiating components (Smith, 2007). One of these is the issue of intergenerational ownership transfer (succession) that accounts for about 20 per cent of the family business literature (Sharma et al., 1997). Family business succession has over the years attracted significant attention in research (Chrisman et al., 2003). This is largely because of the high failure rates in trans-generational succession. According to the Price Waterhouse Coopers (PwC) global family business survey of

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While succession is not unique to family firms, it takes on added importance in that context because of the interactions of the family system and the business system. This interaction takes on more complicated direction within the small and medium enterprises where the familiness is heavily concentrated. Understanding business succession can enhance the understanding of the survival and growth of the SMEs. The SMEs can survive and live long without losing the family character, akin to world’s oldest family business, Kongo Gumi based in Osaka, Japan which is over ten centuries old. It was begun in the year 578 AD and has employed 39 generations of the Kongo family in the building and repairing of Buddhist temples (Iraki, 2009).

The SMEs are particularly vulnerable to changes in their operating environment due to their size and resource base. The SMEs particularly face unique challenges of growth and transition which, in emerging economies, has led to a situation where they are either “missing” (Kilby, 1971; Ferrand 1996) or they are “invisible” (Esuha and Fletcher, 2000). Besides the growth challenges, there are other challenges relating to family dynamics which put pressure on the firm as it goes through the growth path. Key among these challenges is the issue of succession.

Succession is a challenge to family businesses particularly the trans-generational handover (Royer, et.al, 2008). In family firms succession issues are unique due to the multi dimensional nature of the transition itself (Drowzdow, 1998). Existing literature on family business places heavy emphasis on the succession failures. For instance, Lansberg (1999) asserts that only 30 percent of businesses continue beyond the first generation and 10 percent make it to the third generation. Such findings have stimulated research interest in the concept of succession in family businesses.

In Kenya, evidence of family business succession challenges does exist. The cases of failed stock brokerage firms of Francis Thuo and Partners, Nyaga Stock Brokers and Discount Securities have been attributed to failed succession (Aron, 2009). Family legal tussles between Kirima and son (a case that was in court at the time of this study in 2010) was yet another indication of challenges families face in business succession. Anecdotal evidence indicates that despite the challenges, there also exist success stories. The First Chartered Securities of the Ndegwa family and the Chandaria family firms on the other hand are highly successful cases (Websites of the companies cited, 2009).

By their very nature, most SMEs are family businesses (Esuha and Fletcher, 2000). Succession within this sector therefore is expected to be a major determinant of their survival and development. The SME sector in Kenya has received significant focus over the last four decades in terms of research and policy (Bowen, et al. 2009). In the recent past, the popular media in Kenya has highlighted a number of cases of failed transitions in family business particularly the SMEs. Such instances include the failure of the stock brokerage firms in Kenya who are considered to be entering their second generation of ownership after the founders have either died or retired (Aron, 2009). Such occurrences have stimulated interest in the current study.

A significantly big proportion of studies in succession and firm performance have tended to focus on the relationship between family ownership and performance (Palvi et al., 2007; Diwisch et al., 2007; Cucculelli et al., 2008; Saito, 2008). These studies have however reported mixed findings with some reporting a positive relationship while others reporting a negative relationship. This observation leaves a gap relating to the nature of business succession strategies and their influence on the performance of small and medium family businesses. This study is therefore an attempt to address this gap. Most of the related studies have been carried out in other countries whose context is significantly different from Kenya or whose focus was limited. For instance, Venter et al., (2005) studied successor related factors in South Africa focusing on successor selection factors only. Closest attempts have been made by Liu, Yang and Zhang (2010) who employed the institutional approach to study the relationship between family ownership and firm performance in South East Asia. This study attempts to empirically test the succession planning-performance relationship in an emerging country context. Family business research has been minimal in Africa. This study will contribute in raising the awareness and attract the attention that it deserves. Arising from the foregoing, the purpose of
this study is to determine the nature of succession strategies employed by family owned SMEs in Nairobi as well as the relationship between succession strategy and performance of these businesses.

By accomplishing this purpose, it is hoped that this study will provide a new perspective from which to understand family owned SMEs and provide a platform for scholars in the area of entrepreneurship to build on for further research. The trade and business associations whose membership is comprised of, among others, SMEs would through this study, develop a better appreciation of the succession challenges facing their membership. This study will develop a new avenue for the development of appropriate policies relating to succession in SMEs. Through this study, policy makers will be better informed as they craft policies to promote SME sector which has been recognized generally as a key driver of economic welfare in most economies. It will also be important for policy makers to create enabling environment that fosters beneficial and effective succession practices in family businesses.

LITERATURE REVIEW AND CONCEPTUAL HYPOTHESES

The entrepreneurship theory provides a perspective from which to understand the family firm as an entity that comes about as a result of entrepreneurial process. The institutions theory is presented as a way of understanding the family firm from the constraints that define decisions and actions in a family business. The succession strategy as a process is also presented to provide a view of how the succession process takes place.

Many business owners view succession as an event characterized by the moment when the torch is passed to the new leadership (Lansberg, 1999). In contrast, researchers view succession as a process of distinct stages exhibiting characteristic problems (Handler, 1994; Lansberg, 1999). A number of models of the succession process have been proposed based on life cycles (Churchill & Hatten, 1987), degrees of successor involvement (Longenecker & Schoen, 1978), and mutual role adjustment of successor and founder. They suggest that progression between the stages is not always smooth or continuous and can be disrupted by changes in family circumstances or truncated by resistance.

Longenecker and Schoen (1978) were among the first to create a theoretical model of intergenerational transitions. It involves the following stages: pre-business, introductory, introductory-functional, functional, advanced functional, early succession, and mature succession. This model clearly treats succession as a process; it omits any reference to the non process aspects. Keating and Little (1997) also developed a multiple stages model for succession, which has similarities with the Longenecker and Schoen model. Keating and Little distinguish the following stages: watching for interest, reducing the pool of eligibles, assessing commitment, compensating the others and placing the successor. Again these models provide a prescription and do not consider the value of adjustments to specific contexts which may not be planned. Meijard (2005) simplifies the succession process into three levels of involvement of offspring: part-time employment, full-time employment, and leadership role. On his part, Handler (1994) uses three phases of succession that next-generation family members experience: personal development phase, business involvement phase and the succession phase.

The discussions above show that most models depicting the succession process emphasize deliberate planning. None of them clearly identifies the succession process as an emergent phenomenon. Family and business are sociologically different systems (Sharma, 2004). Previous studies on family business have viewed the business a dual system consisting of the family on the one hand and the business on the other hand. Studies in family business recognize that family firms are so described because of the family members being involved in ownership, management and governance (Beirgel et al., 2003). These scholars observe that as the firm grows and as the family goes through the next generation, a trans-generational vision for the firm develops to guide the business reflecting a shift from family orientation to formal management systems and structures.

Besides the family dimension of succession, there is also the business management dimension. Business management succession has also been considered as another critical dimension in considering succession in family firms. Dyer (1989) refers to the concept of professionalizing business management. He considers that as the business grows, there is need to consider professionalizing the business by recruiting professional managers to optimize on the growth. He defined professional management as rational alternative to nepotism and familial conflicts that characterize family firms. He argued that the professional manager being well trained even sometimes to MBA level would make more rational decisions that would enable the firm to adapt well to its environment. More recent attempts include Bergiel et al. (2003) who use the agency theory to explain that transition is a complex process and need to be handled carefully to avoid the agency problems of adverse selection and moral hazard that arise when managers are not owners.
Hall and Nordqvist (2008) while building on the works of Dyer (1989) argue that professionalization must take into consideration the unique particularities of the family firm particularly the cultural dimension. They argue that the cultural values, norms and meaning of the owner family are important particularities that would influence the success of professionalizing management and governance in a family firm. They therefore define professional management in a family business as in-depth enough understanding of the owner family’s dominant goals and meanings of being in business (cultural competence) to be able to make use of relevant education and experience (formal competence) in a particular business.

**Family Business Succession Strategy**

The overall business succession strategy builds on the concept of theory and the link to family strategy. The concept of strategy is believed to have originated from ancient Greek word ‘stratego’ meaning to plan the destruction of one’s enemy through effective use of resources (Burnes, 2004). The concept has since found universal application beyond the military. Chandler (1962) views the emergence of strategy in civilian organizations to have resulted from an awareness of opportunities and needs created by changing populations, incomes and technology to employ existing or expanding resources more profitably. Ansoff and McDonnell (1990) define strategy as rules for guidance of organizational behaviour. The implication of this view is that an organization is supposed to interact with the environment according to some predetermined pattern. Hax and Majluf (1991) view strategy as a fundamental framework through which an organization can assert its vital continuity, while at the same time facilitating its adoption to changing environment.

Despite the lack of agreement in terms of what strategy is, there is a broad appreciation of the fact that strategy can be viewed as either the process or the contents (Mintzberg 1987). Process deals with how strategies develop in organizations while content deals with what constitutes a winning strategy. In every organization, there are two independent and simultaneous processes through which strategy comes to be (Mintzberg, 1987). The first strategy-making process is conscious and analytical, involving assessments of market structure, competitive strengths and weaknesses, the nature of customer needs, and the drivers of market growth. Strategy in this process typically is formulated in a project with a discrete beginning and end. The result of this process is an intended or deliberate strategy. Intended strategies can be implemented as they have been envisioned if: those in the organization understand each important detail in management’s intended strategy, the strategy makes as much sense to each of the members in the organization as it does to top management, and there is little unanticipated influence from outside political, technological or market forces. Since it is difficult to find a situation where all three of these conditions apply, it is rare that an intended strategy can be implemented without significant alteration.

The second strategy-making process has been termed emergent strategy. It is the cumulative effect of day-to-day prioritization decisions made by managers, that is, decisions that are made despite or in the absence of intentions (Mintzberg, 1978). In fact, managers typically do not frame these decisions as strategic at all, at the time they are being made; they have a decidedly tactical character. Emergent strategies result from managers’ daily response to problems or opportunities that were unforeseen by those engaged in the deliberate strategy-making process, at the time they were doing their analysis and planning.

The succession strategy like any other strategy in a firm can be categorized as planned or emergent. The succession will be planned if it is preconceived in advance and deliberate efforts made to facilitate it. This is normally necessary when the family dynasty need to be protected. In nonfamily firms we might say that succession strategy development is just another name for continuity planning. Succession strategy will be emergent if the succession takes place as a result of decisions taken by members of family as a result of need to adjust to the realities facing the firm. Some events like death of a founder could trigger succession in which case the decisions take then are not planned but those that are necessary to safeguard the business. Strategies in organizations cannot be viewed purely as planned or purely emergent. Santiago (2000) found that in reality, succession exists in a continuum akin to the Mintzberg framework (Mintzberg 1987). In reality, strategies are a mix of both planning and emergence. Indeed it is a matter of degree with the two being extremes of the same continuum.

The succession in both ownership and management has been identified as a very significant moment in the life of a family business. Consequently, it is one of the issues that require analysis from the perspectives of family, management, and ownership systems in order to understand adequately the perspectives of the different stakeholders. Understanding the family firm will need a multi focus approach. In this study, attempts will be made to understand the succession issues from both the family as well as the management perspectives reflecting the key systems in a family firm.
Succession is interpreted as the explicit process by which a family business will be passed on to the family’s next generation to manage and control (Motwani and Schwarz, 2002). Due to the complexity and the potential for conflict (agency costs) that may arise in family firms when ownership is diluted by “outsiders”, most family businesses change ownership from one generation to another but within the family ties. The “outsiders” are assumed to be self-serving and capable of maximizing their individual benefits but they could also improve the family complacency (Lansberg, 1999).

As the family business goes through a change of ownership from one generation to another, several challenges emerge. Drozdow (1989) observed that in most cases, the senior generation would provide experiences that help the junior generation learn how the business works, but fail to provide them with the skills to recognize new opportunities and to develop new strategies to take advantage of these opportunities. She emphasized the need for careful management of the succession process to ensure that the successor has the right capacity to succeed (Drozdow, 1990).

Over the years, studies have shown that as you start to consider the aspect of succession, then the ownership and the business management need to be considered as different systems (Gersick et al., 1997). Each of the three systems - family, business management and ownership go through changes over time. The balance between the three subsystems is expected to vary with the relative importance of family, individuals, and firm which is clearly variable across cultures.

The manner in which succession takes place in businesses has attracted significant interest in family business research. It has been observed that business succession strategy can be categorized as either planned or emergent (Lansberg 1988, Ward, 1997). Drowzdow (1998) views succession from the wider concept of business continuity. She observes that the focus of succession should be on continuity of the business defined in a systematic and multidimensional view. According to her, there are three possible outcomes when the family and the business overlap in the succession process. The first possibility is uni-dimensional outcome. In this situation, the family ownership and control of the business are continued together as a unit. This in the literature is commonly referred to as successful transition (Martins et. al., 2002, Meijaard et. al., 2005).

The second possibility is where the family ownership and control are sacrificed for the sake of the business. This may occur if the family does not have the capacity to run the business successfully. Yet another possibility is where the business is sacrificed or terminated for the sake of retaining family values and vision. The family may opt to sell off the business to a third party or liquidate the business through asset stripping. In this situation, the family may opt to retain the unity of the family by doing away with the business which could otherwise lead to a split in the family. These are outcomes that may be planned deliberately by the founders or emerge from the consistent decisions that entrepreneurs take in the process of managing their enterprises. Talreja (2007) presents a categorization of succession outcomes that reflect Drowzdow’s (1998) outcomes above. She argues that a family business could either be handed over to professional managers or family members could take over. Within this context, we hypothesize thus:

\[ H1: \text{Family owned SMEs in Nairobi will exhibit no difference in application of emergent succession and planned succession strategies.} \]

**Succession and Firm Performance**

Broadly defined, organizational performance refers to efficiencies and effectiveness in terms of utilization of resources as well as the accomplishment of its goals (Steers, 1982). Performance is a recurrent theme in strategic management research (Wang, 2005). It is important from three perspectives. It is important theoretically because effectiveness of strategies is tested by the level of performance they cause; empirically because there are many constructs that have been employed to capture strategy content and process issues; and managerially as a measure of quality of decisions that managers make on a day to day basis. Measurement of performance gives indication as to the effectiveness of an organization. Whatever management decision is made within an organization is expected to be have a relationship with its performance and hence its effectiveness.

There appears to be little agreement as to what constitutes performance of an organization and more critically the indicators of performance are not universally identified and defined (Venkatraman and Ramanujam 1986). Various measures have been proposed from a wide range of disciplines including accounting, economics, operations management, psychology, sociology and strategic management (Marr and Schiuma, 2003). The most objective and most commonly cited indicators of measurement are the financial data (firm’s bottom line). Financial data can, however, be difficult to access and interpret especially for small unquoted companies. Scholars have also expressed dissatisfaction with the exclusive use of financial dimension arguing that it encourages short-termness and local optimization and therefore overlooks the long term improvement strategy, ignoring competitor information and interaction with
customers (Kaplan and Norton, 1992). Researchers in such circumstances recommend multiple measures of firm performance including both financial as well as non financial measures (Murphy et al. 1996; Westhead and Howorth, 2006).

While planning is important, its relationship with performance especially in small enterprises has not been established. A review of empirical literature gives no conclusive indication of the relationship between planning and success of firms (Sonnetag et al., 2000). This is despite the heavy emphasis placed on planning as a critical management function. Two streams of argument have been advanced to explain the apparent inconsistency. One is that there is no agreement as to the operational definition of planning. Some scholars employ planning as a characteristic of the entrepreneur while others use the level of formality of the planning (Robinson and Pearce, 1983). Others have measured planning in terms of the level of sophistication. Besides planning, the concept of performance has also been operationalized differently using a variety of measures. This state of affairs presents an opportunity for the mixed findings in terms of the relationship found between these variables. The second argument relates to the expected role of planning in a business. It has been argued that planning reduces flexibility and therefore ability of a firm to adapt in a changing environment.

Succession planning has been heavily recommended by western scholars as a way of preventing conflicts in family businesses in case of unexpected occurrences like death or illness (Ward, 1987; Lansberg, 1983). Santiago (2000) found that this is not entirely correct way of perceiving the challenges of succession in family firms. In his study of Philippines’ family businesses, he found that absence of formal succession planning does not necessarily result in succession failure. He found that succession or failure is determined more by the choices founders make in the succession process. He concludes that when succession process is consistent with values of the family, the chances of successful succession are enhanced.

Naldi et al. (2007) in their study of family business succession and firm performance employed both financial and non financial measures. For instance they required the respondents to compare their own performance with that of two key competitors in terms of profit, sales growth, cash flows and growth of network. These items were summed into an index (a=0.82) and validated by previous researches. The measures were captured on a scale of 1-5 (1= much better and 5=being much worse). Similar approach was employed by Craig and Dibrell (2006) who used self reported measures of performance provided by respondent members of top management team. Performance was rated (using Likert scale) in relation to competitors in the industry over the most recent years. They used ROA, sales growth, employment growth, market share growth.

Other researchers employ more qualitative indicators of performance. Apart from the application of standard financial performance measures such as profits and growth, Tan and Smyrnios (2008) utilize measures of customer satisfaction, attainment of industry awards, receipt of client reports, website popularity, number and quality of successful innovations adopted, objective employee performance indices, and staff retention. One of the challenges of research in performance is the research design capable of ensuring validity and reliability of the measurements. Exclusive reliance on either secondary (publicly available records) or primary data (collected directly from the business) as found in majority of studies in entrepreneurship raises major weaknesses.

Cucculelli and Micucci (2008) in a study on family succession and firm performance among selected Italian family firms focused on the impact of the founder–chief executive officer (CEO) succession. They contrasted firms that continue to be managed within the family by the heirs to the founders with firms in which the management is passed on to outsiders. They found that the maintenance of management within the family had a negative impact on the firm's performance, and this effect is largely borne by the good performers, especially in the more competitive sectors.

Divisch et al., (2007) examined the relationship between succession and firm performance. Applying a non-parametric matching approach on a panel of roughly 4,000 Austrian family firms they evaluated the impact of actual (past) succession as well as future successions on employment growth. Analyzing succession plans, they did not find a significant difference in employment growth between firms that planned to transfer the firm in the next 10 years and those who did not. In contrast, past succession exerted a significant and positive employment growth effect, which became stronger over time.

Bennedsen et al. (2007) in a study of family role in succession and its influence on post succession performance used a unique dataset from Denmark to investigate the impact of family characteristics in corporate decision making and the consequences of these decisions on firm performance. They focused on the decision to appoint either a family or external chief executive officer (CEO). They found that family successions had a large negative causal impact on firm
performance: operating profitability on assets fell by at least four percentage points around CEO transitions. Further they showed that family-CEO underperformance is particularly large in fast-growing industries, industries with highly skilled labor force, and relatively large firms.

A study by Marisetty, Ramachandran & Jha (2008) explored the wealth effects of management succession announcement on Indian family business groups during 1992-2006. Using a sample of 124 firms, they found that family succession is generally perceived as positive news by the market participants. It generated, on average, a cumulative abnormal return of 6.58% during the announcement period. They also found that firm profitability also improves significantly after succession and those families that have succession without fight or split show higher rates of profitability.

Saito's (2008) study on Family Firms and Firm Performance in Japan examined the performance of firms that are controlled by founding families in Japan. He found that 36% of listed firms were managed by the founder or his descendant, and founding families were the largest shareholder in about 25% of listed firms. He empirically found that family firms managed by founders are traded at a premium. After the retirement of founders, the results are mixed. The performance of family firms both owned and managed by the founder’s descendants were inferior to those of nonfamily firms. In contrast, the performance of family firms owned or managed by the founders were superior to those of nonfamily firms.

Paivi (2007) in his study of Norwegian SMEs intended to establish whether family ownership, i.e. individual ownership, is a more profitable ownership form than institutional ownership. It also investigated whether firm age and size affect the performance of family firms. In addition, based on the prior literature, the special features of family ownership and the performance of family firms relative to nonfamily firms were reviewed. The empirical analysis on the effects of family ownership on firm profitability as well as on the effects of firm age and size on the performance of family firms was conducted with two samples of non-listed Norwegian small and medium-sized enterprises (SMEs). Hence, the random sample and the sample consisting of randomly selected non-listed SMEs operating in Norwegian most important industries are analyzed separately. Empirical analysis was conducted using the linear regression analysis method. While results from the random sample do not indicate that family firms would be more profitable than non-family firms, the empirical results from the main industry sample presented that, on average, among non-listed SMEs family ownership, i.e. individual ownership, was outstandingly more profitable ownership form than institutional ownership. Also, it appeared that the better performance of family firms relative to institutionally owned SMEs was primarily attributable to young as well as small firms. The methodology employed by Paivi (2007) has been applied to guide the methodological decisions in the current study.

The studies reviewed above presented mixed findings regarding the relationship between succession and firm performance. While a number of them found a positive relationship between succession and performance, others found the opposite when they examined specific aspects of succession and related variables. One possible explanation for this situation could be the variety of methodologies and definitions of variables. Another explanation could be the study contextual factors that were not captured by the models employed. Other studies have brought contradicting results. Shaheena and Woods (2002) found that a previous negative succession experience led to investment in succession process and higher post succession performance. They also observed that the relationship between founder and successor was a key determinant of successful succession.

These studies were carried out in different countries and different managerial regimes and cultures. This leaves a gap in knowledge in terms of domesticating these findings within the context of a developing country and specifically in Kenya. The studies reviewed examine the direct relationship between the succession and performance. While the this study does not address all the possible weaknesses of the studies identified, attempts to bridge the gaps in literature on succession and firm performance by empirically examining the situation of SMEs in Kenya which is not only a non-western context but also a country where studies on small and medium enterprises have been globally acknowledged (ILO 1971, Parker and Torres, 1994). We thus hypothesize:

**H2: Succession strategy has a significant influence of the performance of family owned SMEs in Nairobi.**
METHODOLOGY

Design
The study employed a two-pronged research design which involved both descriptive cross-sectional and case study. The adoption of the multi design approach was informed by the complex nature of succession which was the core of the study. The descriptive cross-sectional design allowed the researcher to ensure unbiased representation of the population of interest. The survey was deemed appropriate as it allowed the researcher to capture the nature of transition in the primary data (PwC, 2008; Mbetu, 2010). It was further validated for a discussion and presentation is presented according to the profiles of the firms.

The study achieved a response rate of 91.5% (249 out of 268 targeted firms) which was considered adequate for analysis. Majority of the firms that participated in the study were descriptive cross-sectional and case study. The cases were selected carefully based on findings from the initial survey and taking into consideration the nature and significance of transitions that had been observed. The criterion for selection included among other factors the intergenerational succession experience, sectoral representation, gender, and ethnicity of the family owners.

To complement the cross-sectional survey, case study method was applied in which six (6) cases were identified for a detailed study. Due to the detailed nature of data collectable from a case, the six cases were found to be sufficient to enable drawing of significant conclusions. The cases were selected carefully based on findings from the initial survey and taking into consideration the nature and significance of transitions that had been observed. The criterion for selection included among other factors the intergenerational succession experience, sectoral representation, gender, and ethnicity of the family owners.

Case study design has been a popular study design in entrepreneurship and family business research largely due to its ability to provide a window to longitudinal information in the absence of time and resources to carry out a full longitudinal study (Zahra and Sharma, 2004, Drowzdow 1990, Ferrand 1996, Masinde, 1994). Further triangulation was obtained via multiple sources of evidence – both interviews directly from the family, observation as well as interviews with sources outside the family but who have good understanding of what went on in the family. This form of triangulation is advocated by Yin (1994).

Data collection
The study relied on only primary data since no available secondary sources could provide relevant data to answer the study objectives. These data were obtained using a structured questionnaire supplemented by case studies which employed interviews with family and enterprise management as well as key informant interviews. The interviews were conducted using interview guides. Researchers’ observation of the business and the environment was also used to confirm some of the basic data obtained from the interviews. The questionnaire was developed using items based on succession planning themes applied by scholars in similar studies (PwC, 2008; Mbetu, 2010). It was further validated via discussions with experts in family businesses and pretested with real respondents during the pilot survey stage.

Data analysis
Due to the variety of methods employed in this study, the data analysis and presentation is presented according to the method employed in the collection. Data collected using the survey method were largely quantitative and were analyzed using both descriptive and inferential statistics. Descriptive statistics were used to present profiles of the firms. Specifically these were used to assess the extent of familialness and the nature of transitions, that is, succession strategy. In order to examine the relationship between transition and firm performance, multiple linear regression analysis was used. This enabled the researchers to develop a more robust model for further establishing the relationship between the succession strategy and performance. The t-values and F-ratios were applied to test hypotheses in order to draw specific conclusions about the relationships.

A statistical test of internal consistency of the test items was carried out. The computation of Cronbach’s alpha facilitated this test. According to Allen and Yen (2002), Cronbach’s alpha splits all the questions on the instrument every possible way and computes correlation values for them all. In the end, output is one number for Cronbach's alpha - and just like a correlation coefficient, the closer it is to one, the higher the reliability estimate of the instrument. Cronbach’s alpha is a less conservative estimate of reliability than test/retest. Items with low correlation coefficients were considered inappropriate as they may not be measuring what they are supposed to measure. As a rule of the thumb, items with coefficients of 0.7 and above are acceptable while those falling below are suspect and thus are excluded. In this study, all the items used for both succession strategy and performance had Cronbach’s alpha of more than 0.7, hence all were included for analysis.

RESULTS AND FINDINGS
The study achieved a response rate of 91.5% (249 out of 268 targeted firms) which was considered adequate for analysis. Majority of the firms that participated in the study were 11 - 20 years old (48.6%), 34.5% were below 10 years
old. The rest (46.9%) were more than 20 years old. The purpose of this study was to determine the nature of succession strategies employed by family owned SMEs in Nairobi as well as the relationship between succession strategy and performance of these businesses. First, we present the results and findings on the nature of succession strategies employed by family owned SMEs in Nairobi followed by the results on the influence of succession strategy on the SMEs’ performance.

Nature of Succession Strategies
To determine the nature of succession strategies employed by family owned SMEs in Nairobi the study first captured some of the key succession practices by the SMEs. The key succession practices were derived from the literature on succession processes. The specific succession practices include founder awareness of the need for succession, counter decision to exit, business structures and organization, business procedures and processes, criteria for succession, successor identification and development and whether the founder has made plans for conflicts resolution during and after succession. Table 1 summarizes these key succession practices.

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<th>Aspect</th>
<th>No extent at all</th>
<th>Small extent</th>
<th>uncertain</th>
<th>Great extent</th>
<th>Very great extent</th>
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<td>1 Need for succession plan</td>
<td>34 (16.7)</td>
<td>35 (17.2)</td>
<td>59 (28.9)</td>
<td>46 (22.5)</td>
<td>30 (14.7)</td>
<td>204</td>
</tr>
<tr>
<td>2 Founder exit options considered</td>
<td>76 (38.0)</td>
<td>48 (24.0)</td>
<td>44 (22.0)</td>
<td>17 (8.5)</td>
<td>15 (7.5)</td>
<td>200</td>
</tr>
<tr>
<td>3 Founder exit decision made</td>
<td>83 (41.7)</td>
<td>41 (20.6)</td>
<td>41 (20.6)</td>
<td>17 (8.5)</td>
<td>17 (7.5)</td>
<td>199</td>
</tr>
<tr>
<td>4 Business structures and organization made</td>
<td>13 (6.5)</td>
<td>29 (14.4)</td>
<td>23 (11.4)</td>
<td>106 (52.7)</td>
<td>30 (14.9)</td>
<td>201</td>
</tr>
<tr>
<td>5 Processes and procedures documented</td>
<td>18 (9.0)</td>
<td>46 (23.0)</td>
<td>34 (17.0)</td>
<td>68 (34.0)</td>
<td>34 (17.0)</td>
<td>200</td>
</tr>
<tr>
<td>6 Succession criteria determined</td>
<td>66 (34.2)</td>
<td>43 (22.3)</td>
<td>34 (17.6)</td>
<td>29 (15.0)</td>
<td>21 (10.9)</td>
<td>193</td>
</tr>
<tr>
<td>7 Successor selection decision made</td>
<td>77 (38.9)</td>
<td>25 (12.6)</td>
<td>24 (12.1)</td>
<td>41 (20.7)</td>
<td>31 (15.7)</td>
<td>198</td>
</tr>
<tr>
<td>8 Stakeholders informed</td>
<td>89 (45.9)</td>
<td>27 (13.9)</td>
<td>26 (13.4)</td>
<td>29 (14.9)</td>
<td>23 (11.9)</td>
<td>194</td>
</tr>
<tr>
<td>9 Successor skills assessment done</td>
<td>65 (34.4)</td>
<td>37 (19.6)</td>
<td>30 (15.9)</td>
<td>34 (18.0)</td>
<td>23 (12.2)</td>
<td>189</td>
</tr>
<tr>
<td>10 Successor mentoring commenced</td>
<td>77 (41.0)</td>
<td>37 (19.7)</td>
<td>32 (17.0)</td>
<td>22 (11.7)</td>
<td>20 (10.6)</td>
<td>188</td>
</tr>
<tr>
<td>11 Conflicts resolution plan made</td>
<td>83 (42.6)</td>
<td>43 (22.1)</td>
<td>28 (14.4)</td>
<td>31 (15.9)</td>
<td>10 (5.1)</td>
<td>195</td>
</tr>
</tbody>
</table>

Figure in Parenthesis ( ) represent the percentage computed for each aspect.

On analyzing the results in Table 1, ratings above 3 (those that are great and very great extent), it can be seen that 37.2% of the respondents reported having established the need for succession with 22% having considered the founder exit options. 24% have made the founder exit decision. A large majority of respondents (67.5%) indicated that they had planned their business structures and organization to a large or very large extent. Similarly, a large proportion of 52% indicated having documented business processes and procedures. All other aspects were either planned to a small extent or not planned at all. This generally indicates that most enterprises considered planning business systems and operations more than they considered succession issues. The minimal extent of planning of succession is consistent with initial expectation that due to the cultural factors, succession issues would be minimally planned.

To test a hypothesis on the differences in the application of planned versus emergent strategies as employed by the SMEs, the study considered the nature of succession strategies in terms of the extent of formality. The hypothesis was stated as:
**H1:** Family owned SMEs in Nairobi will exhibit no difference in application of emergent succession and planned succession strategies.

Eleven items indicating the key areas of succession strategy were identified from similar studies (PwC, 2007). A series of statements relating to each of the areas were developed for the respondents to respond on. The respondents were required to indicate the extent to which a number of succession aspects have been intended or planned for in their business on a scale of 1-5, where 1 = No extent at all (no intentions at all); 2 = Small extent of planning; 3 = Uncertain; 4 = Great extent of planning; and 5 = Very great extent (fully planned for). Mean scores for the extent of planning were computed to indicate the nature of succession planning. The results of the descriptive analysis are presented in Table 2.

**Table 2: Nature of Succession Strategies**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>C Business Valuation</td>
<td>203</td>
<td>3.497</td>
<td>0.744</td>
<td>.05224</td>
</tr>
<tr>
<td>A Goals &amp; Objectives</td>
<td>207</td>
<td>3.232</td>
<td>0.710</td>
<td>.04938</td>
</tr>
<tr>
<td>D Tax &amp; Legal</td>
<td>198</td>
<td>3.050</td>
<td>0.787</td>
<td>.05595</td>
</tr>
<tr>
<td>H Contingency Planning</td>
<td>197</td>
<td>2.807</td>
<td>0.902</td>
<td>.06428</td>
</tr>
<tr>
<td>E Estate Plan</td>
<td>193</td>
<td>2.499</td>
<td>1.186</td>
<td>.08534</td>
</tr>
<tr>
<td>G Successor Training</td>
<td>190</td>
<td>2.337</td>
<td>1.209</td>
<td>.08774</td>
</tr>
<tr>
<td>F Successor Selection</td>
<td>199</td>
<td>2.271</td>
<td>1.169</td>
<td>.08288</td>
</tr>
<tr>
<td>B. Exit Strategy</td>
<td>200</td>
<td>2.225</td>
<td>1.219</td>
<td>.08622</td>
</tr>
<tr>
<td>I Conflicts Resolution</td>
<td>195</td>
<td>2.221</td>
<td>1.196</td>
<td>.08565</td>
</tr>
<tr>
<td>K Communication Plan</td>
<td>195</td>
<td>2.145</td>
<td>1.281</td>
<td>.09175</td>
</tr>
<tr>
<td>J Timeliness</td>
<td>195</td>
<td>2.030</td>
<td>1.040</td>
<td>.07450</td>
</tr>
</tbody>
</table>

The computed means were arranged in descending order. Only three factors (business valuation, setting of business goals and objectives and tax and legal aspects) out of the eleven succession factors representing 27% were planned. All other aspects scored a mean of less than 3 and therefore were considered to be largely emergent in nature.

The study sought to establish if the differences between the emergent and the planned strategies were statistically significant. A one-sample t-test was run to ascertain the significance level for differences in these means. Since the scoring was on a scale of 1-5, the test value was set at 3. At 3, the respondent is indifferent as to whether the succession is planned or not. The results are presented in the Table 3.

**Table 3: Differences between Planned and Emergent Strategies**

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Valuation</td>
<td>9.506</td>
<td>202</td>
<td>.000</td>
<td>.4966</td>
<td>.3936 - .5996</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goals &amp; Objectives</td>
<td>4.692</td>
<td>206</td>
<td>.000</td>
<td>.2317</td>
<td>.1343 - .3290</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax &amp; Legal</td>
<td>.898</td>
<td>197</td>
<td>.370</td>
<td>.0503</td>
<td>-.0601 - .1606</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingency Planning</td>
<td>-2.996</td>
<td>196</td>
<td>.003</td>
<td>-.1926</td>
<td>-.3193 - -.0658</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estate Plan</td>
<td>-5.869</td>
<td>192</td>
<td>.000</td>
<td>-.5009</td>
<td>-.6692 - -.3325</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Successor training</td>
<td>-7.558</td>
<td>189</td>
<td>.000</td>
<td>-.6632</td>
<td>-.8362 - -.4901</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Successor Selection</td>
<td>-8.790</td>
<td>198</td>
<td>.000</td>
<td>-.7286</td>
<td>-.8920 - -.5651</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exit strategy</td>
<td>-8.989</td>
<td>199</td>
<td>.000</td>
<td>-.7750</td>
<td>-.9450 - -.6050</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conflicts Resolution</td>
<td>-9.101</td>
<td>194</td>
<td>.000</td>
<td>-.7795</td>
<td>-.9484 - -.6106</td>
<td></td>
<td></td>
</tr>
<tr>
<td>communication Plan</td>
<td>-9.316</td>
<td>194</td>
<td>.000</td>
<td>-.8547</td>
<td>-1.0357 - -.6738</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timeliness</td>
<td>-13.021</td>
<td>194</td>
<td>.000</td>
<td>-.9701</td>
<td>-1.1170 - -.8232</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results of the test of differences at p=0.05 indicate that most of the dimensions of succession were unplanned. The sign of the t-statistics indicated the nature of the strategy - whether the aspect is planned or emergent i.e. above or below
the test value of 3. A negative sign indicated a more emergent while a positive sign indicated a more planned item. Tax and legal aspects were not statistically significant. Despite the computed mean of more than 3, a test of significance indicates that the factor is not reliable indicator of planned or emergent. This left only two variables as being significantly planned, namely conducting of business valuation and setting of business goals and objectives. Based on these findings, it can be concluded that succession in SMEs in Nairobi is largely unplanned.

Succession Strategy and Performance

The main focus of this study was to establish the relationship between succession strategy and firm performance. The succession strategy was determined in terms of the mean ranking of the succession practices on a scale of 1-5 as described earlier on in this paper. The mean for the various aspects of succession were computed to give a new distribution of means. For purposes of this study, performance was measured in three ways. First component of performance was comparative performance, where the respondents were required to indicate the performance of their business on a scale of 1-5 compared to the two closest competitors where: 1=Extremely poorly, 2=Poorly, 3=Somehow well, 4=Better, 5=Much better. Second component was business performance. Using the same scale, the respondents were required to indicate the extent of business growth in the last five years in market share and dimensions of business growth – employment and revenues. The third measure of performance was organizational effectiveness. This included the extent of employee satisfaction, customer satisfaction, employee relations, image and speed of decision making. This measurement of performance was employed in previous studies by Paivi (2007).

In order to obtain a composite index of performance to facilitate multivariate analysis including correlation and regression, a performance index was computed for each individual firm aggregating the various items divided by the total of maximum rating and computing a percentage, that is, Performance Index = Total score/Max. Score *100.

In order to ascertain the influence of succession strategy on firm performance, the study set out to test hypothesis H2 stated as:

\[ H2: \text{Succession strategy has no influence on firm performance among the family owned SMEs in Nairobi} \]

This hypothesis was tested using a multiple regression model. A number of other techniques were considered for this analysis but the regression technique was found to be most suitable. The use of Analysis of Moment Structures (AMOS) was for instance considered as a possible method. AMOS has the advantage of combining a number of other techniques like regression, factor analysis and even chi-square test in one, but it is most useful when testing causality of multiple variables. In this case, multiple regression analysis was considered most appropriate, modeled as:

\[
\text{Performance} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_n X_n + \epsilon
\]

Where:
- \( \beta_0 \) is the beta coefficient of the exogenous variables
- \( \beta_i \) is the beta coefficient for variables of succession \( i \)
- \( X_i \) is the succession strategy variables.
- \( \epsilon \) is the error term

To ascertain the influence of succession strategy on performance, first the independent effect of the succession strategy variables was determined and the results are shown in Table 4.

**Table 4: Independent effect of Succession Strategy Variables on Firm Performance**

<table>
<thead>
<tr>
<th>Succession dimension</th>
<th>Strategy</th>
<th>Unstandardized Coefficients</th>
<th>Std. Coefficients</th>
<th>t-value</th>
<th>Sig.</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>46.390</td>
<td>5.295</td>
<td>8.761</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goals &amp; Objectives</td>
<td>-1.568</td>
<td>1.951</td>
<td>-.083</td>
<td>-.804</td>
<td>.423</td>
<td>.461</td>
<td>2.172</td>
</tr>
<tr>
<td>Exit strategy</td>
<td>-.649</td>
<td>.933</td>
<td>-.061</td>
<td>-.695</td>
<td>.488</td>
<td>.649</td>
<td>1.541</td>
</tr>
<tr>
<td>Business Valuation</td>
<td>1.746</td>
<td>1.978</td>
<td>.097</td>
<td>.883</td>
<td>.379</td>
<td>.408</td>
<td>2.452</td>
</tr>
<tr>
<td>Tax &amp; Legal</td>
<td>1.598</td>
<td>1.742</td>
<td>.097</td>
<td>.918</td>
<td>.360</td>
<td>.447</td>
<td>2.238</td>
</tr>
<tr>
<td>Estate Plan</td>
<td>1.658</td>
<td>1.135</td>
<td>.152</td>
<td>1.461</td>
<td>.146</td>
<td>.456</td>
<td>2.192</td>
</tr>
</tbody>
</table>
Examination of the absolute t-values and the corresponding significance levels in the model was done to determine the robustness of the model. Usually, the higher the t-value, the lower the p-value (significance level) hence the parameter is significant. At 95% confidence level, only two parameters were found to be statistically significant. First is the model constant (t-value = 8.761; p<0.05), which indicates that there are other significant factors that influence performance beyond the ones captured by the model. Second is conflicts resolution which has a positive influence on performance (t-value = 2.037; p<0.05), implying that the more a firm is able to resolve conflicts, the better the performance. None of the other variables displayed any significant influence on performance even at 90% confidence level.

To test for the combined influence of succession strategy variables on firm performance, the relevant outputs out of the multiple regression analysis were used. These include the multiple R, R², and F-ratio value as well as the significance level value. The multiple R value shows the strength of the relationship between the succession strategy variables (combined) and the firm performance index. The R² value shows the proportion of firm performance that is accounted for by the combined effect of succession strategy variables. The F-value demonstrates the overall statistical significance of the model which predicts the effect of succession strategy on corporate performance at 95% confidence level (p=0.05). The decision to confirm hypothesis H2 was based on the magnitude of the F-ratio and p<0.05. The results of the model summary are presented in Table 5.

### Table 5: Combined Effect of Succession Strategy Variables on Firm Performance

<table>
<thead>
<tr>
<th>Successor Selection</th>
<th>1.633</th>
<th>1.475</th>
<th>.149</th>
<th>1.107</th>
<th>.270</th>
<th>.275</th>
<th>3.639</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successor training</td>
<td>-.433</td>
<td>1.493</td>
<td>-.040</td>
<td>-.290</td>
<td>.772</td>
<td>.260</td>
<td>3.853</td>
</tr>
<tr>
<td>Contingency Planning</td>
<td>1.122</td>
<td>1.308</td>
<td>.076</td>
<td>.858</td>
<td>.392</td>
<td>.637</td>
<td>1.569</td>
</tr>
<tr>
<td>Conflicts Resolution</td>
<td>2.147</td>
<td>1.054</td>
<td>.198</td>
<td>2.037</td>
<td>.043</td>
<td>.523</td>
<td>1.914</td>
</tr>
<tr>
<td>Timeliness</td>
<td>.602</td>
<td>1.378</td>
<td>.048</td>
<td>.437</td>
<td>.663</td>
<td>.411</td>
<td>2.434</td>
</tr>
<tr>
<td>Communication Plan</td>
<td>-1.352</td>
<td>1.195</td>
<td>-.134</td>
<td>-1.132</td>
<td>.259</td>
<td>.351</td>
<td>2.852</td>
</tr>
</tbody>
</table>

**Dependent Variable: Performance Index**

**Independent Variables:** Succession Strategy variables:- goals & objectives, exit strategy, business valuation, tax & legal, estate plan, successor selection, successor training, contingency planning, conflicts resolution, timeliness, and communication plan.

The results in Table 5 show that there is a relationship between succession strategy variables (combined) and firm performance (multiple R = 0.423). This means that there is a fairly weak positive relationship between organizational succession strategy and firm performance. The results also indicate that 17.9% of firm performance is accounted for by succession strategy variables (R² =0.179). Overall, the results indicate that the model is statistically significant in explaining firm performance (F-ratio= 3.293; p<0.05), hence reject H2 and conclude that succession strategy has influence on firm performance among the family owned SMEs in Nairobi.

**DISCUSSION**

The study hypothesized that family owned SMEs in Nairobi will exhibit no difference in application of emergent succession and planned succession strategies. On testing this hypothesis, it was established that most enterprises considered planning business systems and operations more than they considered succession issues. Only two succession variables were found to be significantly planned, namely conducting of business valuation and setting of business goals and objectives. We, therefore, conclude that succession in SMEs in Nairobi is largely unplanned.

The PwC family business survey report of 2007/2008 indicated that 56% of the small businesses had no succession plans (PwC, 2008). The report also indicated that only 45% of the firms had plans for company valuation, 67% had no contingency report. Interestingly the PwC report indicated that 44% of the firms from emerging markets had established guidelines for deciding who should run the business. This compares favorably with the finding of this study where 67% indicated that they had planned their business structures and organization to a very large extent. The subject of planning among SMEs has always been controversial. Pearce and Robinson (1983) found that formality of planning was not
relevant in explaining the performance of small firms. This questions the value of planning in small firms. This is
despite the recognition of the importance of planning of business succession by scholars like…..

The measurement of the extent of succession planning has been problematic. In certain instances, a practice may not be
formally documented in any form but observation of critical evidence would reveal otherwise. This indicates the
weakness of survey method in establishing the extent of succession planning compared to case studies. Scholars have
presented mixed findings on the nature of succession planning in family businesses. In fact some scholars indicate that
succession planning is not expected to be explicit in certain cultures (Santiago, 2000). In a review of a series of case
studies of succession among Philippine family businesses, Santiago reported that succession planning would be greatly
influenced by the expectations of the family regarding the future of the business. He concluded that whether or not a
family plans succession in the business will depend on the nature of the cultural expectations that inform decisions in
the family. In certain African cultures for instance, it was expected that the business should not continue since wealth is
expected to be shared equally among the offspring of the founder as opposed to being handed over to one for continuity
(Wild, 1997). In addition, most cultures discouraged planning of succession as it was considered casting bad omen to
the parents.

The study also hypothesized that succession strategy has no influence on firm performance among the family owned
SMEs in Nairobi. This was done with full recognition that performance measurement has been a problematic issue in
business research (Venkatraman and Ramanujam, 1986). Performance has to be seen in light of the efficiency and
effectiveness of the firm. In business, the bottom line measured in financial terms has been the most popular measure of
performance. Financial performance indicators including sales or turnover, profitability measures like ROI, ROA, ROE,
and EPS could easily be collected from secondary sources especially for the companies listed in the stock markets or
centrally regulated. However, access to objective quantitative data on performance for unlisted firms has been difficult
and more so for the SMEs (Palvi et al., 2007). This is largely because the SMEs are not required to file any
performance data with any organization and so reliable secondary data is not available. For this reason, researchers have
attempted to capture firm performance data relying on primary data as presented by reliable members of the business.
The availability of this kind of primary data is also subject to agreement of the respondents to provide such data. Data
obtained this way would have limitation of lacking details and occasionally reluctance of respondents to give such data.
In order to overcome these limitations, researchers have resorted to self reported performance data by top management
which is largely comparative in nature including profit, sales growth, cash flows and business growth (Dibrell, 2006,
Naldi et al., 2007, Tani and Smyrnious, 2008). This study utilized this approach to accessing the performance data.

Studies on the relationship between succession planning and firm performance especially for non-listed firms have
produced minimal evidence on the strength of the relationship. The current study largely confirmed this observation. A
test of independent effects of succession strategy variables on firm performance revealed that there are other significant
factors that influence performance beyond the ones used in the study. It was also revealed that conflicts resolution was
the only aspect of succession strategy which had a statistically significant positive influence on performance. Cucculelli
and Micucci (2008) studied succession and firm performance in Italy. They employed a survey drawing respondents
from a pre-existing data base. They found that maintaining management within the family had a negative impact on
performance. Diwisch et al. (2007) on succession and firm performance in Australia found no significant difference
between those that planned and those that did not plan the succession. Past succession however had greater positive
impact on succession. Bennedsen et al. (2007) on the role of family in succession in Denmark found that succession had
a large negative causal impact on firm performance. Marisetti et al. (2008) on wealth effect on family succession in
India found that family business was viewed positively by the investing public and generated abnormal returns. Saito
(2008) in a study on family firms Succession in Japan found that family firms managed by founders were viewed (by
investing public) more positively than non family firms. The current study established that even though majority of
succession strategy variables displayed statistically not significant independent influence on firm performance, the
summary model of the combined effect was statistically significant.

CONCLUSION
From the study results and findings, a number of conclusions can be drawn. One of the key conclusions is that
succession strategy should not be considered under the simplistic labels of either planned or emergent where planned is
considered as those deliberately considered and formally documented. There seem to be a third dimension of planned
but not documented. From the study, it is established that there were many instances where the founders have made very
elaborate plans but due to factors beyond the scope of the study, these plans are not documented. This provides an
opportunity for considering how this dimension can be added to the management literature.
Use of professional services like lawyers and accountants was minimal. In the Kenya context, these services are considered expensive and therefore not readily accessible to the general population. The use of lawyers for instance is only considered necessary when there are legal disputes. They are otherwise not considered part of the family disputes resolution system. Also prominently underutilized are the shareholding agreements for the family firms. Except in the law firm, the other firms operated an arrangement where the founder continued to control the ownership as long as they lived. It was evident in most of the cases that communication was not fully open between the founder and offspring. The power distance between the first and the second generations compromised their ability to discuss sensitive succession issues.

Another conclusion from this study is that the relationship between succession and performance is not conclusive as to establish a clear causal relationship that can be modeled. Post succession seems to be influenced by many other factors. While the survey did not indicate a strong and significant relationship between succession and firm performance, it emerged from the case studies that firms that went through smooth succession also recorded significant growth post transition. In all the other areas, the findings from the survey agreed with those of the case analysis.

IMPLICATIONS
The implications of this study are considered at three levels. These include theoretical, methodological and practical policy implications. In terms of theory, this study has demonstrated that conceptualizing post succession performance of family owned SMEs requires a consideration of several other factors other than succession strategy. The inclusion of such factors is going to enhance research efforts in this area and with further rigorous works as well as reach a solid conclusion on the determinants of post succession performance of family firms.

On the methodological front, the study explored the complex field via a multi method design utilizing a survey and a series of case studies. This multi-dimensional approach is a first in the area of strategic management research in Kenya. It is however well appreciated in research in other social science disciplines locally (Kamau 2009, Kirori 2009). Both Kamau and Kirori employed multi-design approach in their doctoral research studies in the fields of development and economics respectively.

Lastly, the study findings can form the basis of recommendations to assist both government and private actors to develop suitable policies and interventions that will enable family businesses make smoother transitions from one generation to the next. Based on this study, specific policy interventions should be developed to formalize the succession processes in family businesses. These include need for concerted efforts to create awareness of the importance of formal succession planning. In addition, it is necessary to simplify and make available relevant succession infrastructure including simplified legal documents and access to legal services, provide tax and other incentives for people to plan their successions.

LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH
The findings of this study should be interpreted and understood within the confines of inherent limitations. First, this study did not achieve 100% response rate. Coupled with limited time and resources, efforts of obtaining more responses were greatly hampered. Therefore the results could have improved if more data were obtained for analysis.

Second, the study predominantly utilized regression and correlation analysis in testing the various relationships between and among various variables. This choice was made with assumption that the relationships were linear. There is a possibility that the relationships between and among the variables is non-linear and therefore testing their relationships using non-linear regression models is likely to lead to different results. Therefore, more research is required that will utilize non-linear regression models as well as different operationalization of the variables that will also allow for use of other analytical techniques to test the hypothesized relationships for this study.

Lastly, the sampling frame was limited to family owned SMEs in Nairobi, Kenya. This means that the findings might not apply to family owned SMEs in other towns including those in remote areas that were not covered by this study. Therefore, there is limitation on the extent to which these results could be generalized across all the family owned SMEs in Kenya. Consequently, a similar study is necessary in other towns and remote areas in order to validate and/or enhance this study’s findings.
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