The combined effect of succession planning, succession timing and successor commitment on corporate growth strategy among local family businesses in the manufacturing sector in Nairobi County.

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Abstract

The dilemma of management succession is considered a potential source of danger and confict in family businesses. The continued existence and growth of family businesses is important and their growth depends on effective management succession and the growth strategies that they adopt overtime. The generally accepted figure for succession is 3 out of 10 surviving to second generation and 16% to the third. Statistics in Kenya show that 3 out of 5 businesses fail within the first three years of operation. It is estimated that approximately half of all family businesses fail to make it to the next generation because of inefficient succession and those that survive 3 to 4 generations have a complex web of structures, agreements, councils and forms of accountability to manage their wealth. Management succession is a double edged sword where on one hand the successor may encourage strategic initiatives that move the business to a higher level or stifle the growth of the business by having no strategies in place. It is therefore important that family businesses plan the succession on time and ensure the successor is committed to the growth of the organization. This study sought to establish the combined effect of succession planning, succession timing and successor commitment on corporate growth strategy in local family businesses in the manufacturing sector in Nairobi County.

Key words: Succession planning, Succession Timing, Successor Commitment, Corporate Growth Strategy, Manufacturing.

Introduction and Background

Family businesses are among the most important contributors to wealth and employment creation in virtually every country of the world (Farrington, 2009; Venter, Boshoff & Maas, 2005). Lorna (2011) defined family business as one that will be passed on for the family's next generation to manage and control. Handler (1990) defined it as "a business run by at least one family member". Churchill and Hatten (1987) also described family business as "a founder-operated business where there is anticipation that the business will be passed to the next generation". Ibrahim and Ellis (2004) definition of family business is encompassing and they define a family business as one where at least 51% of the business is owned by a single family or where at least two family members are involved in the management of operational activities in the business and the transfer of leadership to next-generational family members is anticipated.

Various scholars (Farrington, 2009; Piliso, 2006; Venter, 2003) have highlighted that family businesses are fast becoming the dominant form of business enterprise in both developing and developed economies and can play an important role, both economically and socially, in these economies. According to Venter, Boshoff and Maas (2005), the influence of and the number of family businesses can be expected to increase substantially in the near future. There is no doubt that family businesses play a prominent role in the world economy. Therefore, because of the important role family businesses play in the economy, their survival and growth is of the utmost importance. The sad news, however, is that very few family businesses survive to the second generation, and considerably fewer make it to the third (Lee, 2006, Ibrahim & Ellis, 2004). Ward (2004) argues that approximately half of all family businesses fail to make it to the next generation owing to inefficient succession.

According to Handler (1994), a number of researchers have characterized succession as a process rather than an event. This notion indicates that succession does not just happen with a management change or transfer of stock; as all participants in the succession process must devote much time and commitment to the process. Due to the overlap between the family and the business system emotional tensions can arise, which especially become apparent at the moment of the family business transfer. This manifests itself for example in conflicts or rivalry between the successor and the incumbent or other non-family members (De Massis, Chua & Chrisman, 2008), but also in emotional problems of the founder who needs to let go of the company (Sharma et al., 2001).

Moreover, many business leaders also deal with the difficult question whether to keep the business in the family irrespective of the successor's qualifications or to hand it over to external owners or managers (Royer, Simons, Boyd & Rafferty, 2008). On the other hand, a lot of family business leaders often realize too late that the succession cannot be settled at short notice, but entails planning and preparation for several years (Sharma, Chrisman & Chua, 2003). In view of this, Lambrecht (2005) demonstrates that a family business transition over generations should be seen as a lifelong and continuous process. A time factor is also added to indicate that succession should be seen as a process that never ends and that it should never be seen as a surprise when many families are unsuccessful in transferring the ownership/management of their family business to next generation of its family members (Miller, Steier & Le Breton-Miller, 2003).

Succession can be defined as the process through which the leadership of the business is transferred from the outgoing generation to the successor generation, which can either be a family member or a non-family member (Nieman, 2006). A number of researchers have stated that one of the most significant factors that determine continuity of the family firm from one generation to the next is whether the succession process is planned (Handler, 1994; Lansberg as cited by Merwe, Venter & Ellis, 2009). Succession planning and management is a process that not only helps with the stability and tenure of key personnel but is also "perhaps best understood as any effort designed to ensure the continued effective performance of an organization, division, department or work group by making provision for the development, replacement, and strategic application of key people over time" (Rothwell as cited in Karanja, 2012). Ting (2009) says that only 30% of family business worldwide could hand over their business successfully due to the succession problem. Succession is an inevitable event in the life of a family business and must be planned carefully if continuity, growth and future success are sought.

Referring to the context of family business, succession timing has been defined by Sharma, Chrisman, Pablo and Chua (as cited in Ukaegbu, 2003) as those actions and events that lead to the transition of leadership from one family member to another. Although many authors (Morris et al., 1997; Sharma et al., 2003) believe succession planning is expected to help improve the probability of success for the succession research results show that successions are often not planned in good time (Bjuggren & Sund, 2001; Sharma et al., 2003). The timing of family business succession can occur either while the business owner is still alive, as an inter-vivos transfer, or after the business owner has passed away, as a bequest. Bequests are typically specified in the decedent's will. Factors affecting the timing of a transfer include the owner wanting to retain some ownership late into life as a means of providing income and concerns over whether children's marriages will last. A well timed transfer of management power and ownership can promote and preserve family relationships as well as contribute to financial security for the parents, the family and the younger incoming generation in an effort to advance welfare of family members. However in many cases, families believe that succession will "fall into place" when the time comes (Keating & Little, 1997).

Family business scholars generally agree that successors need to be willing, capable, and committed to taking over the family business (Cabrera-Suarez, 2004; Chrisman Chua & Sharma, 1998; Handler, 1994; Sharma, Chrisman & Chua, 1997). The critical success factor is to ensure that the successor is chosen not by gender but rather according to his/her abilities, namely, leadership, managerial and entrepreneurial skills, and preferably a degree of formal education. Additionally, it is important for the owner to involve the successor in the business early in order to gain experience and commitment to the business through on-the-job training. . Sharma and Irving (2005) define successor commitment as characterized by the successor's frame of mind or psychological state that compels the individual toward the focal behaviour of continuing to profitably operate the family business. The low survival rate of family businesses highlights the fact that many family businesses lack capable and committed successors (Lansberg, 1988). The low level of interest and commitment of family members may in fact hinder the growth of the family firm (Ibrahim & Ellis, 2004).

The commitment literature distinguishes between similar bases of commitment: affective, normative and continuance commitment (Rhoades, Eisenberger & Armeli, 2001). These three bases not only differ in their characteristics, but also in their consequences for organizations (Snape & Redman, 2003).Affective commitment is based on an individual's emotional attachment, to identification with, and involvement in the organization (Meyer & Allen, 1991).When family members join the company because they believe they have the ability to contribute something to it and they genuinely want to is emotional attachment (Moore, Petty, Palich & Longenecker, 2010) This is characterized by feelings like affection, warmth, belonging, loyalty, fondness and pleasure (Jaros, 1997). Such feelings are expressed in connection with the family and family business itself. The normative commitment is based on an individual's feeling of obligation to pursue a course of action of relevance to one or more targets (Meyer & Herscovitch, 2001).The obligation based commitment drives individuals who feel they ought to pursue a career in the family business and hence results from a sense of duty and expectation. Family members with higher levels of emotional and obligation based commitments to the business are more likely to support efforts to promote change which is important to their performance and survival (Moore et al., 2010).This sense for obligation mainly emerges by family members as obligation toward the family. Finally the continuance commitment is based on an individual's awareness of the costs associated with leaving on organization (Ko; Price & Mueller, 1997). This type of commitment is based on a cost-avoidance mind set. It is based on the belief that the opportunity for gain is too great to pass up hence decision is based on a calculation. This cost based commitment may motivate a person to go beyond the call of duty to protect or extend their financial interests in the company (Moore et al., 2010).

Despite the importance of family businesses very little research has been undertaken on how strategy is shaped in family business (Chua, Chrisman & Sharma, 2003). The key defining characteristic of the family firm, that it is family owned and controlled implies that the issue of succession and the firms strategy are intertwined (Brockhaus, 1994). This means that a successful family business implies both successful strategy and successful succession transfer of power to later generation. According to Murray (2003) intergenerational succession raises the challenge of passing on the strategic advantages of family control while avoiding disadvantages and dysfunctional dynamics. Different types of growth strategies are available to a firm and every firm has to develop its own growth strategy according to its own characteristics and environment. According to Ansoff (1965) the main growth strategies available to a firm include; Integration (Horizontal and Vertical-forward or backward), Diversification (Related and Unrelated); New Product Development, Modernisation/New Technology and Internationalization.

The manufacturing sector dates back to the end of World War II and according to GoK (2007), the manufacturing sector in line with Vision 2030 is expected to play a critical role in growing the economy. KIPPRA (2010) states, Strategic transformation of the manufacturing industry requires planning and implementation of well-defined strategies and this in my view should include the strategies for growth of the firms in the manufacturing sector. According to GoK(2007) most manufacturing firms are family owned and operates with the bulk of the manufactured goods (95%) being basic products such as food, beverages, building materials and basic chemicals. Only 5% of manufactured items such as pharmaceuticals are in the skills intensive category.

Decline in investment and overall lack of competitiveness has made it difficult for the sector to play a larger role in the economy and as a result, many manufacturing companies in Kenya have struggled to thrive and some key players have moved their operations to other countries (GoK, 2007). The lack of competitiveness in the sector can be attributed to high input costs, unfavorable business environment and the type of growth strategies the firms engage in. Within this context, family-owned companies in the sector need to adopt a strategic orientation in the management of their businesses.

Family firms are distinctive due to family involvement through ownership, governance, management, and transgenerational intentionality. Little is known about the influence of family involvement on how and why family firms behave and perform differently than nonfamily firms, how strategic decisions are made, functions are performed, and strategies and structures are set. (Chrisman, Chua & Sharma, 2005).

Objective of the Study

The objective of this study was to establish the combined effect of succession planning, succession timing and successor commitment on corporate growth strategy in local family businesses in the manufacturing sector in Nairobi County.

Hypothesis of the Study

The study tested the following hypothesis.

H_{01}. Succession planning, succession timing and successor commitment collectively do not influence corporate growth strategy in local family businesses in the manufacturing sector in Nairobi County

Importance of the study

Family businesses are becoming the dominant form of business in developing and developed economies. They play an important role both economically and socially and have continued to be important contributors of wealth and employment creation and their continued existence and growth is therefore important.

Theoretical framework

Three theories were used to understand and evaluate family businesses and strategy - namely; Agency theory, Resource-based view and Stewardship theory. Family involvement in a business has the potential to both increase and decrease financial performance due to agency costs (Chrisman, Chua & Litz, 2004). Agency theory views the overlap in ownership and management as having the potential to reduce or increase the costs of operating the family enterprise. The idea that a nonfamily member would not have the same incentive, motivation, and diligence as an owner would have and would possibly engage in self-serving behaviour is the central feature of agency theory. Lower agency costs in family firms could be due to high trust and shared values among family members (Dyer, 2006). On the other hand, family firms may incur significant agency costs due to the conflicts that accompany family involvement. Family members may have competing goals and values; different views within the family about the distribution of ownership, compensation, risk, roles, and responsibilities which may lead to competition among family members (Dyer, 2006).). Agency theory proposes that if the initial risk level is high the agency behaviour is expected to prevail which implies that managers will tend to minimize their personal risk undertaking unrelated growth strategies that guarantee their job rather than implement strategies that increase the value of the firm.

The RBV states that a family firm has a set of unique capabilities, resources, and relationships that nonfamily firms do not have and cannot develop. The resource-based view of family firms suggests that competitive advantage is created by unique and often idiosyncratic characteristics of family enterprises, including traits such as rapid speed to market, focus on market niches, concentrated ownership structure, desire to protect the family reputation, patient capital, knowledge transfer between generations, and responsiveness to rapidly changing external environments. The family firm's traditional resources and capabilities, including physical and human resources, are intertwined with the family's unique identity to create the family firm's competitive advantage (Ibrahim & Ellis, 2004). The thinking is that the greater the resources and capabilities the greater the likelihood of the company growing in a more diversified way (Chatterjee & Wernerfelt, 1991). As quoted by Claver, Andreu & Quer (2006), Penrose argues that growth opportunities are present because there are unused resources that can be used in new or already existing businesses. Organizations with an excess of physical and intangible resources are likely to grow in business sectors related to their current activity whereas low levels of internal funds are associated with more related diversification. Firms with high levels of internal funds will probably go for the unrelated type of growth.

Family business studies have been exploring whether family business members are agents or stewards (Chrisman, Chua, Kellermanns & Chang, 2007). Stewardship approaches to the study of family firms might be particularly relevant, as family firm members may hold family firm objectives higher than their individual objectives (Zahra, 2003) and demonstrate high levels of trust and unity (Tagiuri & Davis, 1996; Habbershon & Williams, 1999) that can lead to competitive advantages through superior performance. Stewardship theory assumes that managers are stewards whose behaviours are aligned with the objectives of their principals and managers are hence viewed as loyal to the company and interested in achieving high performance. Both agency and stewardship theories have been utilized to address the role of agents in achieving family firms' strategic goals (Chrisman et al., 2007).

Research Methodology.

Research Design

This study was conducted through descriptive census survey. Descriptive studies attempt to obtain a complete and accurate description of a situation or event. In general a descriptive design is commonly used to describe a phenomenon or characteristic associated with a subject, estimate proportions of a population that have these characteristics and discover associations among different variables (Saunders, Lewis & Thornhill, 2007). Robson (2002) states that descriptive design will allow a description of a phenomenon and enable collection of a large amount of data from a sizeable population in an economic way and make it possible to collect quantitative data which will be analyzed using descriptive statistics. The design was selected for this study because it would allow the researcher to do an in depth analysis of how management succession affects corporate growth strategy among the local family businesses in the manufacturing sector in Nairobi. The design also gave information that could be generalized. Descriptive approach has enough provision for protection of bias and maximized reliability (Kothari, 2004)

Target Population

The target population consisted of 97 local manufacturing family businesses (Appendix III). The businesses through a preliminary survey done from a list provided by Kenya Association of

Manufacturers (KAM) in the Kenya Manufacturers and Exporters directory 2013 qualified to be family businesses.

Sample

According to Kothari (2004) a complete enumeration of all items in the population is known as census inquiry and in such an enquiry it is presumed when all items are covered no element of chance is left and highest accuracy is obtained. He further argues that when the population is a small one it is no use resorting to a sample survey. Mugenda and Mugenda(2003) further states that population studies also called census are more representative because everyone has an equal chance to be included in the final sample drawn. A census study was therefore conducted since the population was relatively small. This is a survey where the entire target population was taken to account.

Instrumentation

A questionnaire was used as the data collection tool. The selection of this tool was guided by the nature of data to be collected and by the objectives of the study. The overall aim of this study was to determine the effect of succession planning, succession timing and successor commitment on corporate growth strategy and the researcher was mainly concerned with views, opinions, feelings, attitudes and perceptions and such information can be best collected through the use of questionnaires. The questionnaire was used since the study was concerned with variables that could not be directly observed and the target population was also largely literate and unlikely to have difficulties responding to the questionnaire items.

Reliability

A measuring instrument is reliable if it provides consistent results. According to Easterby, Thorpe and Lowe (2002), reliability is concerned with whether alternative researchers would reveal similar information. Threats to reliability may be as a result of participant error, observer error or instrument error (Robson 2002). Cronbach Alpha was used to test whether the variables were within the acceptable range of between 0 and 1.According to De Vellis (2003) the Cronbach alpha coefficient of a scale should be above 0.7. The results for Cronbach's Coefficient alpha for the various sections of the data collection instrument are presented in the Table 1.1 below

Table 1.1: Cronbach's Alpha Reliability Test

	Variable	**Cronbach's Alpha**	**No of Items**
Independent variable	Succession planning	.794	19
	Succession timing	.780	7
	Successor commitment	.897	15
Dependent variables	Growth strategies	.850	22

Source: Research Data (2014)

Regression Models of the Study.

A regression model of the study was developed as shown in Table 1.2

Table 1.2.

Objective	Hypothesis	Analytical Model
Establish the combined effect of succession planning, succession timing and successor commitment on corporate growth strategies in local family businesses in the manufacturing sector in Nairobi County.	H_{04} Succession planning, succession timing and successor commitment do not collectively influences corporate growth strategies in local family businesses in the manufacturing sector in Nairobi County	$Y = \beta_0 + \beta_1 SP + \beta_2 ST + \beta_3 SC + e$ Where; Y = Aggregate mean score of the growth strategies β_0 = Model equation intercept β_1 = Partial coefficient for succession planning SP = Succession Planning β_2 = Partial coefficient for succession timing ST = Succession timing β3 = Partial coefficient for successor commitment SC = Successor commitment

Source: Research Data (2014)

RESULTS AND DISCUSSION

Response rate

The target population was ninety seven family owned businesses in the manufacturing industry in Nairobi County. The study was a census and therefore 97 (100%) questionnaires were administered to the family owned businesses in the manufacturing industry in Nairobi. A total of 65 completed questionnaires were returned while 32 questionnaires were not received even after follow-up. Consequently, the response rate was 67.0% .Mugenda and Mugenda (2003), and Saunders, Lewis &Thornhill., (2007) have argued that a response rate of 50 per cent is adequate, a response rate of 60 per cent is good, and a response rate of 70 per cent is very good. Sixty seven per cent response rate was therefore appropriate for drawing conclusion of this study.

Succession Planning

Succession planning in the family owned manufacturing businesses was assessed using a set of nineteen measures. The respondents were asked to indicate the extent to which their respective organizations had engaged in Succession planning using a five point likert type scale ranging from 5=Very great extent to 1=Not at all. The responses were analyzed using descriptive statistics mainly percentages, mode and mean scores. The ratings of individual measures summarized in Table 1.3 indicate that on average 23.2% of the family businesses consider succession planning to a very great extent, 24.6% to a great extent, 22.3% to a moderate extent and 7.7% to a small extent.22.2% did not consider succession planning at all.

Table 1.3 Succession Planning Frequency Distribution

Succession Planning	Very great extent %	Great extent %	Moderate extent %	Small extent %	Not at all %	Total %
Written and formal succession plan	1.5	10.8	49.2	15.4	23.1	100
Adopted growth strategies based on formal plans	24.6	29.2	32.3	7.7	6.2	100
Smooth transition of responsibilities	26.2	46.2	15.2	6.2	6.2	100
Early identification of top managers and talents	18.5	33.8	32.3	6.2	9.2	100
Training programme for employees	26.2	15.4	36.9	12.3	9.2	100
Formal delegation of duties	36.9	41.6	16.9	4.6	0	100
Good relationship among family members	40.6	32.8	23.4	1.6	1.6	100
Existence of family council to deal with succession	7.8	12.5	21.9	10.9	46.9	100
Use of external boards to make strategic decisions	10.8	9.2	23.1	6.2	50.7	100
Use of business consultants to make strategic decisions	6.3	20.3	23.4	12.5	37.5	100
Amicable communication among family members	40.6	40.6	9.4	4.7	4.7	100
Trust among family members	54.7	34.4	6.3	1.5	3.1	100
Sibling rivalry when top managers are appointed	0	3.1	4.7	12.5	79.7	100
Formal strategic family vision	23.4	21.9	26.6	3.1	25	100
Involvement of both active and inactive family members in top management	25.4	27	17.5	9.5	20.6	100
Use strategic plans to decide on the growth strategies	44.6	24.7	21.5	1.5	7.7	100
Appoints earmarked successors as directors	23.4	9.4	25	4.7	37.5	100

Successor education level taken into account before appointment	18.5	35.4	15.4	10.7	20	100
Formal criteria for naming a successor	10.9	18.8	23.4	14.1	32.8	100
Average	**23.2**	**24.6**	**22.3**	**7.7**	**22.2**	**100**

Table 1.4 shows that trust among the family members had the highest mean scores of 4.36, and thus was a key aspect in the succession planning. This is in line with the conclusions by Habbershon and Williams (1999) that family firm members demonstrate high levels of trust. Other measures that had high mean scores were formal delegation of duties (4.11), good relationship among family members (4.09) and amicable communication among the family members (4.08). The sibling rivalry when appointing managers had the lowest mean score of 1.31. Good relationship among family members; Trust among the family members and use of strategic plans to decide on the growth strategies had a mode of 5 which indicated that most of the family businesses consider these factors to a very great extent in succession planning. Existence of family council to deal with succession; use of external boards to make strategic decisions; use of business consultants to make strategic decisions; sibling rivalry during appointment of top managers; appointment of earmarked successors as directors and existence of formal criteria for naming a successor had a mode of 1 which means most of the family businesses do not consider these factors in succession planning.

Table 1.4: Level of Succession Planning in the Family Businesses

Succession Planning Measures	**N**	**Mode**	**Mean Difference**	**Std. Error Mean**	**t**	**Sig. (2-tailed)**
Written and formal succession plan	65	3	2.523	.126	19.999	.000
Adopted growth strategies based on	65	3	3.585	.140	25.565	.000

succession plan						
Smooth transition of responsibilities	65	4	3.800	.136	28.040	.000
Early identification of top managers and talents	65	4	3.462	.142	24.338	.000
Training programme for employees	65	3	3.369	.156	21.608	.000
Formal delegation of duties	65	4	4.108	.105	38.959	.000
Good relationship among family members	64	5	4.094	.115	35.560	.000
Existence of family council to deal with succession	64	1	2.234	.171	13.090	.000
Use of external boards to make strategic decisions	65	1	2.231	.178	12.545	.000
Use of business consultants to make strategic decisions	64	1	2.453	.168	14.598	.000
Amicable communication among family members	64	4	4.078	.132	30.817	.000
Trust among family members	64	5	4.359	.114	38.119	.000
Sibling rivalry when top managers are appointed	64	1	1.313	.089	14.791	.000
Formal strategic family vision	64	3	3.156	.185	17.034	.000
Involvement of both active and inactive family members in top management	63	4	3.270	.186	17.627	.000
Use strategic plans to decide on the growth strategies	65	5	3.969	.149	26.700	.000
Appoints earmarked successors as directors	64	1	2.766	.200	13.819	.000
Successor education level taken into account before appointment	65	4	3.215	.175	18.404	.000
Formal criteria for naming a successor	64	1	2.609	.175	14.926	.000
	Overall mean score= 3.189 T-test for equality of means: test value=0 (Ho: there is no difference expected between the means, at α=0.05 (2-tailed); Reject Ho if p-value ≤ α, otherwise fail to reject Ho if p-value > α					

Source: Research Data (2014)

Succession Timing

The study assessed the level of succession timing in family businesses in the manufacturing sector. The respondents were asked to indicate the extent to which their respective organizations had engaged in Succession timing using a five point likert type scale ranging from 5=Very great extent to 1=Not at all. Results on Table 1.5 reveal that on average 27.7% consider succession timing to a very great extent, 25.5% to a great extent, 15.4% on moderate extent and 8.2% to a small extent. However 23.2% do not consider succession timing at all. The performance ratings of the individual measures are summarized in Table 1.5.

Table 1.5: Succession Timing Frequency Distribution

Succession Timing	Very great extent %	Great extent %	Moderate extent %	Small extent %	Not at all %	Total %
Early introduction of next generation into the business	32.9	23.4	15.6	10.9	17.2	100
An early introduced successor performs better	35.9	26.6	21.9	4.7	10.9	100
Fear of successor to take over management affects succession planning	3.1	20.3	18.7	18.8	39.1	100
Successor appointment is executed when owner is alive	42.2	21.9	12.5	3.1	20.3	100
Successor appointment when owner is alive grows the organization	31.2	39.1	14.1	1.5	14.1	100
Family relationships preserved when making strategic decisions	35.9	37.6	12.5	3.1	10.9	100
Gender of the successor is considered during appointment	12.5	9.4	12.5	15.6	50	100
Average	**27.7**	**25.5**	**15.4**	**8.2**	**23.2**	**100.0**

Relevant results in Table 1.6 indicates that family relationships are preserved when making strategic decisions on succession timing (mean score = 3.84). Gender of the successor (mean score = 2.19) and fear of the successor to take up management position (mean score = 2.30) are considered in the succession timing at a very small extent. Overall, the extent of succession timing in the management succession with manufacturing family businesses is moderate (mean score = 3.26).Early introduction of next generation into the business, an early introduced successor performs better and successor appointment when making strategic decisions had a mode of 5 indicating that most of the family businesses consider these factors to a very great extent in succession timing. Fear of successor to take over management affects succession timing and gender of the successor is considered during appointment had a mode of 1 meaning most of the family businesses do not consider these factors in succession timing.

Table 1.6: Level of Succession Timing in the Family Businesses

Succession Timing Measures	N	Mode	Mean Difference	Std. Error Mean	t	Sig. (2-tailed)
Early introduction of next generation into the business	64	5	3.438	.185	18.598	.000
An early introduced successor performs better	64	5	3.719	.163	22.835	.000
Fear of successor to take over management affects succession planning	64	1	2.297	.159	14.487	.000
Successor appointment is executed when owner is alive	64	5	3.625	.194	18.732	.000
Successor appointment when owner is alive grows the organization	64	4	3.719	.164	22.624	.000
Family relationships preserved when making strategic decisions	64	4	3.844	.158	24.354	.000
Gender of the successor is considered during appointment	64	1	2.188	.182	12.011	.000
	Overall mean score= 3.261 T-test for equality of means: test value=0 (Ho: there is no difference expected between the means, at α=0.05 (2-tailed); Reject Ho if p-value ≤ α, otherwise fail to reject Ho if p-value > α					

Source: Research Data (2014)

Successor Commitment

Successor commitment was assessed using a set of fifteen measures and the relevant findings. The respondents were asked to indicate the extent to which their organization engaged in successor commitment using a five point likert type scale ranging from 5=Very great extent to 1=Not at all. Results in Table 1.7 revealed that on average 40.9% consider successor commitment to a very great extent, 28.7% to a great extent, 13.1% to a moderate extent and 5.7% to a small extent. On average 11.6% do not consider successor commitment at all in management succession. The performance ratings of the fifteen items used to measure successor commitment are presented in Table 1.7

Table 1.7: Successor Commitment Frequency Distribution

Successor Commitment	Very great extent %	Great extent %	Moderate extent %	Small extent %	Not at all %	Total %
Organization has willing and capable family successors	42.2	29.7	17.1	4.7	6.3	100
Family members feel obligated to remain in the organization	28.1	29.7	18.8	3.1	20.3	100
Emotional attachment compels the family employees remain in the organization	25	28.1	14.1	15.6	17.2	100
Family employees like being identified with the organization	37.5	25	15.6	4.7	17.2	100
The cost of leaving the organization compels the family employees	3.1	7.8	15.6	29.7	43.8	100
The organization grooms family members to be appointed as successors	26.6	32.8	15.6	7.8	17.2	100
Future successors are committed to the growth of the organization	31.3	32.8	17.2	6.3	12.4	100
The family is committed to the growth of the organization	60.9	29.7	4.7	1.6	3.1	100
Family successors are committed to the growth of the organization	57.8	26.6	7.7	1.6	6.3	100
Mature family successors are committed to the organization	46.9	35.9	9.4	1.5	6.3	100
Family successors with responsibility are committed to the organization	56.3	31.3	4.7	3.1	4.6	100
Skilful and knowledgeable family successors are committed to the business	53.1	29.7	12.5	0	4.7	100
The organization trains successors on the job	37.5	34.4	18.7	3.1	6.3	100
The family successors is interested in the business	56.3	26.6	10.8	1.6	4.7	100
The family successor invests time and energy in the business	51.6	29.7	14.1	1.5	3.1	100
Average	**40.9**	**28.7**	**13.1**	**5.7**	**11.6**	**100.0**

Table 1.8 reveals that measures on family and successor commitment had relatively high mean scores. Specifically, family commitment to the growth of the organization had the highest mean score of 4.44, closely followed by commitment of successor with responsibility (mean score = 4.31). However, the cost of leaving the organization compelled the family members to be commitment to the business to a very small extent (mean score = 1.97). Overall, the extent of successor commitment in the manufacturing family businesses was moderate (mean score = 3.82).The results in table 1.8 also show that organization has willing and capable family successors, family employees like being identified with the organization, the family is committed to the growth of the organization, family successors are committed to the growth of the organization, mature family successors are committed to the organization, family successors with responsibility are committed to the organization, skilful and knowledgeable family successors are committed to the business, the organization trains successors on the job, the family successor is interested in the business and the family successor invests time and energy in the business had a mode of 5 indicating that most family businesses consider these factors to a very great extent in successor commitment. The cost of leaving the organization compelling the family employees to remain in the organization had a mode of 1 meaning most of the family businesses do not consider this factor important in successor commitment.

Table 1.8: Degree of Successor Commitment in the Family Businesses

Successor Commitment Measures	N	Mode	Mean Difference	Std. Error Mean	t	Sig. (2-tailed)
Organization has willing and capable family successors	64	5	3.969	.146	27.185	.000
Family members feel obligated to remain in the organization	64	4	3.422	.182	18.798	.000
Emotional attachment compels the family employees to remain in the organization	64	4	3.281	.180	18.208	.000

Family employees like being identified with the organization	64	5	3.609	.183	19.708	.000
The cost of leaving the organization compels the family employees to remain in the organisation	64	1	1.969	.137	14.346	.000
The organization grooms family members to be appointed as successors	64	4	3.438	.177	19.465	.000
Future successors are committed to the growth of the organization	64	4	3.641	.166	21.968	.000
The family is committed to the growth of the organization	64	5	4.438	.113	39.169	.000
Family successors are committed to the growth of the organization	64	5	4.281	.138	30.993	.000
Mature family successors are committed to the organization	64	5	4.156	.136	30.589	.000
Family successors with responsibility are committed to the organization	64	5	4.313	.130	33.269	.000
Skillful and knowledgeable family successors are committed to the business	64	5	4.266	.126	33.730	.000
The organization trains successors on the job	64	5	3.938	.141	27.997	.000
The family successors is interested in the business	64	5	4.281	.131	32.742	.000
The family successor invests time and energy in the business	64	5	4.250	.122	34.840	.000
	Overall mean score= 3.817 T-test for equality of means: test value=0 (Ho: there is no difference expected between the means, at α=0.05 (2-tailed); Reject Ho if p-value ≤ α, otherwise fail to reject Ho if p-value > α					

Source: Research Data (2014)

Corporate Growth Strategy

Growth strategies adopted by family businesses in the manufacturing sector were assessed using twenty two measures. The respondents were asked to indicate the extent to which their organization engaged in various corporate growth strategy using a five point likert type scale ranging from 5=Very great extent to 1=Not at all. Results presented in Table 1.9 indicate that on average 23.8% of the family businesses engaged in corporate growth to a very great extent,15.5% to a great extent,9.3% to a moderate extent and 6.4% to a small extent. On average

44.9% of the family businesses did not engage in corporate growth strategy at all. The performance ratings of the individual measures are summarised in Table 1.9

Table 1.9: Growth Strategies Frequency distribution strategies

Growth Strategies	Very great extent %	Great extent %	Moderate extent %	Small extent %	Not at all %	Total %
Organization supplies own raw materials and basic concepts	16.9	16.9	12.3	20.1	33.8	100
Organization distributes /sells own products	60	26.2	6.2	3.1	4.5	100
Organization has own retail outlets	18.5	6.2	13.8	7.7	53.8	100
Adding new products to existing product lines	40	27.7	12.3	7.7	12.3	100
Organization has entered a parallel product market	26.2	15.4	21.5	9.2	27.7	100
Organization has combined with a competing firm	7.7	1.5	0	10.8	80	100
Introduction of other business related to present business	23.2	13.8	16.9	4.6	41.5	100
Introduction of other business not related to present business	6.2	9.2	6.2	15.3	63.1	100
Substantially modified an existing product	32.3	29.2	15.4	7.7	15.4	100
Developed a new product connected to existing product line	30.8	30.8	9.2	7.7	21.5	100
Upgrading technology to increase production	48.4	29.6	14.1	1.6	6.3	100
Upgrading technology to improve quality	50.8	32.3	10.8	1.5	4.6	100
Upgrading technology to reduce wastage and cost of production	47.7	36.8	6.2	3.1	6.2	100
Selling products to other countries	36.8	30.9	23.1	4.6	4.6	100
Allowing other firms to use their knowledge, processes and trademarks	4.6	4.6	3.1	4.6	83.1	100
Contractual agreement with other firms to allow use of brand name, patent and property	10.8	1.5	4.6	6.2	76.9	100
Business arrangement with another firm to enable pooling of resources	15.3	7.7	6.2	7.7	63.1	100
Combined with another company to form a new company	3.1	1.5	4.6	4.6	86.2	100
Purchased another company	9.2	3.1	0	4.6	83.1	100
Arrangement with another company to share resources for undertaking specific project	6.2	4.6	10.7	3.1	75.4	100
Contracted another company to manufacture their products	4.6	6.2	4.6	4.6	80	100

100% ownership of subsidiary in another country	24.6	6.2	3.1	1.5	64.6	100
Total	**23.8**	**15.5**	**9.3**	**6.4**	**44.9**	**100.0**

Results in Table 1.10 reveal that Organization distributing and selling own products, adding new products to existing product lines, substantially modifying an existing product, upgrading technology to increase production, upgrading technology to improve quality, upgrading technology to reduce wastage and cost of production and selling products to other countries had a mode of 5 which indicates that most family businesses engage in these corporate growth strategies to a very great extent. Organization supplying own raw materials and basic concepts, organization entering a parallel product market, organization combining with a competing firm, introduction of other business related to present business, introduction of other business not related to present business, allowing other firms to use their knowledge, processes and trademarks, having contractual agreement with other firms to allow use of brand name, patent and property, having business arrangement with another firm to enable pooling of resources, combining with another company to form a new company, purchasing another company, arrangement with another company to share resources for undertaking specific project, contracting another company to manufacture their products and 100% ownership of subsidiary in another country had a mode of 1 meaning most of the family businesses did not at all engage in these corporate growth strategies.

Table 1.10: Growth Strategies in the Family Businesses

Growth Strategies Measures	N	Mode	Mean difference	Std. Error Mean	t	Sig. (2-tailed)
Organization supplies own raw materials and basic concepts	65	1	2.631	.188	13.988	.000
Organization distributes /sells own products	65	5	4.338	.130	33.314	.000
Organization has own retail outlets	65	1	2.277	.198	11.502	.000
Adding new products to existing product lines	65	5	3.754	.171	21.915	.000
Organization has entered a parallel product market	65	1	3.031	.194	15.654	.000
Organization has combined with a competing firm	65	1	1.462	.141	10.400	.000
Introduction of other business related to present business	65	1	2.723	.205	13.276	.000
Introduction of other business not related to present business	65	1	1.800	.157	11.473	.000
Substantially modified an existing product	65	5	3.554	.175	20.255	.000
Developed a new product connected to existing product line	65	4	3.415	.190	17.999	.000
Upgrading technology to increase production	64	5	4.125	.140	29.469	.000
Upgrading technology to improve quality	65	5	4.231	.127	33.204	.000
Upgrading technology to reduce wastage and cost of production	65	5	4.169	.136	30.617	.000
Selling products to other countries	65	5	3.908	.136	28.640	.000
Allowing other firms to use their knowledge, processes and trademarks	65	1	1.431	.133	10.732	.000
Contractual agreement with other firms to allow use of brand name, patent and property	65	1	1.631	.163	9.977	.000
Business arrangement with another firm to enable pooling of resources	65	1	2.046	.193	10.605	.000
Combined with another company to form a new company	65	1	1.308	.109	11.946	.000
Purchased another company	65	1	1.508	.155	9.712	.000
Arrangement with another company to share resources for undertaking specific project	65	1	1.631	.151	10.784	.000
Contracted another company to manufacture their products	65	1	1.508	.141	10.723	.000
100% ownership of subsidiary in another country	65	1	2.246	.219	10.242	.000

Overall mean score= 2.669

T-test for equality of means: test value=0 (Ho: there is no difference expected between the means, at α=0.05 (2-tailed); Reject Ho if p-value ≤ α, otherwise fail to reject Ho if p-value > α

Source: Research Data (2014)

Test of Hypothesis

To evaluate individual and collective influence of the succession planning, succession timing and successor commitment variables on the adopted growth strategies by the family businesses in the manufacturing industry in Kenya, the study formulated the following null hypothesis;

H_{01}: *Succession planning, succession timing and successor commitment collectively do not influence the corporate growth strategy in local family businesses in the manufacturing sector in Nairobi County.*

The aggregate mean score of the growth strategies measures was regressed against the aggregate mean scores of succession planning, succession timing and successor commitment variables.

The hypothesized relationship was presented with the following multiple regression model;

$GS = \alpha + \beta_1 SP + \beta_2 ST + \beta_3 SC + e$

Where;

GS = Aggregate mean score of the growth strategies

α = Model equation intercept

β_1 = Partial coefficient for succession planning

SP = Succession Planning

β_2 = Partial coefficient for succession timing

ST = Succession timing

$\beta 3$ = Partial coefficient for successor commitment

SC = Successor commitment

The results presented in Tables 1.11 A, B and C indicates that the overall multiple regression model was statistically significant ($F_{(3,56)} = 4.421$, *p*-value = 0.007). The adjusted R-square statistic indicates that 14.8% of the variance in the growth strategies adopted by family businesses in the manufacturing sector was collectively explained by the succession planning, succession timing and successor commitment. Examination of the individual coefficients reveals a statistically significant positive linear relationship between the succession planning and corporate growth strategies ($\beta = 0.497$, *p*-value = 0.002). The relationship between the succession timing and corporate growth strategies was positive but statistically not significant ($\beta = 0.041$, *p*-value = 0.702). Likewise the relationship between the successor commitment and growth strategies was negative and not statistically significant ($\beta = -0.122$, *p*-value = 0.399). These findings supported rejection of the null hypothesis that succession planning, succession timing and successor commitment collectively do not influence the corporate growth strategies in local family businesses in the manufacturing sector in Nairobi, County. Consequently, the alternative hypothesis that succession planning, succession timing and successor commitment collectively influence the corporate growth strategies in local family businesses in the manufacturing sector in Nairobi, Kenya was adopted.

Table 1.11 A: Goodness-of-fit of Regression of Growth Strategies on Succession Planning, Succession Timing and Successor Commitment

Sample size	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.438	.192	.148	.51681

Predictors: (Constant), Aggregate Means of Succession Planning, Succession Timing and Successor Commitment
Dependent Variable: Aggregate Mean of Growth Strategies

Source: Research Data (2014)

Table 1.11 B: Overall Significance of Regression of Growth Strategies on Succession Planning, Succession Timing and Successor Commitment

	Sum of Squares	Degrees of Freedom	Mean square	F	Significance (p-value)
Regression	3.543	3	1.181	4.421	.007
Residual	14.957	56	.267		
Total	18.500	59			

Predictors: (Constant), Aggregate Means of Succession Planning, Succession Timing and Successor Commitment
Dependent Variable: Aggregate Mean of Growth Strategies

Source: Research Data (2014)

Table 1.11 C: Individual significance of Regression of Growth Strategies on Succession Planning, Succession Timing and Successor Commitment

	Unstandardized Coefficients		t-value	Significance (p-value)	Collinearity Statistics	
	Beta	Standard Error			Tolerance	VIF
(Constant)	1.362	.405	3.362	.001		
Aggregate mean of Succession Planning	.497	.156	3.190	.002	.588	1.701
Aggregate Mean of Succession Timing	.041	.106	.385	.702	.490	2.043
Aggregate mean of Successor Commitment	-.122	.144	-.851	.399	.376	2.659

Predictors: (Constant), Aggregate Means of Succession Planning, Succession Timing and Successor Commitment
Dependent Variable: Aggregate Mean of Growth Strategies

Source: Research Data (2014)

On the basis of the results in Tables 1.11 A, B and C the following multiples regression equation can be used to estimate the growth strategies of the family businesses in the manufacturing sector in Kenya given a certain level of succession planning;

Growth strategies = 1.361 + 0.497 (succession planning)

The joint effect of succession planning, succession timing and successor commitment on corporate growth strategy is in agreement with Brockhaus (1994) that succession and firm strategy are intertwined.

Recommendations

Direction for further research.

The researcher offers the following direction to future researchers.