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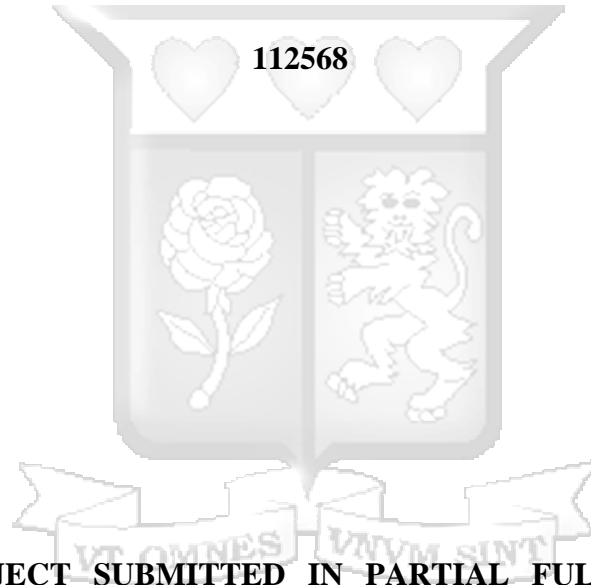
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**BUSINESS SUCCESSION AND ORGANIZATIONAL PERFORMANCE: A STUDY OF  
SELECTED FAMILY-OWNED SCHOOLS IN KIAMBU COUNTY, KENYA.**

**MELISA WAITHIEGENI WAMBUGU**



**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF MASTER'S IN SCIENCE IN EDUCATIONAL  
MANAGEMENT OF STRATHMORE UNIVERISTY.**

**NOVEMBER 2020**

## DECLARATION

I declare that this research project is my original work and has not been previously submitted or approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously written by another person except where due reference is made in the thesis itself.

No part of this thesis may be produced without the permission of both the author and Strathmore University Business School.

Signature.....

**Melisa W Wambugu**

**Registration: 112568**

Date.....



This research project has been submitted with my approval as the University supervisor.

Signature.....

**Dr. Alfred Kitawi**

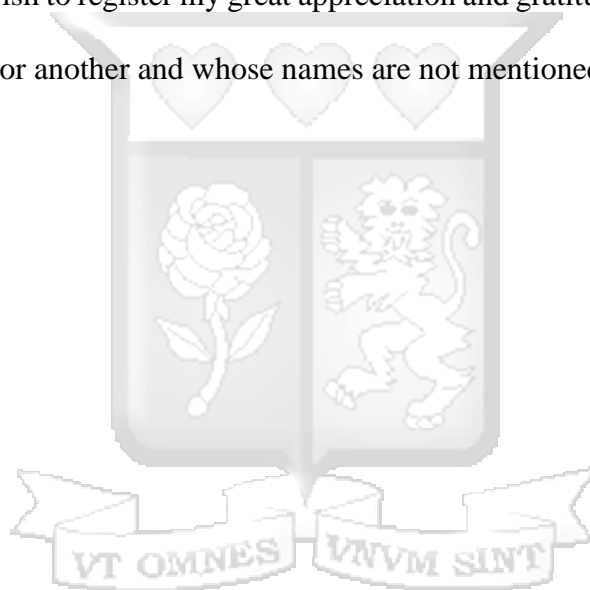
**Strathmore Business School**

Date 16<sup>th</sup> November 2020

## ACKNOWLEDGEMENT

I wish to sincerely thank the Almighty God for his favour throughout the duration of my studies and for giving me the strength to complete it. The completion of this research thesis has been a success throughout the unconditional and close guidance of my supervisor Dr. Alfred Kitawi. His constructive criticism, careful guidance and patience enabled me to complete it in time.

Special thanks to my family for their support, patience and all that they had to put up with during this program. Finally, I wish to register my great appreciation and gratitude to all others who made contributions in one way or another and whose names are not mentioned here.



## DEDICATION

I dedicate this research project to my family, for the invaluable support, love and encouragement, for persevering with me during my course work and to my fellow classmates



## TABLE OF CONTENTS

DECLARATION .....	ii
ACKNOWLEDGEMENT .....	iii
DEDICATION .....	iv
LIST OF FIGURES .....	vii
LIST OF TABLES .....	viii
DEFINITION OF TERMS .....	ix
LIST OF ACRONYMS AND ABBREVIATIONS .....	x
ABSTRACT .....	xi
CHAPTER 1: INTRODUCTION .....	1
1.0 Introduction .....	1
1.1 Background to the Study .....	1
1.2 Problem Definition .....	4
1.3 Research Objectives .....	5
1.3.1 General Objective .....	5
1.3.2 Specific Objectives .....	5
1.4 Research Questions .....	6
1.5 Scope of the Study .....	6
1.6 Significance of the Study .....	6
CHAPTER 2: LITERATURE REVIEW .....	8
2.1 Introduction .....	8
2.2 School Ownership .....	8
2.3 Type of School Ownership and the Current Trends in School Ownership .....	9
2.4 Business Succession .....	12
2.5 Theoretical Review .....	13
2.5.1 Leadership Model Succession Theory .....	13
2.5.2 Principal Agency Theory .....	14
2.6 Empirical Review .....	16
2.7 Future Direction of Family Owned Schools .....	19
2.8 Conceptual Framework .....	20
Source: (Researcher, 2020) .....	21
2.9 Research Gap .....	21
2.10 Operationalization of Variables .....	22
CHAPTER 3: RESEARCH METHODOLOGY .....	24
3.0 Introduction .....	24
3.1 Research Design .....	24
3.2 Population and Sampling .....	24
3.2.1 Population Size .....	24
3.2.2 Sample Size .....	24
3.2.3 Sampling Technique .....	25
3.3 Data Collection Methods .....	25
3.3.1 Data Collection Procedures .....	25
3.3.2 Pre-Testing Research Instrument .....	26
3.4 Data Processing and Analysis .....	26
3.5 Ethical Consideration .....	26
CHAPTER 4: RESULTS AND DISCUSSION .....	28

4.1 Introduction.....	28
4.2 Response Rate.....	28
4.3 Pre-Testing Research Instrument.....	28
4.4 Demographic Information.....	29
4.4.1 Gender of Respondents.....	29
4.4.2 Age Bracket of Respondents.....	30
4.4.3 Highest Education Level.....	31
4.4.4 Succession planning.....	31
4.2.5 School shareholdings.....	32
4.5 Study Variables.....	32
4.5.1 Eliminate Redundancy in Management Structure.....	32
4.5.2 Plan Ahead for Retiring Executives.....	34
4.5.3 Grooming Selected Internal Candidates.....	36
4.5.4 Conflict management in swift leadership change.....	37
4.5.5 Performance Measures.....	38
4.6 Multiple Regression Results.....	40
4.6.1 Test of assumptions of Regression Analysis.....	40
4.6.2 Model Summary.....	44
4.6.3 Regression Analysis.....	44
4.6.4 Beta Coefficients.....	45
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	47
5.1 Introduction.....	47
5.2 Summary of Findings.....	47
5.3 Conclusion.....	52
5.4 Recommendations.....	53
5.5 Limitations of the Study.....	53
5.6 Suggestions for Further Research.....	53
APPENDIX I- QUESTIONNAIRE.....	61
APPENDIX II: WORK PLAN.....	66
APPENDIX III: BUDGET ESTIMATE FOR THE PROJECT.....	67

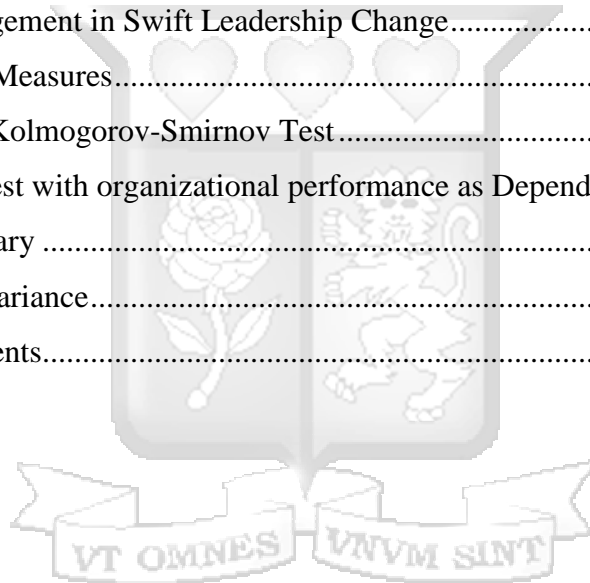
## LIST OF FIGURES

Figure 2.1: Conceptual Framework .....	21
Figure 4.1: Gender of Respondents .....	30
Figure 4.2 Age Bracket of Respondents .....	30
Figure 4.3 Normal P-P Plot of Regression Standardized Residual.....	40
Figure 4.4 Scatterplot.....	42



## LIST OF TABLES

Table 4.1 Response Rate.....	28
Table 4.2 Reliability Results.....	29
Table 4.3 Highest Level of Education .....	31
Table 4.4 Succession Planning .....	31
Table 4.5 School Shareholdings .....	32
Table 4.6 Eliminate Redundancy in Management Structure .....	33
Table 4.7 Plan Ahead for Retiring Executives.....	34
Table 4.8 Grooming Selected Internal Candidates .....	36
Table 4.9 Conflict Management in Swift Leadership Change.....	37
Table 4.10 Performance Measures.....	38
Table 4.11 One-Sample Kolmogorov-Smirnov Test.....	41
Table 4.12 Collinearity test with organizational performance as Dependent Variable .....	43
Table 4.13 Model Summary .....	44
Table 4.14 Analysis of Variance.....	44
Table 4.15 Beta Coefficients.....	45



## DEFINITION OF TERMS

**Succession Planning:** Lacey (2003) define succession planning as the deliberate and systematic effort made by an organization to identify, develop, and retain individuals with a range of leadership competencies who are capable of implementing current and future organizational goals.

**Performance:** According to Dobre (2013), performance is the ability to perform or capacity to achieve desired results. Performance is both financial as well as indicators of finances that offers information on actual degree in which results and objectives have been achieved (Park & Shaw, 2013).

**Organizational performance:** It encompass the identification of predetermined outcomes, creation of plans aimed at achieving the outcomes, the carrying out of those plans and determination on the basis of whether the predetermined outcomes are achieved or not since success is determined by the achievement of those outcomes (Labans and Euske, 2006).

**Leadership Style:** A style of providing directions during implementation of plans and strategies through motivating and influencing employees in realization of objectives (Marcel, 2010).

**Career development:** Career Development is the process of choosing a career, improving your skills, and advancing along a career path.

**Training:** Training is teaching, or developing in oneself or others, any skills and knowledge or fitness that relate to specific useful competencies.

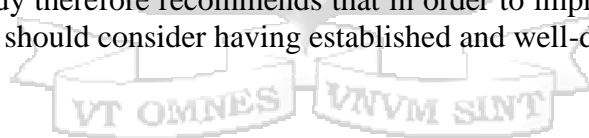
## LIST OF ACRONYMS AND ABBREVIATIONS

<b>CEO</b>	Chief Executive Officer
<b>GDP</b>	Gross Domestic Product
<b>KESSP</b>	Kenya Education Sector Support Programme
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PPP</b>	Public Private Partnership (PPP)
<b>SD</b>	Standard Deviation
<b>SPSS</b>	Statistical Package for Social Sciences (SPSS)
<b>SP&amp;M</b>	Succession Planning and Management
<b>U.S</b>	United States
<b>UK</b>	United Kingdom
<b>USD</b>	United States Dollar



## ABSTRACT

This study sought to find out the factors that influence business succession and organizational performance in selected family owned schools in Kiambu County. The study was guided by four objectives namely; to determine if elimination of redundancy in management structure influence performance of family owned schools, to establish whether grooming selected internal candidate influence performance of selected family-owned schools in Kiambu county, to identify if conflict management in swift leadership change influence performance of selected family-owned schools in Kiambu county and to find out how planning of successor influence performance of selected family-owned schools in Kiambu county. Primary and secondary sources of data were used in this study where primary sources of data were collected by use of closed ended questionnaire after a pilot test had been conducted. The collected data was analysed using SPSS to compute both descriptive and inferential statistics including frequencies, charts, regression and correlation. The results were thereafter presented in form of tables, graphs and charts. The research received a response rate of 88% which contributed towards gathering of sufficient data that could be generalized to represent the opinions of respondents in the family owned schools in Kiambu on the sought study problem. The study concluded that the selected family owned schools in Kiambu County have implemented succession management. The businesses are aware that succession planning is essential for any firm and positively related to the overall performance and success of the business. The study also concluded that family owned schools in Kiambu County work towards eliminating redundancy in the management structure. This is achieved through the presence of formal structures and the board of directors working towards steering the business in a successful direction. The schools also groom selected internal candidates through motivation and trainings by other retiring executives. Grooming helps to prepare the successor for future activities and enhances their competency. Planning for the retiring executives also pave way for grooming the selected candidate. The study further concludes that succession planning has a positive and statistically significant effect on the organizational performance of family owned schools in Kiambu County. The study therefore recommends that in order to improve performance of these schools, the management should consider having established and well-defined succession plans.





## **CHAPTER 1: INTRODUCTION**

### **1.0 Introduction**

This chapter discusses the background of the study, statement of the problem, research objectives, research questions, significance of the study, and scope of the study. The aim of this chapter is to give a background on business succession and organizational performance in relation to schools.

### **1.1 Background to the Study**

Succession planning is critical for the sustainability of family owned businesses and the overall economy (Lozano, 2013). The practice of succession planning is considered an on-going dynamic process that identifies, assesses, and develops talent to ensure that an organization can keep up with the changes in both the workplace and marketplace respectively. Succession planning identifies that some jobs are very important in an organization and too critical to be left vacant. It should be filled by the most qualified persons. Effectively done, succession planning is critical to mission success and creates an effective process for recognizing, developing, and retaining top leadership talent (Aguilera-Franco & Allison, 2005).

According to Hnáték (2015), strategy must be developed alongside suitable business case, and must be balanced with constant, organization-wide planning. Input from independent sources in the form of board advisors or professional business coaches, is highly recommended so that that family members can gain an in-depth understanding of the qualifications required of a successor candidate. The end result is the mobilization of all employees to form synergy and organizational continuity mindset. Daspit, Holt, Chrisman, and Long (2016), argued that there are many considerations to consider while developing a business case that works for owners.

The inclusion of a succession plan is important to fully appreciate the long-term impact of the following five factors: competition, industry sector, market share and barriers to growth; long-term business strategy for growth and required return on capital investments; independent business assessment and potential to increase brand equity over time; timeframe for implementing a succession plan; ability, commitment and leadership potential of family members (Bass & Chakrabarty, 2014). According to Bjursell and Bäckvall

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

Factors that contribute to business failure whether family owned, or non-family owned may be the same but those that are family owned face additional challenges attributable to the family business characteristics. Hatten (2015) for example, attributes family business failure to factors such as conflict between family members, nepotism, tradition, a paternalistic / autocratic culture existing in the business, improper handover to the next generation, a lack of leadership and ineffective communication. Family members must be fully informed, involved and have access opportunities to best develop a successful succession strategy. They must be treated as equal employees in order to achieve respect from non-family members. However, they have other duties over and above executing the vision of the business. They must maintain the vision over time and through constantly changing circumstances; they must move into new and learn different duties in order to gain a broad business sense; they must come up with new and innovative ways of working together; and they must get involved in corporate policy and strategy as integral members of the Board of Directors or advisory team. In this way, they become highly aware of the business needs and competencies required in the critical positions (Hal M Lewis, 2007).

Bjuggren and Sund (2001), stated that the practice by families in handing over their businesses to their offspring in instead of more competent professional managers is the reason for the low survival rates amongst family businesses. They recommended that the third generation, being born with a silver spoon, lack the drive to sustain, let alone expand the family business. Instead, they take the accomplishments of their parents and grandparents for granted and concentrate on maximizing the enjoyment of the fruits of labour of their ancestors. Developing a succession plan strategy generates a number of emotional issues in many family businesses, and the process is most successful when

it is facilitated by independent counseling from a number of sources (Yang, Cohen, & Harmon, 2005).

According to Remble, Marshall, and Keeney (2014), the issues surrounding succession planning are much more complex than simply passing the business along to the oldest son. Many business owners today do not want to work until their deaths, nor is it a financial necessity. It is also no longer a given, or even expected, that businesses will be passed to the oldest son. In many ways, this makes the issue of succession planning more difficult for the founder/owner because the decisions of when, how, and to whom the business will be transferred must be planned in advance. Sorenson (2000), research shows leadership style that the business founder employs plays a critical role in successful succession planning. It has been argued that one of the primary functions of businesses is to maximize productivity. This responsibility for productivity and smooth functioning rests primarily upon the leadership of the business. In the case of family-owned businesses, however, the issue of leaders maximizing productivity is more difficult than it may be for non-family-owned businesses. That is because the leaders of family-owned businesses may also be the parents, siblings, or relatives of those they employ.

Sharma, Hoy, Astrachan, and Koiranen (2007), stated that, the family business leadership should foster good communication among family members and with non-family employees and should also provide for orderly succession. He further states that, these factors are the most important in counteracting the strong emotions that can arise. At home, responsibilities and rights are different than at work and this should always be kept in mind. Winter (2003), argued that the earlier external management expertise is brought into the succession planning process, the more likely the plan will fit with the business vision. An independent point of view acts as a steering mechanism or reality check to ensure that the appropriate organizational structure is in place to improve the likelihood that the business will live on through the transition phase. This independent standpoint also strengthens the need for timely succession planning, and makes sure that owners get to know the significance of structured estate and tax planning (Gersick,

Gersick, Davis, Hampton, & Lansberg, 1997). Families have an opportunity to introduce the family enterprise to future owners in a positive way through sharing the values and legacy the enterprise represents (G. Watts & Tucker, 2004).

## **1.2 Problem Definition**

Succession planning is critical to an organization's continued existence as it entails the selection of talented employees to replace key organizational personnel who leave the organization because of retirement, reassignment or other reasons (Bolton & Roy, 2004). It is not clear which of the family business characteristics and practices hinders or contributes to good performance and growth among the Kenyan family owned SMEs. Furthermore, the family business has been subject of comparatively little research and attention (Visser & Chiloane-Tsoka, 2014). While the trend has been changing with interest in family business succession planning, there are still areas of family business that need to be examined for a clearer understanding in the Kenyan context. Many studies focus on big firms and the case of small family firms has been minimally studied (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). Dyer (2003) observes that most business researchers usually overlook the family dimension in their studies.

Succession difficulties are often related to relationship problems, such as family conflict and business problems, rather than leadership issues. The issues surrounding succession planning for private schools are much more complex than simply passing the business along to the oldest son. In addition, management of schools, unlike other businesses is complex based on the nature of operations, laws and legal regulations. According to Karanja (2012), family members file court cases to bar other members of their families from running or interfering with the management of an enterprise after the exit of the first generation owners (Karanja, 2012), and the course of all these could be due to lack of proper leadership styles that leads to a complete succession planning by the first entrepreneurs. There is need to understand the relationship between business succession in schools and performance, based on the leadership management theory, which recommends that to ensure leadership succession is in place, a company should maintain redundancy in management structure to maximize coverage. It also recommends that organizations should plan ahead for retiring executives by appointing a successor before the current

leader leaves, groom selected internal candidates to prevent conflict by making leadership changes swiftly.

Brice (2005), observes that limited research has been carried out to understand the intricacies of family businesses while Astrachan Mazzola, Marchisio, and Astrachan (2008), highlighted that the field of family firms need greater attention and more outlets for theory and research. According to Herreo (2011) the conflicting results of family firm performance is because such firms are studied in very different contexts hence the argument against family firms performing poorly are flawed when the firms are relatively small. Herrero maintains that small firms are very peculiar and attributes this to lower agency costs particularly when the manager of the firm is related to the family. Existing research done concentrated on other family owned businesses other than schools. In addition, it does not concentrate on succession planning. This study sought to fill this gap by establishing the effects of business succession on organizational performance of family owned schools in Kiambu County.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

The general objective of the study was to determine the effects of business succession on performance of selected family-owned schools in Kiambu county.

#### **1.3.2 Specific Objectives**

1. To determine if elimination of redundancy in management structure influenced performance of family owned schools
2. To establish whether grooming selected internal candidate influenced performance of selected family-owned schools in Kiambu county
3. To identify if conflict management in swift leadership change influenced performance of selected family-owned schools in Kiambu county
4. To find out how planning of successor influenced performance of selected family-owned schools in Kiambu county

#### **1.4 Research Questions**

1. How does elimination of redundancy in management structure influence performance of family owned schools?
2. Does grooming selected internal candidate influence performance of selected family-owned schools in Kiambu county?
3. How does conflict management in swift leadership change influence performance of selected family-owned schools in Kiambu county?
4. How does planning of successor influence performance of selected family-owned schools in Kiambu county?

#### **1.5 Scope of the Study**

The study focused on the effects of business succession on performance of selected family-owned schools in Kiambu County. The population of the study comprised of five selected family-owned schools in Kiambu County which have been in operation for more than 10 years. The aim was to sample schools which had survived to second, third and fourth generation. The study was carried out for a period of 2 months between January to March 2020. The study applied descriptive design. Data was collected using questionnaires, which were both structured and semi structured. The collected data was analyzed using descriptive analysis and inferential analysis.

#### **1.6 Significance of the Study**

The owners and other shareholders of family owned schools will greatly benefit from information on how business succession affects organizational performance and improve on the school performance. Potential investors in private school's business ventures will also benefit from the knowledge of the possible dangers that face family managed schools that do not adopt strategic business succession planning as an avenue for ensuring business continuity. This information will help them make sound investment decisions.

The future researchers will also benefit a great deal from the study as they will be able to gather information relating to the effects of business succession and organizational performance of family owned business continuity.

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



## CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

This chapter covers literature related to the study and is particularly based on four thematic areas and their influence on performance of Family owned schools, namely; the concept of succession planning, Human resource planning practices, career development practices and Strategic planning. The chapter further presents the theoretical and conceptual framework on which the study was based as well as a summary of the literature reviewed.

### 2.2 School Ownership

Within the educational systems of Western industrial societies, schools can be roughly categorized on two dimensions. On one hand, the issue is who takes decisions concerning the organization and curricula that schools provide; on the other hand, who finances this education (Willemse & De Beer, 2012). In relation to the first issue, two types of schools have emerged in most western countries. As a result of the struggle between the state and the established church, states have taken on the responsibility of organizing education. Here lies the root of public education that is fully governed and financed by public agencies (Fraser, 2016). At the same time however, for different reasons schools have been established by private initiatives, as a result of the efforts of churches and other religious institutions, but also of ideological or commercial organizations (Willemse & De Beer, 2012).

The private sector schools there are schools which are government dependent and there are those are independent of any government support. The government dependent private sector schools do receive some form of government subsidies as either set for in the constitution and following common law (West & Bailey, 2013). This government support for private school is founded on the argument posed mostly by religious groups to education as they advocate for education that is founded on values and ideologies of the nation where these schools are based (Gutmann & Ben-Porath, 2014).

Beside the private schools that are government dependent, the other private school that do not receive government support are mostly founded for non-religious reasons by organizations or

parents with pedagogical ideologies or societal aims. The kind of schools have their own self-financing model where some of them require pupils to pay school fees, others rely on donations and sponsorship (Federkeil, van Vught, & Westerheijden, 2012). Governance school and financing are two dimension that cannot be viewed independently all together. When the government increases its financing for private school it demands to increase its influence on the school's programs. However, even those schools that are completely independent of government support have to adhere to minimal government guidelines on quality and safety in their operation (Corten & Dronkers, 2006). Additionally, there are constraints set on the freedom of the school by social context; for instance, diploma programs that adheres generally accepted standards have become very important in today's world.

There are two different schools of thoughts that form the foundation for the different type of schools. One school of thought views school as an instrument of society as a whole that works to prepare and build the capacity of an individual to be part of a larger society with no consideration to social background and religious affiliation as these are considered private (Misztal, 2013). Public schools are established on the basis of this school of thought. The other school of thoughts believes that schools are not just society's instrument but also that of parents or social/cultural groups to which they are based (Willis, 2003). Therefore, schooling is aimed at offering young people an education which is founded on the parent's way of life and in compliance to the religious and cultural environment of where it is operating. This school of thought is what gives rise to private schools (Godwin & Kemerer, 2010).

### **2.3 Type of School Ownership and the Current Trends in School Ownership**

Globally, the great public benefits of education have compelled government to take up the primary responsibility in management and financing of education (Blackmore & Sachs, 2012). However, the government quest to fully control provision of education has of late been challenged by the increasing desire by student and parents for more creative and innovate form of education (OECD, 2006). This trend that is taking shape in many countries is founded on the view point that public interest in education can better be accomplished through incorporating private entities to compliment government efforts in school management and financing (Brewer & Hentschke, 2009).

Types of schools in the United Kingdom are described by the way they are operated and on the basis of who is in charge of their operation. The mainstream schools in the UK can be categorized into four categories (Musgrave, 2013). These categories include: (i) Community schools which are under the management of the county where local authorities are responsible for staffing, ownership and management of assets and making key decisions; (ii) Foundation schools, these are managed by a school governing body; (iii) Voluntary-aided schools which in most cases are church schools which are governed by a governing body and (iv) Voluntary-controlled schools are run by church but owned by a charitable foundation and the local authority is responsible for the employment of staff and also the admissions procedures. There also include other forms of schools in the UK including; grammar schools, specialist schools, special needs schools, faith schools and pupil referral units (Gillborn, 2014). The UK has faced challenges in attracting competent school leadership to govern schools. Additionally, acquiring and retaining qualified and competent school principals has not been a walk in the park especially in private secondary schools (Matlay & Carey, 2007). Good governance is part of corporate governance matrix which calls for proper succession planning in order to allow organization to survive and flourish as institutions for maximizing shareholder value while being conscious and providing for the wellbeing of all other stakeholders and entire society (Vinten, 2002).

Across African countries, there is widespread transformation in the education sector being steered by corporations and their partner foundations. They have changed the narrative regarding education from it being a government driven agenda and a social right for the African citizens to an investment opportunity (Alaba & Adekomi, 2012). The private education sector will continue to complement government agenda of provision of education for all across this continent. This will give rise to a hybrid system of education in Africa from the monopoly of government financing to a mixed of public and private financing and management. This shift is being driven increased demand for education, marketing stimulating innovation in supply and the financial challenges African government keeps experiencing that they continue lobbying for private sector investment and blended finance programs in provision of the much needed education to the rapidly growing populations (Oketch, 2009). African governments have also been on record for their increased effort to ensure enabling environment and steering public private partnership arrangements that

help bring together synergies and regulatory framework to oversee private sector involvement in provision of education.

In Nigeria for example, management and administration of education by law is vested under the stable of the three tiers of government namely, federal, state and local governments on the concurrent list. Public schools belong to the people and that government as the representative of the people has the responsibility to determine the future of education and the direction and shape schools take (Olaniyan & Obadara, 2009). Recent research on private education provision in Nigeria indicates that households prefer private over government schools when they can choose. Government schools are filled by children from the poorest households. Yet even many of the poorest households send their children to fee-based private schools (Harma, 2013). The private sector plays a crucial role in the delivery of basic education.

In Kenya, one of the key issues the document, vision 2030, aims to achieve is improvement in human capital as a well-educated and healthy population is important to increase productivity and overall performance of economy (Kimutai, Amisi., & Kipruto, 2013). The cost of education is met by the government and household members. The public spending on education by the Government of Kenya is driven by the Sessional Paper No. 1 of 2005 on a Policy Framework for Education and Research and the Second Kenya Education Sector Support Programme (KESSP II) as well as by the Basic Education Act, 2013 (Orodho, Waweru, Ndichu, & Nthinguri, 2013). This Act and the associated programmes, coupled by the direct and indirect benefits attributed to education prompted the government of Kenya to give education sector the highest public education allocation compared to other East African countries.

Private sector involvement in education has been justified on the grounds that public provision of education is inadequate compared to demand. Also, public expenditure on education has stagnated or shrunk in real terms due to fiscal constraints. The Kenyan private education sector has experienced significant growth in the recent past. This growth has been driven by quest for quality education and the limited number of entry spots to leading secondary schools (Stern & Heyneman, 2013). Good scores enhance the reputation of private schools ensuring a ready supply of pupils and growing prosperity for their owners. A body of evidence indicates that while length of

operation varies, private schools may be vulnerable to closing down after short periods of time (Tooley & Longfield, 2015). There is a need for further research to assess the business sustainability of private schools more directly.

## **2.4 Business Succession**

Succession planning is an important process for which organizations ought to consider. According to Lacey (2003), succession planning can be explained as the process where an organization makes deliberate and systematic effort aimed at identifying, developing and retaining individuals who poses a various competencies and who have the capacity or potential to support the organization in implementing its current and future plans (Lacey, 2003). In succession planning, it is assumed that individuals will shift from one employer to another or change careers several times in their professional life. Succession planning considers long-term strategic plans of the organization. In this process, the capacity of future leaders and the preparedness of future leadership are ensured through pooping human resources with strong leadership traits into the organization. Succession planning focuses on what human resource skills the organization may require moving into the future as well as providing those employee who have high potential and who perform well with experience that will build their skills to fill the organization future demands (Lacey, 2003).

Loss of efficient and effectiveness in an organization sometimes occurs when there is workforce loss. It may be easy for organization to replace lost work force, but this comes not without negative effect. When organizations lose any of their staff, they are said to have also lost a large quantity of company memory and essential skills. Loss of staff has a negative effect on the financial performance of family owned business and may even threaten the survival of the business if not properly addressed (Revilla, Pérez-Luño, & Nieto, 2016). There is need for organizations to make sure their human resource practices strengthen recruitment, capacity building and retention of individuals with competent leadership skills.

In today's business world, effective succession planning is viewed to be more important than just a replacement planning. For succession planning to be effective it needs to be founded on a set of agreed principles, it should also provide a breadth of experiences critical to leadership, and be active at all levels of the organization (Kesler, 2002). When an organization has established an

effective succession planning it should be in a position to future needs of the organization, it should be able to identify potential future leaders to take over the management of the organization, it should provide leadership inspiration, it should manage the selection and designing of program on future leadership capacities, it should create a pool of talent within the organization and finally it should recognize and appreciate multiple paths that individuals can follow to take over leadership (Lacey, 2003). Strategic succession planning provides opportunities for current leaders to develop capabilities, and access new challenges.

Maryland (2006) adopted a leadership succession plan that was founded on a series of questions regarding five succession-related practices. These five succession practices include identification, development, Promotion, movement, and retention. For the organization to make sure there is sustainable leadership it needs to identify pools of leadership talent as opposed to heirs to different positions. A lot of attention has been paid to mentorship in leadership research as because of its growing recognition of its potential in educational organizations. According to Daresh and Playko (1994) in order to enhance the leadership of the school, there is need to focus efforts in helping novice leaders accomplish their professional responsibilities. Crow and Matthews (1998), believes in the importance of long-term, conscientious approaches to mentorship since it is a vital mean of achieving this and added that support and mentoring be a career-long experience. Strategic succession planning entails policies and processes for recruitment, development, and retention of staff (Collins & Collins, 2007). There is more to recruitment than just selection of new employees and as an aspect of succession planning it should involve process and policies that entice the most competent personnel. Many educational institution are having a lot of challenges in their recruitment and retention undertakings (Dunemann & Barrett, 2004).

## **2.5 Theoretical Review**

Business succession and organizational performance are multi-theoretical concepts. The study will consider Leadership Model Succession Theory and Principal Agency Theory.

### **2.5.1 Leadership Model Succession Theory**

Leadership Model Succession Theory recommends that to ensure leadership succession is in place, a company should maintain redundancy in management structure to maximize coverage, plan ahead for retiring executives by appointing a successor before

the current leader leaves, groom selected internal candidates by allowing them to shadow the current leaders and finally prevent conflict by making leadership changes swiftly (Ibrahim, Soufani, & Lam, 2001). The theory is considered by companies moving from an existing leadership structure to retain control of business strategies and organizational direction. Successful businesses have the potential to survive their founders. Businesses structured as corporations, nonprofits or cooperatives have trajectories that are related to, but separate from, the people who found them (Bjuggren & Sund, 2001).

Business succession is the process of figuring out how a company will continue to operate after its founders or leaders are no longer actively involved. Because leadership styles and models differ widely, succession models also vary based on the way an organization has been managed (Bjuggren & Sund, 2001). A study by Gersick et al. (1997), indicates that succession planning is critical for the sustainability of family-owned businesses and the overall economy, accounting for about 70 per cent of the private sector. Globally, family-owned businesses support some 50 percent of the population, and during these difficult economic times, they put many of the unemployed back on the payroll thus playing a significant role in the economy. The theory will be considered in the study in trying to understand how strategic family business succession influence organizational performance. Previous literature however has not explored how the theory relates to succession of family owned schools.

### **2.5.2 Principal Agency Theory**

The principal agency theory was developed in the 1970s by Michael Jensen of Harvard Business School and William Meckling (Graeff, 1983). According to Graeff (1983), an agency relationship arises whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some service and then delegate decision-making authority to the agents. It has been argued that the agency theory has been the most dominant issue in corporate governance and the principal-agent theory is generally considered the starting point of this debate. Agency theory hypothesizes that in the

modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns (Bass & Chakrabarty, 2014).

The assumption of the theory is that if the principal and agent have a common understanding in this case, the agency is obliged to provide quality financial reports to the Board of Directors. These relationships are not necessarily harmonious; indeed, agency theory is concerned with so-called agency conflicts, or conflicts of interest between agents and principals. This has implications for, among other things, corporate governance and business ethics. Densten and Gray (2001), suggest that when agency occurs it also tends to give rise to agency costs, which are expenses incurred in order to sustain an effective agency relationship. Agency theory raises a fundamental problem in organizations' self-interested behavior.

Many studies in the succession literature take into account the agency perspective to analyze managerial behavior (Giambatista, Rowe, & Riaz, 2005). The agency perspective was introduced by Jensen and Meckling in 1976 and focuses on information asymmetries among managers, shareholders, and bondholders (Jensen & Meckling, 1976). Although several studies point to the lower exposure of family firms to agency costs (Daily & Dollinger, 1992; Fama & Jensen, 1983), these agency problems do occur in family businesses and can increase when these firms develop over generations. As shown by several authors (Davis & Harveston, 1999; Smith & Amoako-Adu, 1999) many of these problems arise because of increasing family conflicts and dysfunctional altruistic behavior from the moment the next generation takes over the leadership of the company.

Related to this view, Miller et al. introduce the stagnation perspective to analyze the nature of family firms (Miller, Le Breton-Miller, & Scholnick, 2008). The stagnation perspective combines several reflections in family business studies on the conservative and sometimes dysfunctional nature of the family firm. Because many of the problems in family firms often originate from family conflicts, nepotism, succession difficulties, and so on, there is some common ground between the stagnation and agency

perspectives. The authors conclude by suggesting that the stagnation perspective can become particularly relevant to explain the characteristics and behavior of family businesses developing over generations.

A corporation's managers may have personal goals that compete with the owner's goal of maximization of shareholder wealth. Since the shareholders authorize managers to administer the firm's assets, a potential conflict of interest exists between the two groups (Chakrabarty & Bass, 2014). This theory will guide the study by analyzing whether the corporate governance systems used by private family-owned Schools, always act according to their principal's interests of delivering services effectively, efficiently and economically. The agency and stagnation perspective can be well in analyzing the literature on the effect of a family business succession on the financial structure and performance of companies. It allows us to identify to what extent stagnation is to be expected in family firms after succession and how this can affect the performance of the school.

## **2.6 Empirical Review**

The term succession planning evokes widely varying responses from different people, and implementation of a succession plan is just as varied. To most organizations, a lack of succession planning was unconscionable in the business realm, as issues resulting from lost productivity and lack of direction could quickly doom a for-profit enterprise to failure (H. M. Lewis, 2007). Yet, in the field of education, succession planning has often been nonexistent. The lack of planning has often yielded poor results for schools (Fullan, 2006). The field of education has slowly begun to adopt models and practices long employed by other disciplines. Fullan (2005) discussed the need for sustainability in school leadership. To ensure success, succession plans need to be created in advance, and have to account for the organizational culture. In particular, the succession plan must account for the vision of the organization.

Research suggests that only 30% of family firms in the USA survive into the second generation of family ownership. In addition, approximately 15% to 16% of family businesses survived into the third. The comparable numbers in the UK are 24% and

14% respectively. Another study documented that only 30% of family businesses in the UK reach the 2nd generation, less than two thirds of these firms survive through the 2nd generation, and only 13% survive through the 3rd generation (Zahra & Sharma, 2004). The fact that very few family businesses survive beyond the first generation is thus rather universal and independent of cultural context or economic/business environment. Unlike non-family businesses, the efficient functioning of family businesses is often affected by the life cycle of the founding leader (Joseph H Astrachan & Melissa Carey Shanker, 2003).

Waweru (2010), argued that the average life span of a family owned business in Kenya is 24 years. A good example of a family business that has grown to the third generation in Kenya is Sarit Centre. The Sarit Centre is a modern diversified shopping mall and one of the largest in East Africa. The Sarit Centre is a family business managed by third generation Kenyans who trace their roots and business success to their forefathers who came to Kenya in the early twentieth century (Whitehead, Lobley, & Baker, 2012). Brice (2015), observes that limited research has been carried out to understand the intricacies of family businesses while Astrachan (2010) highlighted that the field of family firms need greater attention and more outlets for theory and research.

According to Kandade, Samara, Parada, and Dawson (2020), the conflicting results of family firm performance is because such firms are studied in very different contexts hence the argument against family firms performing poorly are flawed when the firms are relatively small. Herrero maintains that small firms are very peculiar and attributes this to lower agency costs particularly when the manager of the firm is related to the family. Existing research done concentrated on other family owned businesses other than schools. Families that successfully survive three or four generations have a complex web of structures, agreements, councils and forms of accountability to manage their wealth (Laakkonen & Kansikas, 2011). This is more evident in the west compared to emerging economies such as India and Africa. Reflecting on the complexity of the process involved, succession planning has been an area of keen interest for researchers. This could be for a variety of reasons. Organizational transition from an entrepreneurial stage to a system driven, professionally managed firm is not

easy, and involves evolutions, revolutions and crisis. Also, there is often a simultaneous process of transformation taking place in the family and business with the size of activities of both growing (Chrisman, Chua, & Steier, 2003).

Although ownership and management succession are the key concerns of a large number of business families, they do not devote enough attention to the process involved. A study by G. Watts and Tucker (2004), reported that families hesitate to address this issue. Succession dilemma is also closely related to the family policy on entry of new generation, retirement of incumbents and mechanisms for resolving conflicts. This relate to the recommendations of leadership theory that organizations should plan ahead before retirement of leaders. Succession processes are often marred by internal structure politics.

Leadership Model Succession theory recommends that to ensure leadership succession is in place, a company should maintain redundancy in management structure to maximize coverage, plan ahead for retiring executives by appointing a successor before the current leader leaves, groom selected internal candidates by allowing them to shadow the current leaders and finally prevent conflict by making leadership changes swiftly (Ibrahim, Soufani, & Lam, 2001). Agency theory hypothesizes that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns (Bass & Chakrabarty, 2014). The two theories demonstrate that for successful business succession, management should have plans for future leadership.

With a well-designed model, a succession method are capable of being a sleek endeavor which can allow the incumbent leader to step down and permit the well tidy successor to require over the workplace (Berke, 2005). Organizations' boards ought to guarantee succession processes are operating properly and internal candidate's square measure adequately developed in order to avoid potential failures of the fresh elite CEOs. However, the succession of leaders can generally become political. for instance, Shen and Cannella Jr (2003), denote that it's not necessarily true that the successor can perpetually support the predecessor's practices generally a poor firm's performance

leads prime executives to unite so as to defend themselves; also, power struggle might arise between the highest and senior executives.

## **2.7 Future Direction of Family Owned Schools**

The general goal in family business is to be passed on to the next generation. However, this is not always the case as the years leading up to the succession can either see the purpose accomplished or failed. Family business ownership model is the one characteristic that sets them apart from other form of ownership. Succession of family owned business from generation to generation can either be a source of strength and longevity or can cause weakness in structures which can in turn compromise the health and performance of the business (Dunemann & Barrett, 2004). Succession of family owned business is one of the risks facing these type businesses. To avoid uncertainty that come along with succession family businesses must just like other organization seek to find solution in planning ahead (Celuch, Kasouf, & Peruvemba, 2002). Plans need to be put in place to ensure that the abilities of the owner are adequately substituted. Succession planning is important for all forms of business but might be more vital for family owned business (Shepherd & Zacharakis, 2000).

Attracting competent and qualified personnel and retaining existing quality personnel are very important considerations that have an impact on the future of any business and especially when developing future plans. One challenge facing succession planning in family owned businesses is ensuring there is high performing and talented personnel with the capacity to see the business into the future. Family businesses find it difficult to attract talented personnel with the right skills and qualification. This is because most of the best personnel prefer to be employed at listed companies and multinationals since these kind of organizations provide a clearer career path (J. H. Astrachan & M. C. Shanker, 2003). For a family business to succeed through multiple generations then every generation should take ownership responsibilities and the benefit of controlling large and complex enterprise (Lee, 2004).

It is the responsibility of families to introduce family owned schools to future owners through introducing them to family business values and legacy as represented in the enterprise (Watts & Yucker, 2004). Families should also cultivate a feeling of business purpose to their children to help

them see the business as not just a source of revenue. It is important for families to educate future owners at an early age regarding the concept of business ownership. This entails teaching them on the importance competent governance, financial literacy, risk management, asset protection, the concept of family enterprise and philanthropy. It is at times difficult to envision infant grandchildren as being the future owners of the business. However, any successful family owned school which is committed to benefiting both the family and the society it serves should be advised to adopt succession planning culture (Klein, 2000).

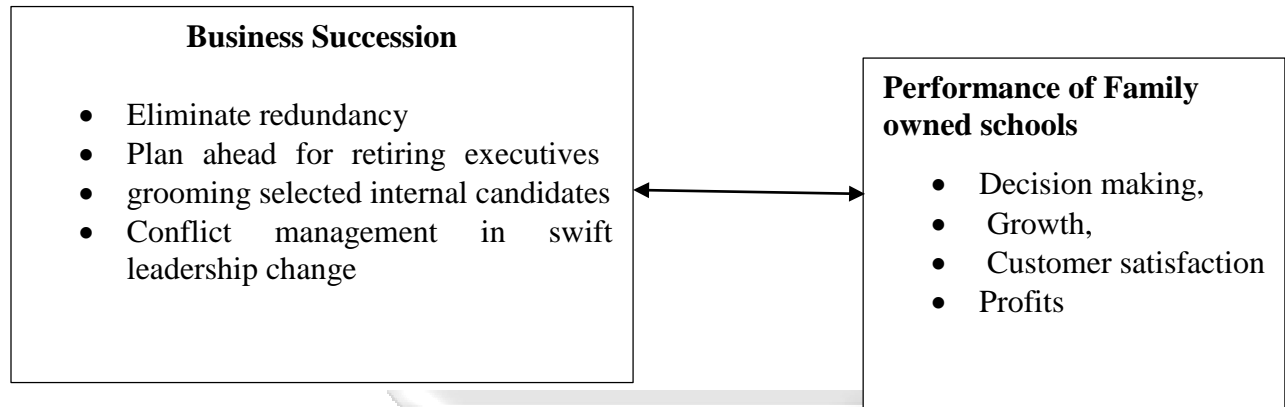
There is knowledge gap on succession planning for family owned businesses in developing countries and especially in Kenya. This is because most literature on succession of family owned businesses is from developed countries with different managerial regimes and cultures. This study examines the relationship between the succession and performance. While this study might not address all the possible literature gaps identified, it will attempt to bridge the gaps in literature on succession and firm performance by empirically examining the situation of family owned schools in Kenya which is not only a nonwestern context but also a country where studies on private enterprises have been globally acknowledged. From the findings of the study, the researcher recommends that in order to improve performance of family owned schools, the management should consider having established and well-defined succession plans.

## **2.8 Conceptual Framework**

The conceptual framework illustrates the relationship between Strategic Business Succession and Organizational Performance in private family-owned schools in Kiambu County. For this study, strategic business succession is the independent variable while organizational performance is the dependent variable. The parameters of measuring performance of family owned private schools include eliminate redundancy in management structure to maximize coverage; plan ahead for retiring executives by appointing a successor before the current leader leaves; grooming selected internal candidates, and conflict management in swift leadership change. The researcher developed conceptual framework. This was because the study concentrated on eliminating redundancy in management structure, plan ahead for retiring executives, grooming selected internal candidates and conflict management in swift leadership change. There is no conceptual framework which measures business succession by considering these variables. In

addition, there is none which links business succession with organizational performance of family owned schools.

**Figure 2.1: Conceptual Framework**



Independent Variable

Source: (Researcher, 2020).

### 2.9 Research Gap

From the study of the literature review, the available research is ambiguous as to whether family influence is beneficial or detrimental to firm performance. There is need for further investigation ways in which business succession as an organizational variable affects performance. In addition, research findings opposing family and nonfamily firms are often not comparable since they use differing definitions of family firms. Therefore, to advance in the field of family firm performance, definitional dilemmas need to be resolved and underlying relationships indicative of individual family characteristics effect on performance need to be identified and researched. Whatley (2011) suggested that family businesses are contributed heavily in the employment generation, economic growth and transformation and wealth creation (Whatley, 2011). Considering the role that family owned businesses contribute in the economy, there is need for continuous research to identify areas of improvement and strategies to put in place for successful succession of businesses. Further, previous researches done did not consider survival of family-owned schools in developing Country, hence the need for this study.

Literature on the effect of strategic business succession on the performance of family owned schools in Kenya is missing. Studying the role of business succession on performance of family owned schools in Kenya will help in ensuring the organizational sustainability through the culture

of strategic business succession. The use of the leadership model theory will make the study clearer since it has been used in some situations to explain why some businesses succeed. This study contributed to the literature in several ways. First, it broadens our knowledge about the influence of a business succession on company decisions and behavior.

## 2.10 Operationalization of Variables

VARIABLE	OPERATIONALIZATION	MEASURES
<b>BUSINESS SUCCESSION</b>	Eliminate redundancy in management structure to maximize coverage.	Guide and structures employees' activities, clarify expectations, goals, and work methods, monitors and follow up on our assignments, define roles and communication patterns plan, schedule, and assign responsibilities
	Plan ahead for retiring executives	Allowed to have direct influence on their work, allowed to make use of personal judgment, allowed to decide on how to do my job,
	Grooming selected internal candidates	Teach and mentor employees, do onsite observation Allow employees to participate in planning daily activities
	Conflict management in swift leadership change	Ways of solving conflict. To engage arbitrators, mediators and consider negotiation.

<b>Performance</b>	Decision making Growth Customer satisfaction Profits	Number of new students Increase in profits Rate of student transfers Opening new branches
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Source: (Researcher, 2020).



## CHAPTER 3: RESEARCH METHODOLOGY

### 3.0 Introduction

This chapter outlined the research methodology the study applied. It includes research design, target population, sample size, sampling technique, data collection, and data analysis techniques, pre-test of data instrument, and ethical consideration.

### 3.1 Research Design

According to Burns and Grove (2003), a research design is used to structure the research, to show how all of the major parts of the research project work together to try to address the central research questions. Descriptive research design is appropriate because it gives adequate results between two or more variables. Research specialists recommend a descriptive study in order to ascertain and describe the characteristics of the variables of interest in a given situation. The goal of descriptive study hence is to describe relevant aspects of the phenomena of interest from an individual organizational, industry oriented or other perspective (Best & Kahn, 2007). This study adopted a descriptive research design. Kothari (2004), note that, a research design appropriate must be flexible enough to provide opportunity for considering different aspects of a problem under study.

### 3.2 Population and Sampling

#### 3.2.1 Population Size

According to Mugenda and Mugenda (2003), target population is the total number of elements or individuals under investigation by a research study. It is the sum of all that conforms to a given specification and from which a sample is taken. The target population for this study was five private schools in Kiambu County.

#### 3.2.2 Sample Size

The study considered the top management, business owners of these family owned businesses, relevant middle level managers and operational staff from the 5 family owned schools in Kiambu County which has been in existence for more than 10 years. The sample size was in such a way

that it is within plus or minus 0.05 of the population proportion with a 95 percent level of confidence as given by Saunders, Lewis and Thornhill (2003). The study used convenient sampling technique by taking 50% of the total population selected from the 5 family owned schools in Kiambu County in coming up with a sample of 84 respondents (business owners, top level managers, middle level managers and operational staff).

### **3.2.3 Sampling Technique**

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

### **3.3 Data Collection Methods**

According to Dudin (2013), data collection is the process of preparing and systematically gathering data for a particular purpose from various sources, which has been systematically observed, recorded, organized. The study performed data collected through a questionnaire structured to meet the objectives of the study. According to Mugenda and Mugenda (2003), questionnaires are commonly used to obtain important information about a population under study. Each item is developed to address specific themes of the study. A five-point Likert scale will be used. A likert scale is more useful when a behavior needs to be evaluated on a continuum (Leedy & Ormrod, 2011).

#### **3.3.1 Data Collection Procedures**

Data collection methods are either primary or secondary, depending on the research objective. Both primary and secondary data collection methods applied. The questionnaires were used for primary data. The researcher issued questionnaires to schools and pick after a week. Respondents are more honest while answering the questionnaires that touch on contentious issues when their answers are anonymous (Leedy & Ormrod, 2011).

### 3.3.2 Pre-Testing Research Instrument

The research instrument was given to ten randomly picked managers of one family owned school in Kiambu County. They did not participate in the actual study. The analysed pilot study's results will inform any modification and elimination of ambiguous items in the questionnaire. Cronbach's alpha analysis was used to ascertain the questionnaire's reliability. Variables obtained from test instruments become reliable only if they give stable and reliable answers over a repetitive run of the test (Santos, 1999). The reliability coefficient (alpha =  $\alpha$ ) range from 0 to 1, with 0 being an instrument complete of error and 1 being total lack of error. A reliability coefficient (alpha) of 0.70 or higher offers acceptable reliability (Abowitz & Toole, 2010).

### 3.4 Data Processing and Analysis

Data analysis used both descriptive and inferential statistics, which includes linear regression. Frequency, mean, mode, and percentages were used for descriptive statistics. The study used Statistical Package for Social Sciences (SPSS) Version 21.0 to analyse data. The results were presented in form of tables, figures, charts, and graphs. The data were coded, assigned labels to variables categories and fed to the computer program. Pearson's Correlation Coefficient and regression were used to establish the significance of the correlation between family succession and performance of schools because it measures the relationship between variables. The regression equation below was used to test the significance of the study hypotheses.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where  $Y$  is the organizational performance,  $\beta_0$  is constant, and  $\varepsilon$  is the error term of the model.

- $X_1$  = Eliminate redundancy in management structure
- $X_2$  = Plan ahead for retiring executives
- $X_3$  = Grooming selected internal candidates
- $X_4$  = Conflict management in swift leadership change

### 3.5 Ethical Consideration

The study strictly adhered to the right to privacy and anonymity of the respondents. Respondents were asked whether they feel safe during the data collection process and all identifiable data removed during the analysis. The respondents filled a consent form which will be the initial part

of the questionnaire and they can choose not to respond. In addition, the questionnaire was presented to the Ethical review board before being used to collect data.



## CHAPTER 4: RESULTS AND DISCUSSION

### 4.1 Introduction

This chapter presents the analysis, findings and discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations. This chapter analyses the variables involved in the study based on the specific objectives of the study.

### 4.2 Response Rate

The respondents comprised of top management, business owners, relevant middle level managers and operational staff from the 5 family owned schools in Kiambu County. Out of the 84 questionnaires issued, 74 questionnaires representing 88% were returned fully completed. 10 questionnaires representing 12% of questionnaires distributed to the respondents were not filled. The Table 4.1 shows that the response rate was 88% of the sample size and the non-response rate was 12%. The response of 88% facilitated gathering of sufficient data that represented the opinion of respondents. This was in line with Graham (2002) that a response rate above 30 to 50% of the total sample size contributes towards gathering of sufficient data that could be generalized to represent the opinions of respondents in the target population on the sought study problem.

**Table 4.1 Response Rate**

<b>Response rate</b>	<b>Frequency</b>	<b>Percentage</b>
Response	74	88%
Non-response	10	12%
Total	84	100%

### 4.3 Pre-Testing Research Instrument

To establish the validity of the data collection instruments, the research instruments were given to 10 employees from the managers, operational staff and business owner from one family owned school of Kiambu County. The coefficient of the data gathered from the pilot study was computed with assistance of Statistical Package for Social Sciences (SPSS) Version 21.

The results in table 4.2 show Cronbach's alpha of well above 0.7 and most of it above 0.8 implying that the instruments were sufficiently reliable for measurement. The study accepted a Cronbach alpha of 0.7 and above. Since most items total correlations were reasonably high, the construct validity of the instrument was considered reasonable (Brown, 2006).

**Table 4.2 Reliability Results**

<b>Constructs</b>	<b>Cronbach's Alpha Values</b>
Elimination of redundancy in management structure	0.764
Grooming selected internal candidates	0.801
Conflict management in swift leadership change	0.891
Planning of successor influence	0.826

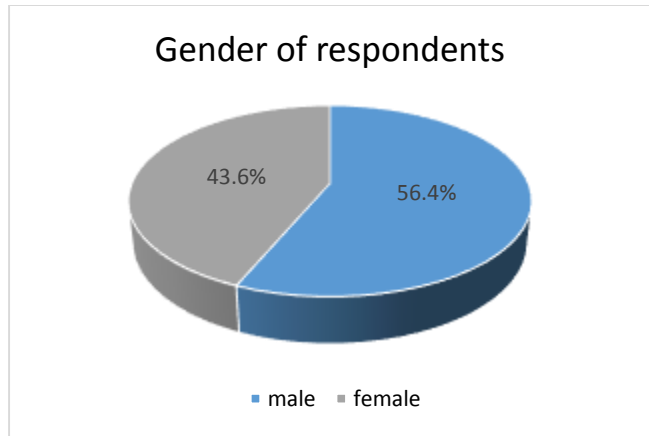
#### **4.4 Demographic Information**

The section contains information on the demographic characteristics of the respondents such as gender, age, highest level of education, years of experience and level of management.

##### **4.4.1 Gender of Respondents**

The study sought to establish the gender of the respondents. This was done in order to establish the level of gender representation within the schools. Figure 4.1 below shows the gender characteristics of the respondents. Based on the results, 56.4% were males whereas 43.6% were females. This basically implies that the number of male respondents was higher than that of their female counterparts.

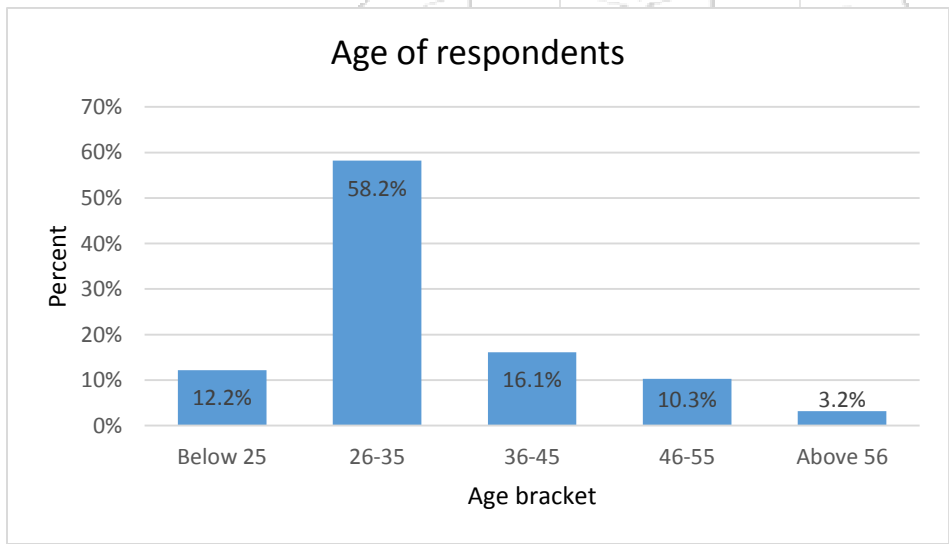
**Figure 4.1: Gender of Respondents**



**4.4.2 Age Bracket of Respondents**

Respondents were asked their age bracket and the findings are as shown in Figure 4.2. Age is an important research factor to ascertain the inclusivity of youth who are considered majority of the population and unemployed. Figure 4.2 presents that majority (58.2%) of the respondents were in the age category of 26-35 years, 16.1% were in the age category of 36-45 years, 12.2% aged below 25 years, 10.3% were in the category of 46-55 years while only 3.2% were aged above 56 years. This suggests that most of the respondents are considered to be in their productive years.

**Figure 4.2 Age Bracket of Respondents**



#### 4.4.3 Highest Education Level

The study sought to establish the education level held by the respondents in order to ascertain if they were equipped with relevant knowledge and skills in their area of work. Table 4.3 below shows the highest level of education of the respondents.

**Table 4.3 Highest Level of Education**

	<b>Frequency</b>	<b>Percent</b>
Doctorate	3	4.1
Masters	12	16.2
Degree	36	48.6
Diploma	18	24.3
Certificate	5	6.8
<b>Total</b>	<b>74</b>	<b>100.0</b>

The findings in Table 4.3 shows majority of the respondents (68.9%) at least bachelor's degree as their highest level of education while 24.3% had a Diploma. The study further established that 16.2% of the respondents had masters, 6.8% with certificate, and 4.1% had attained Doctorate. This indicates that the respondents have specific competencies to enable them to perform their duties.

#### 4.4.4 Succession planning

Respondents were asked to indicate whether the school practices succession planning. The findings are shown in Table 4.4 below:

**Table 4.4 Succession Planning**

Succession planning	Frequency	Percent
Yes	62	83.8
No	12	16.2
<b>Total</b>	<b>74</b>	<b>100.0</b>

Majority of the respondents (83.8%) indicated that the school practices succession planning while 16.2% of the respondents stated that there was no succession planning. This indicates that these schools consider succession planning and the respondents are aware of the process. However, the respondents indicated that the succession plans are made by the business owner when they are almost retiring.

#### 4.2.5 School shareholdings

Respondents were asked the owners of the school’s shareholdings. The findings are shown in Table 4.5:

**Table 4.5 School Shareholdings**

Owners of school shareholdings	Frequency	Percent
Family members	24	36.5
Family and non-family members	36	48.6
Nonfamily ownership	14	14.9
Total	74	100.0

#### 4.5 Study Variables

The study variables in this section will be measured using Likert scale ranging from ‘strongly disagree’ (1) to ‘strongly agree’ (5). The following scale was applicable: 5= Strongly Agree 4= Agree 3= undecided 2= Disagree 1= Strongly Disagree. The mean score of 0 to 1.4 tend to lean more strongly disagree, 1.5 to 2.4 for disagree, 2.5 to 3.4 undecided, 3.5 to 4.4 agree while 4.5 to 5 is strongly agree.

##### 4.5.1 Eliminate Redundancy in Management Structure

This section of the questionnaire sought to establish the means to eradicate redundancy in the management structure within the schools. The respondents were asked to indicate the extent to which they agreed with various factors that contribute to elimination of redundancy using a five Likert scale of 5= Strongly Agree 4= Agree 3= undecided 2= Disagree 1= Strongly Disagree. The results are shown in table 4.6 below:

**Table 4.6 Eliminate Redundancy in Management Structure**

<b>Eliminate Redundancy in Management Structure</b>	<b>Mean</b>	<b>Std. deviation</b>
The family members are willing to put in a great deal of effort beyond that normally expected for its success	2.68	.995
Ownership and control are transferred equally to all the children.	3.57	.969
Each family members working in the family business is assigned a specific role	2.54	.965
The board of directors has effective meeting procedures (i.e. meeting agendas are distributed in advance).	4.16	1.163
The board of Directors is responsible to the vision, mission and strategic plan.	4.53	.945
The governance responsibilities in this business are clearly defined.	3.17	.942
Business decisions are made using formal structures.	4.28	.914

As shown in Table 4.6 above, the respondents agree to a large extent that the Board of Director's responsibility to the vision, mission and strategic plan of the business (mean=4.53, SD=0.945), making business decisions using formal structures (mean=4.28, SD=0.914), effective meeting procedures by the board of directors (mean=4.16, SD=1.163), and transferring ownership and control equally to all the children (mean=3.57, SD=0.969). The respondents however were undecided on whether the governance responsibilities in the business are clearly defined (mean=3.17, SD=0.942).

The respondents on the other hand moderately agree that the willingness of family members to put in a great deal of effort beyond that normally expected for its success (mean=2.68, SD=0.995) and assigning each family members working in the family business a specific role (mean=2.54, SD=0.965) are effective in eliminating redundancy in management structure within a business.

The findings agrees with the findings of Bjursell and Bäckvall (2011), who suggested that the focus of succession planning is on leadership and other positions critical to the mission of the organization. Hills (2009), states that succession planning is a smart talent management strategy that can drive retention of talent throughout the organization and make sure that the organization has the skills it needs in place, or on hand. A proper strategic planning process and a succession plan are essential elements of family business success (Cucculelli & Micucci, 2019). Denison, Lief, and Ward (2004), note that governance in a family-owned business is often focused on establishing productive, procedural engagement across the system unlike in a conventional business where governance often focus on establishing boundaries and defining the separation of decision-making powers. Formalizing a mission statement is a vital first step for the owners to well articulate and communicate the vision, values and culture required throughout the organization. Improved governance structures and processes help ensure high quality decision making, encourage effective succession planning for senior management and enhance the long-term prosperity of companies, irrespective of the type of company and its sources of finance (IFC, 2010).

#### 4.5.2 Plan Ahead for Retiring Executives

This section of the questionnaire sought to get rating from the respondents on planning ahead for retiring executives in the school. The respondents were asked to indicate the extent to which they agreed with various factors that contribute to planning ahead for retiring executives using a five Likert scale of 5= strongly agree 4= agree 3= undecided 2= disagree 1= strongly disagree.

The results are shown in table 4.7 below:

**Table 4.7 Plan Ahead for Retiring Executives**

No.	Plan Ahead for Retiring Executives	Mean	Std. deviation
1.	The business has never been left without a leader	4.67	1.159
2.	Whoever take over the business is respected by all the shareholders	4.23	1.082
3.	A succession criterion is in place or developed for identifying the successor.	3.78	.953

4.	Efforts have been made to train the successor.	3.69	1.212
5.	Family members are aware of the succession plan.	2.14	1.222
6.	Family members can be employed in the business regardless of their qualification or experience.	4.48	1.198

The results portrayed in Table 4.7 above reveal that the respondents highly agree that in planning ahead for the retiring executives, the business has never been left without a leader (mean=4.67, SD=1.159), regardless of their qualification or experience, family members can be employed in the business (mean=4.48, SD=1.198) and whoever take over the business is respected by all the shareholders (mean=4.23, SD=1.082). The respondents moderately agree that a succession criterion is in place or developed for identifying the successor (mean=3.78, SD=0.953) and efforts have been made to train the successor (mean=3.69, SD=1.212) in planning for retiring of executives. The respondents agree to a low extent that family members are aware of the succession plan (mean=2.14, SD=1.222) in the business.

The findings of the study agreed with Craig and Moores (2005) who suggest that without proper retirement plans for executives, performance of the firm is seriously inhibited. It is clear from the findings that planning ahead for retiring executives ensures that the business will never be left without a leader. Executive transition planning allows a board to prepare a graceful and honorable exit for the incumbent while ensuring a forward looking, positive entry for the new leader. A board with a good transition plan has a strong sense of the qualities the executive should have, knows what stakeholders expect in a leader and is confident there are potential candidates in the pipeline with appropriate leadership skills and experience. Planning for a leadership transition is an ideal time for a board to review the organization's overall mission, vision, strategic plan, organizational charts and governance model. Succession planning involves developing potential successors in ways that complements their strengths, identifying the best fit mentees and concentrating resources on the talent development process (Hills, 2009). The findings of the study by Leon (2014) revealed that leader's lack of succession planning, lack of leaders to consider succession issues when making business decisions and owners not believing in the formal program of succession planning program were the factors hindering succession planning.

### 4.5.3 Grooming Selected Internal Candidates

This section of the questionnaire sought to establish the grooming of selected internal candidates in the selected family owned schools. The respondents were asked to indicate the extent to which they agreed with various factors that contribute to grooming of selected candidates using a five Likert scale of 5= strongly agree 4= agree 3= undecided 2= disagree 1= strongly disagree. The results are shown in Table 4.8 below:

**Table 4.8 Grooming Selected Internal Candidates**

No.	Grooming Selected Internal Candidates	Mean	Std. deviation
1.	There is a minimum education level or skill required to become a successor.	2.92	1.072
2.	Selected candidate makes independent decisions	2.57	1.011
3.	Candidates are given trainings from retiring managers	4.81	.935
4.	Candidates are trained out of job by experts	3.23	1.122
5.	Candidates are motivated by other family members	4.35	1.325

The results from Table 4.8 indicated that the respondents agreed to a great extent that the candidates are given trainings from retiring managers (mean=4.81, SD=0.935) and motivation of candidates by family members (mean=4.35, SD=1.325) as means of grooming selected internal candidates. The respondents moderately agree that candidates are trained out of job by experts (mean=3.23, SD=1.122), there is a minimum education level or skill required to become a successor (mean=2.92, SD=1.072) and selected candidate makes independent decisions (mean=2.57, SD=1.011) while grooming selected internal candidates.

The findings concur with Berke (2005) that as family businesses plan for a successor, it is important to groom the selected internal candidate to effectively carry out the business. The responsibility lies within people in the management and especially the retiring executives to help the selected candidate be aware of the expected challenges, how they have successfully managed to wade through and dynamics of the business. From the findings, when candidates are given

trainings from retiring managers and motivated by other family members, the organization performs well. One effective way to ensure business succession is by requesting an outgoing CEO to provide advice and training to the incoming executive. This is a key to the generational transfer of the family-business knowledge base and culture (Barach and Gantisky, 2015). The relationship is the foundation for an effective mentorship and as a means by which unique family-business knowledge can be transferred. Royer, Simons, Boyd, and Rafferty (2008) found that for a successor to achieve credibility in the eyes of family-business members, it is essential that the mission of the family business be acknowledged.

#### 4.5.4 Conflict management in swift leadership change

This section of the questionnaire sought to understand conflict management in swift leadership change within the schools. The respondents were asked to indicate the extent to which they agreed with various factors that contribute to grooming of selected candidates using a five Likert scale of 5= strongly agree 4= agree 3= undecided 2= disagree 1= strongly disagree. The results are shown in table 4.9 below:

**Table 4.9 Conflict Management in Swift Leadership Change**

No.	Conflict Management	Mean	Std. deviation
1.	There is no conflict between stakeholders on who should take over the business	4.04	1.232
2.	There is high loyalty to the family business among the family	4.18	1.177
3.	As a family, we agree with the family goals, plans and policies.	4.15	1.325
4.	Rivalry and conflict among family members is affecting our business performance	2.07	1.082
5.	There is a clear separation between the business and the family	4.36	1.011
6.	The business provides equal access to information for shareholders.	3.74	1.166
7.	Family members in the business follow the same work rules as non-family members	2.19	1.176
8.	Our business considers family business governance as a positive part of the family and business	4.48	1.211

The findings in table 4.9 shows that respondents are in agreement the schools consider family business governance as a positive part of the family and business (mean=4.48, SD=1.211), there is a clear separation between the business and the family (mean=4.36, SD=1.011), there is high

loyalty to the family business among the family (mean=4.18, SD=1.177), as a family, they agree with the family goals, plans and policies (mean=4.15, SD=1.325), there is no conflict between stakeholders on who should take over the business (mean=4.04, SD=1.232) and the business provides equal access to information for shareholders (mean=3.74, SD=1.166). The respondents agree to a low extent that family members in the business follow the same work rules as non-family members (mean=2.19, SD=1.176) and rivalry and conflict among family members is affecting their business performance (mean=2.07, SD=1.082).

According to Hatts (2009), family owned businesses do not disclose conflicts in the business succession to the public for reputation purposes. From the findings, conflicts are minimal in family owned schools in Kiambu County. Previous studies suggest that families often find it difficult to choose between siblings when allocating jobs within the family business and choosing a successor (Coutts, 2010). He cautions against the allocation of shared roles at the top which can have significant impact on the business and the family if things do not progress well. By family being in control of the business enables them to ensure their strategy is focused on protecting their people, embedding relationships and securing loyalty from clients and being flexible enough to respond to changing market conditions (Enterprise, 2015). Family members must be fully informed, involved and have access opportunities to best develop a successful succession strategy. They must be treated as equal employees in order to achieve respect from non-family members. However, they have other duties over and above executing the vision of the business.

#### 4.5.5 Performance Measures

This section of the questionnaire sought to understand performance measures of the schools. The respondents were asked to indicate the extent to which they agreed with various performance measures using a five Likert scale of 5= strongly agree 4= agree 3= undecided 2= disagree 1= strongly disagree. The results are shown in table 4.10 below:

**Table 4.10 Performance Measures**

No.	Performance Measures	Mean	Std. deviation

1.	The company has over the year's demonstrated continuous growth in profits before tax	4.87	1.074
2.	The business has increased market share	4.53	0.952
3.	There has been a continuous sales growth	4.79	0.974
4.	We have expanded the business overtime.	4.33	0.918
5.	Business has created a high degree of customer satisfaction.	4.60	0.974
6.	We have grown the family wealth.	4.28	1.054
7.	We have created job security for our employees.	4.38	0.966
8.	We have maintained our standard of living as a family.	4.15	1.104

The results in Table 4.10 above indicated that the respondents agree that the business has over the year's demonstrated continuous growth in profits before tax (mean=4.87, SD=1.074), there has been a continuous sales growth (mean=4.79, SD=0.974), business has created a high degree of customer satisfaction (mean=4.60, SD=0.974), business has increased market share (mean=4.53, SD=0.952), the business has created job security for its employees (mean=4.38, SD=0.966), the business has expanded over time (mean=4.33, SD=0.918), the family wealth has grown (mean=4.28, SD=1.054) and the standard of living as a family has been maintained (mean=4.15, SD=1.104).

The findings concur with Marisetty, Ramachandran & Jha (2008) explored the wealth effects of management succession on Indian family business groups during 1992-2006. 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. Through planning firms may develop a common knowledge of the business, and they could also increase chances of coaxing those stakeholders to upkeep each other so that all can achieve their joint goals. Succession planning in education is vital in overcoming shortfalls and strategic development. Lacey (2003) that performance of any organization is based on their ability to deal with challenges and put the business goals above family ideologies. By family being in control of the business enables them to ensure their strategy is focused on protecting their people, embedding relationships and securing

loyalty from clients and being flexible enough to respond to changing market conditions (Enterprise, 2015).

#### 4.6 Multiple Regression Results

In order to establish the relationship between the dependent and independent variables, the study conducted a multiple regression analysis. The regression analysis results were presented using regression model summary and beta coefficient tables.

The linear regression model below;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

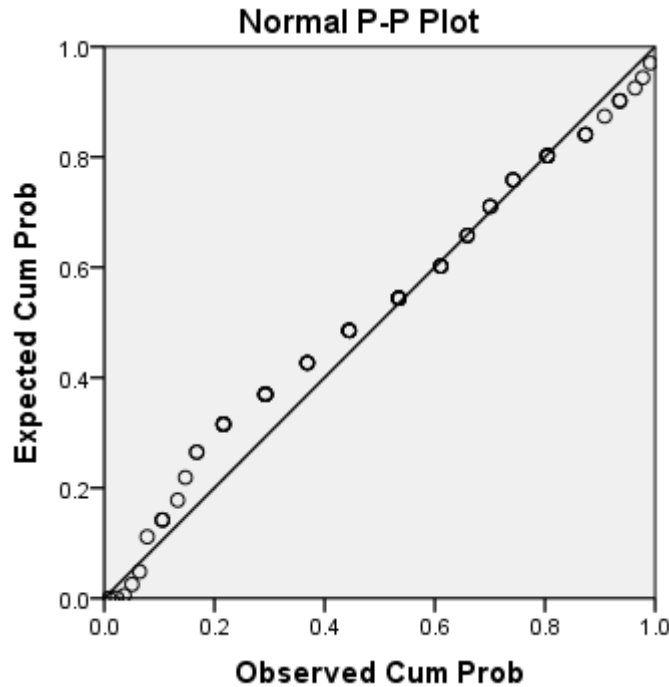
Where Y is the organizational performance,  $\beta_0$  is constant and  $\varepsilon$  is the error term of the model.

X <sub>1</sub>	=	Eliminate redundancy in management structure
X <sub>2</sub>	=	Plan ahead for retiring executives
X <sub>3</sub>	=	Grooming selected internal candidates
X <sub>4</sub>	=	Conflict management in swift leadership change

##### 4.6.1 Test of assumptions of Regression Analysis

Regression analysis can only be performed once the assumptions of normality, linearity, independence, and multicollinearity are not violated. Several tests were conducted as shown in the following subsections. A normality test was conducted to determine whether the sample data follows a normal distribution. A normal probability plot was constructed and the Kolmogorov-Smirnov (K-S) test conducted. The Normal P-P Plot of Regression Standardized Residual shows a plot of expected normal value against the actual (observed) normal value. A normally distributed data will be shown when actual values line up along the diagonal line joining the lower left to the upper right. On the other hand, the K-S test has a null hypothesis that data follows a normal distribution and an alternate hypothesis that data does not follow a normal distribution. Null hypothesis will be rejected if p-value < 0.05. Normality holds if we fail to reject null hypothesis (Abowitz & Toole, 2010).

#### Figure 4.3 Normal P-P Plot of Regression Standardized Residual



**Table 4.11 One-Sample Kolmogorov-Smirnov Test**

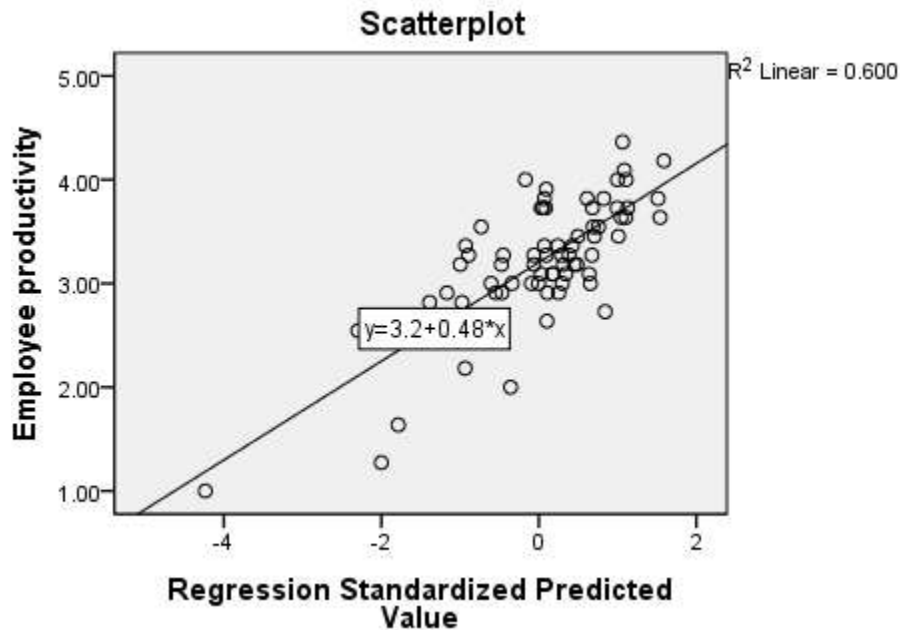
Career growth		
N		72
Normal Parameters	Mean	3.2650
	Std. Deviation	.59302
	Most Extreme Differences	
	Absolute	.074
	Positive	.052
	Negative	-.074
Test Statistic		.074
Asymp. Sig. (2-tailed)		.200

From Table 4.11,  $p\text{-value} > 0.05$  hence we fail to reject null hypothesis and we concluded that the data follows a normal distribution. Furthermore, the normal P-P plot reveals that actual values fits perfectly on the diagonal line confirming the assumption that the data has a normal distribution.

The study tested the existence of a linear relationship between the dependent variable (organizational performance) and each of the independent variables (eliminate redundancy in management structure, plan ahead for retiring executives, grooming selected internal candidates,

and conflict management in swift leadership change). Scatter plots were used in examining these relationships and the results displayed in Figures 4.4 below. The associated linear equation generated is presented.

**Figure 4.4 Scatterplot**



The associated linear equation is given below:

$$y = 3.2 + 0.48x$$

The coefficient of determination  $R^2 = 0.600$ , shows the linear model provides a relatively average fit. Moreover, a straight line in the plot above comfortably fits through the data; hence a linear relationship exists. The study established that the data set does not violate the assumption of linearity and proceeded with linear regression analysis.

The study tested the assumption that the residuals were not correlated from one observation to the next. This was critical in helping establish that the size of residuals for one case had no impact on the residuals for the next case. The Durbin-Watson statistics results are displayed in Table 4.13. The value of the Durbin-Watson statistic ranges from 0 to 4 suggests that the residuals are uncorrelated is the Durbin-Watson statistic is approximately 2. A value close to 0 indicates strong positive correlation, while a value of 4 indicates strong negative correlation. The model summary in Table 4.13 shows Durbin-Watson statistic = 2.217, which was approximate to 2 and hence the

residuals in the data set used in this showed no serial correlation. The data was therefore considered adequate for linear regression analysis.

Multicollinearity occurs when any single independent variable is highly correlated ( $r \geq 0.9$ ) with a set of other independent variables. This leads to problems with understanding which independent variable contributes to the variance explained in the dependent variable, as well as technical issues in calculating a multiple regression model. In this study, tolerance, the Variance Inflation Factor (VIF) and Pearson correlation coefficient ( $r$ ) were adopted as two collinearity diagnostic factors that could help identify multicollinearity.

Tolerance is a measure of collinearity reported as  $1-R^2$ . A small tolerance value indicates that the variable under consideration is almost a perfect linear combination of the independent variables already in the equation and that it should not be added to the regression equation. If the tolerance value is very small (less than .10) it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. The variance inflation factor (or “VIF”) provides us with a measure of how much the variance for a given regression coefficient is increased compared to if all predictors were uncorrelated (Abowitz & Toole, 2010). This means is that the extent to which the given predictor is highly correlated with the remaining predictors is the extent to which VIF will be large. Santos (1999), suggest that  $VIF = 3$  shows no multicollinearity, while  $VIF > 10$  shows multicollinearity exist.

**Table 4.12 Collinearity test with organizational performance as Dependent Variable**

Model	Collinearity Statistics		
	Tolerance	VIF	
1			
	Eliminate redundancy in management structure	.679	1.473
	Plan ahead for retiring executives	.575	1.739
	Grooming selected internal candidates	.568	1.759
	Conflict management in swift leadership change	.555	1.803

a. Dependent Variable: organizational performance

Table 4.12 shows a regression of four dependent variables: eliminate redundancy in management structure, plan ahead for retiring executives, grooming selected internal candidates, and conflict

management in swift leadership change. All the VIF values were  $< 3$  and all the tolerance values are  $\geq 0.1$ , meaning the independent variables were not highly correlated organizational performance and hence the data set did not suffer from multicollinearity.

#### 4.6.2 Model Summary

Coefficient of determination explains the extent to which changes in the dependent variable (organizational performance) can be explained by the change in the independent variables or the percentage of variation in the dependent variable that is explained by all the independent variables. From Table 4.13, the value of  $R^2$  is 0.600, which means that 60.0% of the total variance in independent variables has been explained.

**Table 4.13 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.774 <sup>a</sup>	.600	.576	.40074	2.217

a. Predictors: (Constant), eliminate redundancy in management structure, plan ahead for retiring executives, grooming selected internal candidates, and conflict management in swift leadership change

b. Dependent Variable: organizational performance

#### 4.6.3 Regression Analysis

The results in Table 4.14 reports how well the regression equation fits the data (i.e., predicts the dependent variable).

**Table 4.14 Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.112	4	4.028	25.083	.000 <sup>b</sup>
	Residual	13.524	84	.161		
	Total	29.636	88			

a. Dependent Variable: organizational performance

b. Predictors: (Constant), eliminate redundancy in management structure, plan ahead for retiring executives, grooming selected internal candidates, and conflict management in swift leadership change.

A null hypothesis states that there is no linear relationship between the variables. The F-test can be used to reject the null hypothesis of fail to reject it.  $F(4, 84) = 25.083$  and  $df = 88$ , the test is highly significant ( $p = 0.000 < 0.05$ ). Therefore, the null hypothesis is rejected, and we conclude that there is a linear relationship between the variables in our model and that the regression model is a good fit of the data.

Results presented in table 4.12 reveal that all the independent variables notably; (X<sub>1</sub>) Eliminate redundancy in management structure (X<sub>2</sub>) Plan ahead for retiring executives, (X<sub>3</sub>) Grooming selected internal candidates, and (X<sub>4</sub>) Conflict management in swift leadership change, have a significance influence on organizational performance.

#### 4.6.4 Beta Coefficients

Table 4.15 presents the results of the test of unstandardized beta coefficients which indicates the equation of the linear model.

**Table 4.15 Beta Coefficients**

Model		Unstandardized		Standardize	t	Sig.
		B	Std. Error	d		
1	(Constant)	.250	.309	Beta	.807	.422
	Eliminate redundancy in management structure	.215	.092	.219	2.339	.022
	Plan ahead for retiring executives	.319	.106	.307	3.010	.004
	Grooming selected internal candidates	.155	.106	.150	2.460	.049
	Conflict management in swift leadership change	.248	.090	.288	2.772	.007

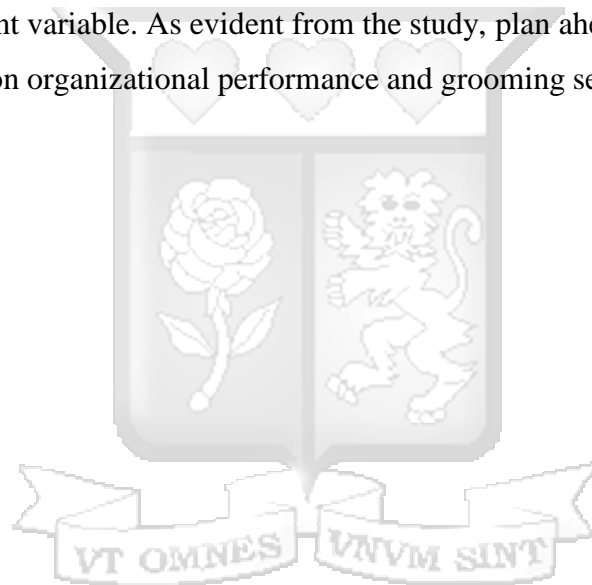
a. Dependent Variable: organizational performance

The prediction equation is  $Y = 0.250 + 0.215X_1 + 0.319X_2 + 0.155X_3 + 0.248X_4 + \varepsilon$

Eliminate redundancy in management structure, plan ahead for retiring executives, grooming selected internal candidates, and conflict management in swift leadership change have p-value of 0.022, 0.004, 0.049, and 0.007 respectively. These p-values are statistically significant at 5%

significant level. Therefore, these four independent variables have a positive influence on organizational performance. This implies that family owned businesses should concentrate more on grooming selected internal candidates (p value of 0.049), eliminate redundancy in management structure (p value of 0.022), conflict management in swift leadership change (p value of 0.007) and grooming selected internal candidates (p value of 0.004).

As presented in Table 4.15, all the coefficients are found to be positive suggesting that an increase of a unit of eliminate redundancy in management structure, plan ahead for retiring executives, grooming selected internal candidates, and conflict management in swift leadership change leads to an increase in organizational performance. The higher the coefficient values of beta, the more influential the independent variable. As evident from the study, plan ahead for retiring executives have the most influence on organizational performance and grooming selected internal candidates has the least influence.



## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This section presents a summary and discussions of the major findings. The chapter also draws conclusions, makes recommendations for improvement, and finally provides areas where further studies can be conducted.

### **5.2 Summary of Findings**

This study sought to find out the factors that influence business succession and organizational performance in selected family owned schools in Kiambu County. The study was guided by four objectives namely; to determine if elimination of redundancy in management structure influence performance of family owned schools, to establish whether grooming selected internal candidate influence performance of selected family-owned schools in Kiambu county, to identify if conflict management in swift leadership change influence performance of selected family-owned schools in Kiambu county and to find out how planning of successor influence performance of selected family-owned schools in Kiambu county. Primary and secondary sources of data were used in this study where primary sources of data were collected by use of closed ended questionnaire after a pilot test had been conducted. The collected data was analysed using SPSS to compute both descriptive and inferential statistics including frequencies, charts, regression and correlation. The results were thereafter presented in form of tables, graphs and charts.

The research received a good response rate, which contributed towards gathering of sufficient data that could be generalized to represent the opinions of respondents in the family owned schools in Kiambu on the sought study problem. In addition, the validity coefficient index of 0.82 and Cronbach was obtained therefore implying that the questionnaires were valid. Demographic information established that the majority of the respondents indicated that they were male, had attained a bachelor's degree and majority of the schools had succession planning in place. From the findings, elimination of redundancy in management structure, planning ahead for retiring executives, grooming selected internal candidate and conflict management in swift leadership change positively influence organizational performance.

All the coefficients were found to be positive, suggesting that an increase of a unit of eliminate redundancy in management structure, plan ahead for retiring executives, grooming selected internal candidates, and conflict management in swift leadership change leads to an increase in organizational performance. The higher the coefficient values of beta, the more influential the independent variable. As evident from the study, plan ahead for retiring executives have the most influence on organizational performance and grooming selected internal candidates has the least influence.

### **5.2.1 Elimination of Redundancy in Performance Structure and Performance of Family Owned Schools**

The findings on elimination of redundancy on the management structure indicate that most of the respondents to a large extent agree that the board of directors is largely responsible for vision, mission and objectives. Effective meeting procedures and the presence of formal structures also eliminate redundancy in management structures. The board of directors have a great role in steering the business in the right direction with the actions and decisions they make, guided by the structures in place. The willingness of any family members to put in extra effort and work their part out is essential in defining the direction of performance in the business. Businesses are moving towards a strategic approach that aligns the roles of each individual towards attaining the set objectives hence the importance of eliminating redundancy in the management structure.

The findings agrees with the findings of Bjursell and Bäckvall (2011), who suggested that the focus of succession planning is on leadership and other positions critical to the mission of the organization. Hills (2009), states that succession planning is a smart talent management strategy that can drive retention of talent throughout the organization and make sure that the organization has the skills it needs in place, or on hand. A proper strategic planning process and a succession plan are essential elements of family business success (Cucculelli & Micucci, 2018). Ward (2004) note that governance in a family-owned business is often focused on establishing productive, procedural engagement across the system unlike in a conventional business where governance often focus on establishing boundaries and defining the separation of decision-making powers. Formalizing a mission statement is a vital first step in order for the owners to well articulate and communicate the vision, values and culture required throughout the organization.

Improved governance structures and processes help ensure high quality decision making, encourage effective succession planning for senior management and enhance the long-term prosperity of companies, irrespective of the type of company and its sources of finance (IFC, 2010).

Based on the findings of the study, board of directors in family owned schools should be largely responsible for vision, mission and objectives, have effective meeting procedures, and formal structures to eliminate redundancy in management structures. The board of directors should lead in steering the business in the right direction with the actions and decisions they make, guided by the structures in place. The willingness of any family members to put in extra effort and work their part is essential to business performance.

### **5.2.2 Plan ahead for retiring executives and Influence on Performance of Family Owned Schools**

The findings on planning ahead for retiring executives indicate that the business has never been left without a leader, family members can be employed in the business regardless of their qualification or experience, whoever take over the business is respected by all the shareholders, a succession criterion is in place or developed for identifying the successor with efforts made to train the successor. Retiring executives have a key role to play as they determine to a great extent how the incoming leadership will take over the management of the business. The business has an obligation to avoid having leadership gaps as this can steer several unforeseen challenges and an unwanted transition in the business.

The findings of the study agreed with Craig and Moores (2005), who suggest that without proper retirement plans for executives, performance of the firm is seriously inhibited. Executive transition planning allows a board to prepare a graceful and honorable exit for the incumbent while ensuring a forward looking, positive entry for the new leader. A board with a good transition plan has a strong sense of the qualities the executive should have, knows what stakeholders expect in a leader and is confident there are potential candidates in the pipeline with appropriate leadership skills and experience. Planning for a leadership transition is an ideal time for a board to review the

organization's overall mission, vision, strategic plan, organizational charts and governance model. Succession planning involves developing potential successors in ways that complements their strengths, identifying the best fit mentees and concentrating resources on the talent development process (Hills, 2009). The findings of the study by Leon (2014) revealed that leader's lack of succession planning, lack of leaders to consider succession issues when making business decisions and owners not believing in the formal program of succession planning program were the factors hindering succession planning.

From the findings of the study, family owned schools should plan ahead for retiring executives. The schools should never be left without a leader and whoever take over the business should be respected by all the shareholders. In addition, a succession criterion should be in place or developed for identifying the successor with efforts made to train the successor. Retiring executives have a key role to play as they determine to a great extent how the incoming leadership will take over the management of the business. The business, therefore, has an obligation to avoid having leadership gaps as this can steer several unforeseen challenges and an unwanted transition in the business

### **5.2.3 Grooming of Selected Internal Candidate and Performance of Family Owned Schools**

The findings on grooming of selected internal candidates reveal that giving trainings by retiring managers and motivation by family members play a great role in defining the direction of business. Despite the idea that there is no required minimum education level or skill for one to become a successor, job experts can train the candidates as well. Grooming the selected potential successors is important in identifying the gaps in skills and experience and building interest and determination in structuring the company. Succession management is imperative for businesses and organisations in creating value and increasing competency of the successors in the long term.

The findings concur with Berke (2005) that as family businesses plan for a successor, it is important to groom the selected internal candidate to effectively carry out the business. The responsibility lies within people in the management and especially the retiring executives to help the selected candidate be aware of the expected challenges, how they have successfully managed to wade through and dynamics of the business. One effective way to to ensure business succession

is by requesting an outgoing CEO to provide advice and training to the incoming executive. This is a key to the generational transfer of the family-business knowledge base and culture (Barach and Gantisky, 2015). The relationship is the foundation for an effective mentorship and as a means by which unique family-business knowledge can be transferred (Cabrera-Suárez et al., 2016). Barach et al. (2008) found that for a successor to achieve credibility in the eyes of family-business members, it is essential that the mission of the family business be acknowledged.

From the findings of the study, grooming of selected internal candidates is important in business succession. This should be done by giving trainings from retiring managers. Motivation of candidates by family members play a significant role in defining the direction of business. In addition, job experts should train the candidates to give the necessary skills. Grooming the selected potential successors is important in identifying the gaps in skills and experience and building interest and determination in structuring the company.

#### **5.2.4 Conflict Management in Swift Leadership Change and Performance of Family Owned Schools**

The findings on conflict management in swift leadership change indicated that governance is important for family and business however there has to be a clear separation between the two to minimize conflicts and encourage collectively working towards fulfilling the set goals and objectives. Conflicts within the management, stakeholders or family members greatly affect the business operations. This can be dealt with by enhancing communication, equal access to information, loyalty to the family business, conflict resolution training and building positive work relationships. The transition of business leadership can result in conflicts if not handled well with any kind of family tensions further escalating a situation. This makes it necessary to have proper governance and leadership structures in place.

According to Hatts (2009), family owned businesses do not disclose conflicts in the business succession to the public for reputation purposes. From the findings, conflicts are minimal in family owned schools in Kiambu County. Previous studies suggest that families often find it difficult to choose between siblings when allocating jobs within the family business and choosing a successor (Coutts, 2010). He cautions against the allocation of shared roles at the top which can have

significant impact on the business and the family if things do not progress well. By family being in control of the business enables them to ensure their strategy is focused on protecting their people, embedding relationships and securing loyalty from clients and being flexible enough to respond to changing market conditions (Enterprise, 2015). Family members must be fully informed, involved and have access opportunities to best develop a successful succession strategy. They must be treated as equal employees in order to achieve respect from non-family members. However, they have other duties over and above executing the vision of the business. Therefore, conflict management in swift leadership change is crucial in business succession. Governance is important for family and business. To manage conflict, there should be a clear separation between the two to minimize conflicts and encourage collectively working towards fulfilling the set goals and objectives. Conflicts within the management, stakeholders or family members greatly affect the business operations. Family owned schools can manage conflict by enhancing communication, equal access to information, loyalty to the family business, conflict resolution training, building positive work relationships, and have proper governance and leadership structures in place.

### **5.3 Conclusion**

The study concluded that the selected family owned schools in Kiambu County have implemented succession management. The businesses are aware that succession planning is essential for any firm and positively related to the overall performance and success of the business.

The study also concluded that family owned schools in Kiambu County work towards eliminating redundancy in the management. This is achieved through the presence of the board of directors working towards steering the business in a successful direction. The schools also groom selected internal candidates through motivation and trainings by other retiring executives.

Grooming helps to prepare the successor for future activities and enhances their competency. Planning ahead for the retiring executives also pave way for grooming the selected candidate. This reduces the chances of conflicts during swift leadership change and avoids leadership gaps which could be costly. The study further concludes that succession planning has a positive and statistically significant effect on the organizational performance of family owned schools in

Kiambu County. Eliminating redundancy, plan ahead for retiring executives, grooming selected internal candidates, and conflict management in swift leadership change have a positive influence on organizational performance.

#### **5.4 Recommendations**

The study concluded that eliminating redundancy, planning ahead for retiring executives, grooming selected internal candidates and conflict management in swift leadership change were significantly affecting the performance of family owned schools in Kiambu County. The study therefore recommends that in order to improve performance of these schools, the management should consider having well established and well-defined succession plans.

#### **5.5 Limitations of the Study**

Since the period of doing research was limited, the researcher focused only on family owned schools in Kiambu County, hence the results could not be generalized to all the other 46 counties in Kenya.

The respondents were regularly very busy and therefore they required a lot of time in order to fill in the questionnaires. The challenge was overcome by giving the respondents the questionnaires early and picked them at a later date. This allowed the respondents to fill the questionnaire at their own time. In addition, respondents were reluctant to give information on financial performance, number of new students, and total number of students who have transferred.

The respondents were reluctant in providing the information sought with the fear that it could be used to paint a negative image of the schools. The respondents were assured that the information sought would be treated with high confidentiality and use only for academic purposes.

#### **5.6 Suggestions for Further Research**

The study was limited to family owned schools and never considered other variables therefore the study recommends that related study be undertaken particularly to investigate the intervening effect of variables like leadership styles and competence of successors in the schools.

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## APPENDIX I- QUESTIONNAIRE

Information collected from this questionnaire will be handled with high confidentiality and will strictly be used for academic purposes by the researcher.

### SECTION A: Demographic Information

1. What is your gender? Male  Female
2. How old are you?

Age (years)	Below 25	26-35	36-45	46-55	Above 56
Response					

3. What is your highest level of education?  
 Doctorate  Masters  Degree  Diploma  Certificate   
 Others Specify .....
4. Does your school practices succession planning Yes  No
5. Please indicate the age of your school in years. -----
6. Please indicate the number of Members in the Board that are:
  - a. Family members \_\_\_\_\_
  - b. Non-family members \_\_\_\_\_
7. Who are the owners of your school's shareholdings?
  - a. Fully owned by Family members
  - b. Both family and Non family members ownership
  - c. Non family ownership

### SECTION B: Eliminate Redundancy in Management Structure

Please indicate on the level that you agree to the following statements on eliminate redundancy in management structure in your school. The following scale will be applicable: 5= Strongly Agree 4= Agree 3= undecided 2= Disagree 1= Strongly Disagree

No.		5	4	3	2	1
1.	The family members are willing to put in a great deal of effort beyond that normally expected for its success					

2.	Ownership and control are transferred equally to all the children.					
3.	Each family members working in the family business is assigned a specific role					
4.	The board of directors has effective meeting procedures (i.e. meeting agendas are distributed in advance).					
5.	The board of Directors is responsible to the vision, mission and strategic plan.					
6.	The governance responsibilities in this business are clearly defined.					
7.	Business decisions are made using formal structures.					

b. Please indicate any other ways of eliminate redundancy in management structure in your school.....

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**SECTION C: Plan Ahead for Retiring Executives**

Please indicate on the level that you agree to the following statements on the planning ahead for retiring executives in your school. The following scale will be applicable: 5= Strongly Agree 4= Agree 3= undecided 2= Disagree 1= Strongly Disagree

No.		5	4	3	2	1
1.	The business has never been left without a leader					
	Whoever take over the business is respected by all the stockholders					
2.	A succession criterion is in place or developed for identifying the successor.					
3.	Efforts have been made to train the successor.					
4.	Family members are aware of the succession plan.					
5.	Family members can be employed in the business regardless of their qualification or experience.					

Please indicate any other ways of planning ahead for retiring executives in your school.....

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.....

**SECTION D: Grooming Selected Internal Candidates**

Please indicate on the level that you agree to the following statements on grooming selected internal candidates in your school. The following scale will be applicable: 5= Strongly Agree 4= Agree 3= undecided 2= Disagree 1= Strongly Disagree

No.		5	4	3	2	1
1.	There is a minimum education level or skill required to become a successor.					
2.	Selected candidate makes independent decisions					
3.	Candidates are given trainings from retiring managers					
4.	Candidates are trained out of job by experts					
5.	Candidates are motivated by other family members					

Please indicate any other ways of grooming selected internal candidates in your school

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**SECTION E: Conflict management in swift leadership change**

Please indicate on the level that you agree to the following statements on conflict management in swift leadership change in your school. The following scale will be applicable: 5= Strongly Agree 4= Agree 3= undecided 2= Disagree 1= Strongly Disagree

No.		5	4	3	2	1
1.	There is no conflict between stockholders on who should take over the business					
2.	There is high loyalty to the family business among the family					
3.	As a family, we agree with the family goals, plans and policies.					

4.	Rivalry and conflict among family members is affecting our business performance					
5.	There is a clear separation between the business and the family					
6.	The business provides equal access to information for shareholders.					
7.	Family members in the business follow the same work rules as non-family members					
8.	Our business considers family business governance as a positive part of the family and business					

Please indicate any other ways of on conflict management in swift leadership change in your school.....

.....

**SECTION E: Performance Measures**

Please indicate on the level that you agree to the following statements. The following scale will be applicable: 5= Strongly Agree 4= Agree 3= undecided 2= Disagree 1= Strongly Disagree

No.		5	4	3	2	1
1.	The company has over the year’s demonstrated continuous growth in profits before tax					
2.	The business has increased market share					
3.	There has been a continuous sales growth					
4.	We have expanded the business overtime.					
5.	Business has created a high degree of customer satisfaction.					
6.	We have grown the family wealth.					
7.	We have created job security for our employees.					
8.	We have maintained our standard of living as a family.					

Please indicate any other effect of succession planning on performance of your school

.....

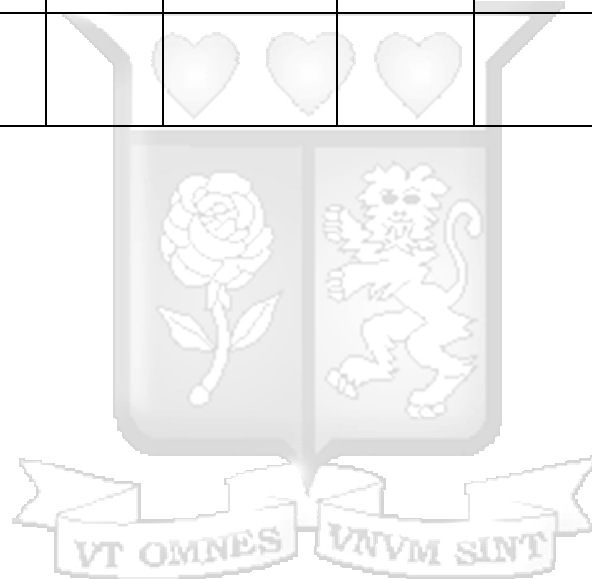
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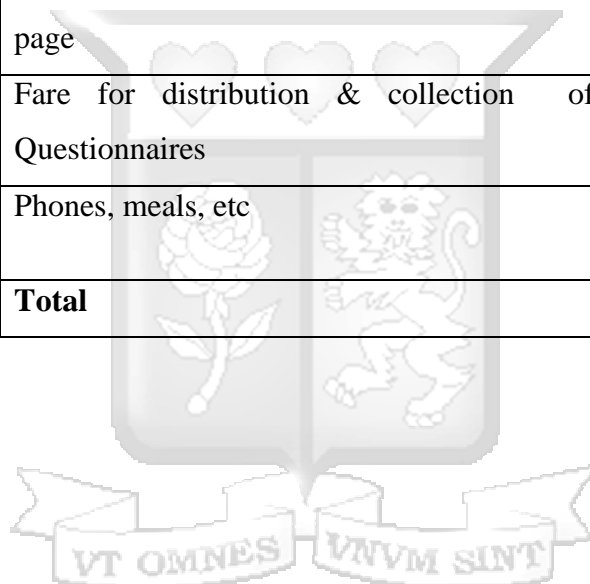
## APPENDIX II: WORK PLAN

Activity	August 2019	Sept – Nov 2019	Nov 2019	Dec 2019	Jan – Feb 2020	March 2020
Problem identification						
Proposal writing						
Questionnaire formulation						
Testing						
Data analysis						
Final report						



### APPENDIX III: BUDGET ESTIMATE FOR THE PROJECT

Item description	Quantity/cost per item (Kshs)	Total Cost Ksh
1. Stationery	2 rims of foolscap @ 500 each	1,000
	2 biro packets @ 200 each	1,000
	2 printer cartridges @ 2000 each	8,000
	5 notebooks @ 200 each	1,000
2. Proposal writing and research	Internet research	6,000
	Fare	4,000
	Binding and photocopies 300 pages @ 4 per page	1,000
	Fare for distribution & collection of Questionnaires	5,000
3. Miscellaneous	Phones, meals, etc	4,000
	<b>Total</b>	<b>26,000</b>



### **Completion of Online Research Ethics Review Submission**

You have successfully submitted your application for ethics review "BUSINESS SUCCESSION AND ORGANIZATIONAL PERFORMANCE: A CASE STUDY OF SELECTED FAMILY-OWNED SCHOOLS IN KIAMBU COUNTY"

**Certificate awarded to:** Ms WAMBUGU, MELISA

**Reference number:** SU-IERC0646/20

**Date and Time:** 2020-01-31 12:02:19

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