THE EFFECT OF SUCCESSION PLANNING CHALLENGES ON THE PERFORMANCE OF FAMILY-OWNED SUPERMARKETS IN NAIROBI, KENYA

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DECLARATION

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

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LIST OF ACRONYMS

CEO: Chief Executive Officer

FoS: Family-owned Supermarkets

GDP: Gross Domestic Product

NACOSTI: National Commission for Science, Technology, and Innovation

NSE: Nairobi Securities Exchange

PWC: Price Waterhouse Coopers

ROE: Return on Equity

ROI: Return on Investment

SU-ISERC: Strathmore University Institutional Scientific Ethics Review Committee

ABSTRACT

Succession planning remains a major challenge affecting the continuity and performance of family-owned supermarkets globally. Studies show that only about 30% of family businesses survive into the second generation and less than 16% survive into the third generation due to ineffective succession processes. This research examined how succession planning challenges influence the organizational performance of family-owned supermarkets in Nairobi County. Specifically, the study evaluated the effects of legal, financial, and interpersonal challenges on organizational performance during succession planning. The investigation was anchored on Trait Theory and Path–Goal Theory and employed a positivist research philosophy with a descriptive cross-sectional design. Data were collected from all 47 registered family-owned supermarkets in Nairobi County through a census approach, with one manager representing each firm. Questionnaires served as the primary data collection instrument, and collected data were cleaned and analyzed using quantitative techniques, including descriptive statistics and multiple linear regression analysis. Findings revealed that legal challenges, financial constraints, and interpersonal conflicts significantly hinder effective succession processes. Correlation results indicated strong and statistically significant negative relationships between each of the succession planning challenges and organizational performance. Regression analysis further confirmed that legal, financial, and interpersonal challenges exert a significant negative effect on the performance of family-owned supermarkets. Based on these findings, the research concludes that unresolved succession planning challenges substantially undermine organizational performance in family-owned enterprises in Nairobi County. It is therefore recommended that succession laws be strengthened and the adoption of documented succession plans be mandated to minimize legal disputes and promote business continuity.

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Succession planning is a critical determinant of the continuity, sustainability, and performance of family-owned businesses worldwide (Stamam & George, 2023). Despite its importance in ensuring smooth leadership transitions across generations, many family businesses continue to experience significant succession-related challenges, leading to organizational instability and business failure (Umans et al., 2023). In Kenya, family-owned supermarkets have particularly faced difficulties associated with leadership succession, as evidenced by the collapse of prominent retail chains such as Nakumatt and Tuskys (Wambu, 2021 ; Mwai et al., 2018).

Existing literature identifies legal challenges, financial challenges, and interpersonal challenges as some of the most influential factors affecting succession planning and organizational performance in family enterprises (Kaibung'a et al., 2022). Given the economic significance of family-owned supermarkets in Nairobi County, understanding how these succession planning challenges influence organizational performance is essential. The background of this study is organized into three sections: succession planning challenges, organizational performance, and family-owned supermarkets in Nairobi County, Kenya.

1.1.1 Succession Planning Challenges

Succession planning remains one of the greatest challenges affecting the continuity and long-term sustainability of organizations globally, particularly family-owned supermarkets (FoS). Although succession planning is intended to ensure smooth leadership transition from one generation to another, many organizations fail to institutionalize effective succession mechanisms. Studies indicate that only about 30% of family businesses survive into the second generation, while less than 16% survive into the third generation due to succession-related difficulties (Hunter, 2020). These challenges affect both developed and developing economies and often undermine organizational performance, continuity, and competitiveness.

Literature shows that succession planning challenges are multidimensional and include leadership development challenges, governance challenges, legal challenges, financial challenges, interpersonal conflicts, cultural barriers, and resistance to change. According to Parkes (2020), many organizations fail to prepare future leaders adequately, resulting in leadership gaps and operational uncertainty during transitions. Similarly, PwC (2022) reports that most corporations lack formal succession frameworks, exposing organizations to instability whenever senior executives retire or exit unexpectedly.

Governance-related challenges have also been widely documented in succession planning literature. In many family businesses, founders tend to centralize decision-making authority and fail to establish formal governance systems that guide succession processes (Jumawan, 2023). This creates ambiguity regarding leadership roles, accountability, and ownership transfer. In the UK, Family Business UK (2021) found that only a small proportion of family businesses possess formal succession plans, making leadership transition highly uncertain. Weak governance systems often lead to poor strategic continuity and organizational decline.

Leadership development challenges further complicate succession planning. In China, Li et al. (2020) observed that many organizations struggle to prepare competent successors because of overreliance on founder leadership and limited investment in leadership development programs. Cultural practices emphasizing seniority over innovation further limit the grooming of future leaders. Similarly, Sternfels et al. (2024) emphasize the need for organizations to adopt continuous leadership development approaches to ensure a ready pipeline of capable successors.

In addition, cultural and psychological barriers affect succession planning processes. Founders in many family businesses are often reluctant to relinquish control due to emotional attachment to the business, fear of losing influence, and lack of trust in successors (Orole, 2020). Resistance to change among family members and employees may also create tensions during leadership transitions, making succession implementation difficult.

In Kenya, three businesses out of every five fails within their initial three years owing to poor succession planning (GoK, 2017). Most of the firms quoted on the Nairobi Securities Exchange (NSE) do have governance structures with succession planning committees that guarantee that succession is taken care of with the utmost attention. Succession planning in these firms may involve succession planning for staff members within the firm or external talent acquisition. Disclose succession planning policy publicly, as this is taken as a criterion of good corporate governance that contributes further to confidence by investors (Rono, 2018).

Nevertheless, despite such interventions, succession planning remains a bane for the majority of Kenyan businesses, particularly among family firms and small enterprises. Businesses in Kenya face succession planning challenges in terms of financial and interpersonal challenges (Wambu, 2021). Financial challenges are primarily experienced during leadership transitions owing to the substantial costs incurred, including tax implications, legal fees, and successor training expenses (Silva et al., 2021). Interpersonal clashes among family members also have a tendency to complicate the process further, such as in organizations like Tuskys Supermarket and Nyaga Stock Brokers, where interpersonal conflict from within overpowered the transition process and, as such, the closing of the concerned businesses followed (Wambu, 2021; Kaibung'a et al., 2022).

The current study specifically focused on legal challenges, financial challenges, and interpersonal challenges because these factors directly affect both the succession process and organizational performance in family-owned supermarkets. Unlike other succession planning challenges such as cultural resistance or leadership development, these three challenges have immediate implications on ownership stability, financial sustainability, and relational cohesion within family firms (Abdille, 2013). Furthermore, previous studies consistently identify these challenges as the leading causes of succession failure and business collapse in family enterprises, particularly in developing economies such as Kenya (Kaibung'a et al., 2022; Wambu, 2021). Therefore, examining these challenges provides a strong basis for understanding how succession planning influences organizational performance among family businesses.

Legal Challenges are as a result of the absence of a well-organized succession plan most often creates a "leadership vacuum" whereby companies find themselves running in uncertainty about who is in charge or who is authorized to make strategic choices (Kathuria et al. 2023). Such uncertainty can severely impact the daily functioning of the business, decision-making, and long-term strategic direction, especially in changing markets where bold leadership is needed to spur growth and survival (Damer, 2020). A good example is the family businesses like Nyaga stock brokers and discount securities which went through liquidation due to absence of a well-organized succession plan in their transition process (Kaibung'a et al., 2022).

According to Rono (2018) establishing formal legal structures for succession planning in family businesses in Kenya. This includes governance frameworks and leadership development programs which significantly improve the performance of these businesses. By fostering legal frameworks, FoS can ensure smooth leadership transitions and long-term sustainability (Kechli, 2023). In this study, legal challenges are operationalized using two key indicators: lack of formal legal structures for inheritance and legal disputes. The lack of formal legal structures captures the absence of documented succession plans, governance frameworks, wills, and clear leadership transition mechanisms, which prior studies associate with leadership vacuums and decision-making uncertainty (Kathuria et al., 2023; Rono, 2018; Jumawan, 2023).

Legal disputes measure the frequency and intensity of succession-related litigation and inheritance conflicts, which divert managerial attention, increase operational costs, and disrupt strategic continuity (Harilal, 2021). Evidence from Kenya shows that unresolved family legal battles significantly undermined performance family businesses (Kaibung'a et al., 2022). These indicators were adopted because they directly reflect the legal stability necessary for smooth succession.

Financial challenges are also a core concern in succession planning for family businesses. In Kenya, the founder's syndrome a situation where the business remains heavily dependent on the founder compromises the business's ability to generate sustainable revenue after the founder retires. This challenge is especially significant when successors lack the financial acumen to manage the business efficiently a good example is the (Kihugwa, 2020). One of the most excellent examples of Kenya's family businesses that have faced financial challenges after succession is Nakumatt Supermarkets. It was started in 1987 by Atul Shah's father and by the time Nakumatt went under it was one of the biggest supermarket chains in East Africa with outlets in Kenya, Uganda, Tanzania and Rwanda (Mwai et al. 2018).

However, during the succession to the next generation, Nakumatt was closed due to numerous financial challenges that included expansions, high debts and poor disclosure of its financial statements hence leading to its closure (Wambu, 2021). As the business grew rapidly under the second-generation management, Nakumatt committed a lot of capital to the acquisition of new stores and outlets although it failed in its ability to repay the debts borrowed to finance it and equally failed in supplier management (Mwai et al. 2018). In this study, financial challenges are operationalized through financial mismanagement, insufficient financial resources, and high levels of debt, as these indicators capture the financial vulnerability of family firms during succession. Financial mismanagement reflects weaknesses in budgeting, financial controls, disclosure, and investment decisions under successor leadership (Umans et al., 2023).

Insufficient financial resources measure the adequacy of liquidity and working capital needed to absorb succession-related costs such as taxation, training, and restructuring (Silva et al., 2021). High levels of debt assess the firm's leverage and debt-servicing burden, which constrain strategic flexibility and increase failure risk when successors lack financial expertise. The experience of Nakumatt Supermarkets illustrates how poor financial controls, aggressive expansion, and excessive borrowing during generational transition significantly eroded organizational performance and led to business collapse (Mwai et al., 2018; Kihugwa, 2020).

These indicators were therefore adopted as reliable measures of financial challenges in family businesses.

Interpersonal challenges make succession in family businesses more challenging because relationships within such a business are also familial. Hunter (2020) notes that in a situation where family members come into power as successors instead of professionals, the inevitable clash will happen due to poor management. These interpersonal problems are worse when there is a conflict of interest among the various members of the family, thus they struggle for power over the business and hence business vibrations. Kenya is not an exception to interpersonal challenges faced by FoS in during the implementation of succession planning (Orole, 2020).

Tuskys, once one of Kenya's largest retail chains, collapsed due to interpersonal conflicts among the family members who inherited the business. Founded by Joram Kamau, the supermarket chain was left to his five sons after his death. Eventually, these internal conflicts undermined the business's stability, resulting in Tuskys' closure and bankruptcy in 2020 (Wambu, 2021). In this study, interpersonal challenges are operationalized using interpersonal conflicts, power struggles, lack of effective communication, and distrust among family members, as these indicators capture the relational dynamics that shape succession outcomes in family firms. Interpersonal conflicts and power struggles measure the extent of rivalry and competition for control, which often lead to fragmented leadership and poor strategic decision-making (Hunter, 2020).

Lack of effective communication assesses clarity and openness in discussing succession roles and expectations, while distrust captures the absence of confidence and perceived fairness among family members, both of which intensify conflict and weaken coordination (Orole, 2020). Empirical evidence from cases such as family disputes within L'Oréal, the division of Reliance Group, and the collapse of Tuskys Supermarket demonstrates that unresolved interpersonal tensions during succession significantly undermine organizational stability (Singh & Goodrich, 2006; Sancton, 2018; Wambu, 2021). These indicators were adopted because they comprehensively explain how interpersonal challenges undermine succession planning.

1.1.2 Organizational Performance

Organizational performance refers to the extent to which a firm effectively and efficiently achieves its strategic objectives over a given period (Chang, 2020). It is a multidimensional construct that has been widely conceptualized in management and organizational studies using both financial and non-financial indicators. However, scholars differ in how performance should be measured depending on context, sector, and level of analysis. For instance, Conţu (2020) and Bolton et al.,(2024) conceptualize organizational performance as comprising financial performance, operational performance, and organizational effectiveness, emphasizing that no single indicator fully captures firm success.

Financial performance remains the most commonly used dimension in organizational studies because it reflects the economic viability of a firm. Key financial indicators include profitability, revenue growth, return on assets (ROA), return on equity (ROE), and cost efficiency (Taouab & Issor, 2019). Profitability, for example, reflects a firm's ability to generate returns from its resources, while revenue growth indicates market expansion and business scalability.

In the context of leadership transitions, Shrivastava (2018) argues that effective succession planning contributes to financial stability by ensuring continuity in strategic decision-making and minimizing disruptions in operations. Similarly, Shah (2019) notes that firms with well-managed leadership transitions are more likely to sustain revenue growth due to improved strategic alignment and investor confidence.

In addition to financial indicators, non-financial measures are increasingly recognized as critical predictors of long-term organizational sustainability. These include market share, employee satisfaction, customer satisfaction, innovation capacity, and organizational stability (Baruah & Panda, 2020). Market share reflects a firm's competitiveness and ability to maintain or expand its position within the industry. Employee satisfaction, on the other hand, is associated with productivity, retention, and organizational commitment. Literature suggests that leadership continuity through effective succession planning enhances organizational culture and employee morale by reducing uncertainty during transitions (Baruah & Panda, 2020).

The operationalization of organizational performance in this study is informed by the multidimensional frameworks of Taouab & Issor (2019) and Baruah & Panda (2020), which emphasize the integration of both financial and non-financial indicators to capture firm performance comprehensively. Based on these established frameworks and their adaptation in family business research, this study operationalizes organizational performance using four key indicators: Profitability, Revenue growth, Market share and Employee satisfaction

These indicators were selected because they collectively capture both economic and organizational outcomes relevant to family-owned supermarkets in Nairobi, Kenya. Profitability and revenue growth represent financial sustainability, while market share reflects competitive positioning within the retail sector. Employee satisfaction was included as a non-financial indicator because family business succession often affects workforce morale, leadership trust, and organizational culture, which are critical for continuity (Baruah & Panda, 2020).

The selection of these indicators is justified on three grounds. First, they align with widely accepted performance measurement frameworks in management literature (Conţu, 2020). Second, they are particularly relevant to small and medium-sized family-owned enterprises, where financial survival and workforce stability are closely linked to leadership continuity. Third, these indicators are practical and observable within the Kenyan business context, especially in family-owned firms where access to detailed financial or market analytics may be limited (Bolton et al., 2024). Therefore, by combining financial and non-financial indicators, this study provides a balanced and contextually relevant measure of organizational performance in assessing the effects of succession planning challenges among family-owned supermarkets in Nairobi, Kenya.

1.1.3 Family-owned Supermarkets in Nairobi County, Kenya

Family businesses play a vital role in the Kenyan economy because they are an important source of job creation, economic development, and innovation (Kagiri, 2019). They represent a wide range in Nairobi County, from small-scale operations such as vendors of vegetables to more established businesses in retail, manufacturing, real estate, and services (Kihugwa, 2020). However, despite being very crucial to the economy, family businesses are beset with numerous challenges, particularly succession planning, which affects their long-term sustainability and performance directly.

The Retail Authority of Kenya (2024) cites that there exist 47 supermarkets owned by families that are operational in Nairobi. These small-scale and bigger supermarkets form part of the retail business in the county. They are governed by the Kenya Association of Manufacturers (KAM) and the Retail Trade Association of Kenya (RETRAK), which exercise control and demand better business practices in the retail sector. However, despite the regulatory environment, some family-owned supermarkets in Nairobi fail to effectively manage the succession of leadership because of inadequate succession planning.

Family businesses in Nairobi are faced with a myriad of challenges. The Government of Kenya (2020) reports that roughly three out of five family enterprises in the country fail within the first three years of operation due mainly to a lack of proper succession planning. One of the key reasons behind such failures is the difficulty in successfully passing the leadership from one generation to another. For example, mega family-owned stores in Nairobi such as Nakumatt and Tuskys, which were once retail giants, struggled during times of leadership transitions. Nakumatt, once the largest retail chain in East Africa, collapsed largely due to financial mismanagement and a lack of coming up with a clear succession plan (Mwai et al., 2018). Similarly, Tuskys also fell victim to family internal conflicts, power struggles, and poor strategic succession planning, thus resulting in its closure (Wambu, 2021).

In Nairobi, succession issues are further aggravated by financial problems and interpersonal issues. Economically, many family-owned supermarkets in Nairobi encounter enormous leadership transition costs, e.g., tax, which they must pay, plus their lawyers' fee and paying off the inherited debts (Kaibung'a et al., 2022). Nakumatt's second-generation management fostered aggressive expansion was fueled by unviable debt that ended up leading to its financial collapse (Mwai et al., 2018). In the interpersonal aspect, conflicts among family members, power struggles, and mistrust were major hindrances in effective succession plan implementation. Tuskys' collapse is a testament to how in-group conflicts have the potential to destabilize a company, even leading to collapse (Wambu, 2021). Therefore, this study targeted the 47 family-owned supermarkets that are situated in Nairobi according to the Retail Authority of Kenya (2024) in researching the effect of succession planning challenges on their organizational performance.

1.2 Problem Statement

Succession planning remains a major challenge affecting the continuity and performance of family-owned supermarkets (FoS) globally. Studies show that only about 30% of family businesses survive into the second generation and less than 16% survive into the third generation due to ineffective succession processes (Hunter, 2020). Similarly, PwC (2023) reports that only 13% of CEOs in large organizations have formally identified successors, demonstrating widespread weaknesses in leadership transition preparedness. These findings suggest that inadequate succession planning continues to threaten organizational sustainability and long-term performance across different economies.

Regionally, succession planning challenges are particularly pronounced in African family businesses due to weak governance systems, legal complexities, financial instability, and interpersonal family conflicts. In South Africa, studies by Kiwia et al. (2020), Harilal (2021), and Magasi (2020) found that unclear inheritance structures, poorly formalized succession plans, and family disputes frequently disrupt leadership transitions and negatively affect business continuity. These challenges are comparable to those experienced in Kenya, where family-owned supermarkets form a significant part of the economy but continue to experience high failure rates associated with poor succession planning.

In Kenya, family businesses contribute substantially to employment creation and economic growth, yet many struggle to survive beyond the founder generation. The Government of Kenya (2020) reports that three out of every five family businesses fail within the first few years, with poor succession planning identified as a major contributing factor. Cases such as Tuskys Supermarket, Nakumatt Supermarkets, and Nyaga Stockbrokers illustrate how legal disputes, financial mismanagement, and interpersonal conflicts during succession transitions can destabilize businesses and contribute to organizational collapse (Wambu, 2021; Kaibung'a et al., 2022; Mwai et al., 2018).

Despite growing literature on succession planning, several gaps remain. Contextually, most existing studies have focused on developed economies or broad African contexts, with limited attention given to family-owned supermarkets operating in Nairobi County, which represents Kenya's major commercial hub (Kagiri, 2019; Rono, 2018). Consequently, there is inadequate context-specific evidence on how succession planning challenges affect organizational performance within Kenyan family businesses. Conceptually, previous studies have largely examined succession planning as a general management practice without sufficiently isolating the specific influence of legal, financial, and interpersonal challenges on organizational performance during leadership transition (Jumawan, 2023; Kechli, 2023). Yet these dimensions appear central in explaining succession failures among family businesses in Kenya.

Methodologically, most existing studies on succession planning in family businesses have predominantly applied qualitative approaches such as case studies and interviews (Sternfels et al., 2024; Umans et al., 2023; Siambi, 2022). While qualitative methods provide rich descriptive insights into succession experiences, they offer limited ability to statistically establish the magnitude and direction of relationships between succession planning challenges and organizational performance. In particular, few studies have quantitatively examined how legal, financial, and interpersonal challenges influence measurable organizational outcomes such as profitability, revenue growth, market share, and employee satisfaction among family-owned supermarkets in Kenya. This creates a need for empirical studies using quantitative approaches capable of generating measurable and generalizable evidence.

Empirically, limited studies have simultaneously examined the combined effect of legal, financial, and interpersonal succession challenges on the organizational performance of family-owned supermarkets in Nairobi County. Existing studies have tended to focus on isolated succession practices or governance structures without directly linking these specific challenges to organizational performance outcomes (Rono, 2018; Kaibung'a et al., 2022). Therefore, this study sought to examine the effect of legal, financial, and interpersonal succession planning challenges on the organizational performance of family-owned supermarkets in Nairobi County, Kenya. By addressing the identified contextual, conceptual, methodological, and empirical gaps, the study contributes to theory, policy, and practice by providing evidence-based insights for improving succession planning and enhancing the sustainability of family-owned supermarkets in Kenya.

1.3 Objective of the Study

1.3.1 Broader Objective

To determine the effect of succession planning challenges on the performance of family-owned supermarkets in Nairobi, Kenya.

1.3.2 Specific Objectives

The following specific objectives guided this study:

i. To determine the effect of legal challenges on the organizational performance of family-owned supermarkets in Nairobi County.
ii. To determine the effect of financial challenges on the organizational performance of family-owned supermarkets in Nairobi County.
iii. To establish the effect of interpersonal challenges on the organizational performance of family-owned supermarkets in Nairobi County.

1.4 Research Questions

The following are the research questions of this study:

i. What is the effect of legal challenges on the organizational performance of family-owned supermarkets in Nairobi County?
ii. What is the effect of financial challenges on the organizational performance of family-owned supermarkets in Nairobi County?

iii. What is the effect of interpersonal challenges on the organizational performance of family-owned supermarkets in Nairobi County?

1.5 Scope of the Study

At the conceptual level, the study responded to three primary problems related to succession planning that normally hinder effective succession and threaten long-term stability (Chalhoub, 2023). It discussed the effect of legal, financial, and relationship problems on the organizational performance of family businesses.

On the scope of context, the study was conducted in Nairobi County, Kenya. Because Nairobi has the highest number of family-owned supermarkets in Kenya. The target population was restricted to 47 family-owned supermarkets that are working in Nairobi. The study used a census approach because the population under study is small (Creswell & Creswell, 2018). Analysis unit was a single manager of each of the 47 Nairobi family-owned supermarkets thus a total of 47 respondents. A quantitative approach was employed by the research. Descriptive analysis and inferential statistics by conducting application of a multiple linear regression model was conducted using the latest version of Statistical Package for Social Sciences (SPSS V28).

1.6 Significance of the Study

The results guide the Kenya Association of Manufacturers (KAM) and the Retail Trade Association of Kenya (RETRAK), in the development of policies to fund family-owned supermarkets and ensure the provision of employment within family-owned supermarkets. This includes provisions of tax incentives where a business undertakes succession planning, or educational sessions of trainers to the business owners on succession planning measures.

The KAM and RETRAK used this study findings to come up with regulations that would help to address challenges of success planning. It is also useful for uncovering ways to enhance legal policies of conflict regulation concerning the continuation of the enterprises. This helped in the promotion of stability in family-owned supermarkets and hence long-term business. The research supplemented the existing literature on the effect of challenges of succession planning, and more specifically, the limited literature on the topic within the emerging economy and family businesses. It looked at ways in which these business enterprises are operated and the difficulties and possibilities encountered in Nairobi County. The research enhanced understanding of succession planning and organizational performance concepts by comparing them within the Kenyan FoS setting, based on the activity available in the literature.

The implication of the research therefore is that business owners and managers of family-owned supermarkets benefited from the findings in establishing strategies that were implemented towards developing good management strategies to address the challenges of succession planning for their supermarkets. It enhanced the penetration of sustainable competitive advantages that benefit their supermarkets in the long run. Lastly, the findings of this study contributed to business continuity and, therefore, have a positive impact on various industry stakeholders such as the employees, clients, suppliers, and the general economy (Muadinohamba, 2023).

1.7 Chapter Summary

This chapter presented a general overview of the study, summarizing its major components and setting the stage for the next chapters. It begins with the study background, which provides context for the research. The chapter further indicated the problem statement. Objectives and questions of research are described to well delineate the scope and boundary of the study and guide the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed literature relevant to succession planning challenges and their effect on the organizational performance of family-owned supermarkets in Nairobi County. It begins with the theoretical foundation, guided by Trait Theory and Path-Goal Theory, which explain how leadership traits and behaviours shape the management of legal, financial, and interpersonal challenges during succession. The chapter then presents empirical studies from global, regional, and local contexts. A summary of the reviewed gaps is provided in a table, followed by the study's conceptual framework illustrating the relationship between the variables. The chapter concludes with the operationalization of variables.

2.2 Theoretical Foundation

The Path-Goal Theory the anchor theory that guides this research in explaining the independent variables of the study in the process of succession in family businesses. While Trait Theory is the supporting theory and it explained the dependent variable. This theoretical review was guided by the research objectives.

2.2.1 Path-Goal Theory

Path-Goal Theory was developed by House in the year 1971 to explain how leaders motivate and guide followers toward achieving organizational goals by clarifying paths, removing obstacles, and providing the support necessary for task accomplishment (Hirt, 2023). The theory proposes that leaders influence organizational outcomes through directive, supportive, participative, and achievement-oriented leadership behaviors depending on the prevailing situation (Bans-Akutey, 2021).

Although the theory was originally developed within leader–subordinate motivational contexts, its relevance to this study lies in its emphasis on leadership responsibility during periods of organizational uncertainty and transition (Khan, 2013). Succession planning in family-owned supermarkets involves leadership processes that require coordination, communication, conflict management, and strategic decision-making, particularly where legal, financial, and interpersonal challenges exist (Hirt, 2023).

The theory is therefore not applied in this study to explain inheritance laws or institutional legal systems directly, but rather to explain how leadership behavior and decision-making influence the management of succession-related challenges (Bans-Akutey, 2021). In family businesses, leaders and successors are expected to provide direction, reduce uncertainty, manage conflicts, and facilitate continuity during succession transitions. Path-Goal Theory provides a useful framework for understanding how leadership actions may minimize the negative effects of succession planning challenges on organizational performance (Hirt, 2023).

The theory particularly supports the study's independent variables in several ways. First, regarding legal challenges, leadership plays an important role in clarifying succession procedures, facilitating communication among stakeholders, and ensuring compliance with governance and legal requirements during transition. Second, in relation to financial challenges, leaders are expected to provide strategic direction in managing transition costs, debt obligations, and resource allocation to sustain organizational performance. Third, concerning interpersonal challenges, the theory explains how supportive and participative leadership behaviors can reduce family conflicts, improve communication, and strengthen trust during succession processes (Dare & Saleem, 2022).

The theory is also relevant because succession planning in family-owned supermarkets is highly dependent on leadership guidance and the ability of successors to navigate uncertainty and organizational obstacles (Bans-Akutey, 2021). Effective leadership during succession can therefore influence organizational outcomes such as profitability, employee satisfaction, and business continuity (Conţu, 2020).

However, Path-Goal Theory has limitations in explaining broader structural and institutional issues affecting succession planning. The theory primarily focuses on leadership behavior and may not fully account for external legal systems, organizational culture, or ownership structures influencing family business succession (Dare & Saleem, 2022). Nevertheless, the theory remains useful in explaining the leadership processes through which succession challenges are managed within organizations.

2.2.2 Trait Theory

Trait theory was developed by Stogdill in the 1948. Trait Theory proposes that effective leadership is associated with certain personal characteristics and attributes such as decisiveness, integrity, intelligence, confidence, and interpersonal competence (Northouse, 2018). The theory suggests that these leadership qualities influence a leader's ability to guide organizations toward desired outcomes.

In this study, Trait Theory is not applied to measure leadership traits as independent variables. Rather, the theory provides a supporting explanation of how the capabilities and personal attributes of successors may influence organizational performance during succession transitions in family-owned supermarkets (Matthews, 2018). Succession planning involves identifying and preparing individuals capable of sustaining organizational continuity, managing family relationships, and maintaining organizational performance after leadership transition.

The theory is therefore relevant because organizational performance in family-owned supermarkets is often influenced by the competence, decision-making ability, and interpersonal skills of successors. Leadership attributes such as conflict management ability, communication skills, adaptability, and financial judgment become particularly important during succession periods characterized by legal disputes, financial uncertainty, and interpersonal tensions (Stogdill, 1974).

Trait Theory supports the dependent variable of this study by explaining how leadership effectiveness during succession transitions may influence organizational outcomes such as profitability, revenue growth, market share, and employee satisfaction (Barton, 2022). In family businesses, ineffective leadership during succession may contribute to poor strategic decisions, organizational instability, and reduced employee confidence, ultimately affecting performance (Khan, 2013).

The theory further complements Path-Goal Theory by emphasizing that while leaders may adopt different leadership behaviors depending on situations, certain personal leadership qualities remain important in influencing how succession challenges are handled (Bans-Akutey, 2021). Thus, the theory helps explain why some family businesses successfully navigate succession challenges while others experience decline despite operating under similar external conditions.

However, Trait Theory has limitations because it assumes that leadership effectiveness is primarily determined by inherent personal qualities and pays less attention to contextual and environmental factors (Northouse, 2018). Additionally, the theory does not fully explain how organizational systems, governance structures, and external economic conditions influence succession outcomes (DeYoung, 2017). Despite these limitations, the theory remains relevant in explaining the role of successor capability and leadership effectiveness in shaping organizational performance during succession transitions.

2.3 Empirical Literature Review

This section reviews prior studies on the study variables using a funnel approach, synthesizing existing empirical evidence to identify key research gaps. It demonstrates how the study addressed these gaps and extends knowledge in the field.

2.3.1 Legal Challenges and Organizational Performance

Legal challenges refer to difficulties arising from the absence of well-structured succession plans, governance frameworks, and formal legal procedures, which often create leadership uncertainty regarding who has the authority to make strategic and operational decisions within the organization (Kathuria et al., 2023).

Empirical studies across different contexts consistently show that weak legal and governance structures significantly hinder succession processes in family-owned supermarkets. For example, Kathuria et al. (2023) conducted a qualitative comparative study of family businesses in India and Brazil using case study analysis and secondary data, and found that the absence of formal inheritance and governance structures led to prolonged legal disputes that delayed succession and reduced competitiveness. Similarly, Harilal (2021) conducted a South African qualitative study on black-owned family businesses using interviews and documentary analysis, and found that inheritance-related disputes and informal governance structures disrupted succession processes. However, this study focused narrowly on gendered succession issues, limiting its broader applicability to all family businesses.

In a Kenyan context, Kaibung'a et al. (2022) carried out a quantitative study on Kenyan medium-sized family businesses using survey data and regression analysis, and established that legal disputes arising from the overlap of family and business roles often lead to liquidation and business instability. Unlike the studies conducted in India, Brazil, and South Africa, the Kenyan evidence highlights more direct firm-level consequences of unresolved legal conflicts, particularly within emerging economies characterized by weaker formal governance systems.

A clear pattern across these studies is that regardless of geographical context or methodology, legal ambiguity and weak governance structures consistently undermine succession planning effectiveness. However, important differences exist. International studies (Kathuria et al., 2023; Harilal, 2021) tend to rely on qualitative, case-based approaches emphasizing descriptive explanations, while the Kenyan study (Kaibung'a et al., 2022) introduces a more quantitative perspective but is limited to selected counties rather than urban commercial hubs such as Nairobi.

2.3.2 Financial Challenges and Organizational Performance

Financial challenges refer to difficulties that arise during succession planning due to financial dependency on the founder, inadequate financial management skills among successors, limited financial resources, and the inability of the business to sustain stable revenue and operations after leadership transition (Kihugwa, 2020).

Empirical evidence across different contexts shows that financial constraints significantly affect succession outcomes in family-owned supermarkets. For instance, Silva et al. (2021) conducted a quantitative study of family businesses in Portugal's footwear industry using survey data and financial performance analysis, and found that succession transitions often increase financial strain due to taxation obligations and training costs for successors. Similarly, Umans et al. (2023) carried out a European multi-country quantitative study using panel data analysis of family firms, and established that prolonged succession processes and pre-existing financial underperformance worsen organizational financial stability.

In contrast, Mwai et al. (2018) conducted a Kenyan case-based study on Nairobi County family-owned supermarket chains using secondary financial data and qualitative assessment, and found that debt mismanagement and rapid expansion significantly contributed to financial distress during business transitions. This suggests that in the Kenyan context, financial challenges are closely linked to expansion decisions and weak financial controls rather than only transition costs, as observed in European studies.

Similarly, Jumawan (2023) conducted a conceptual study using literature synthesis on family business governance, arguing that firms with structured leadership and governance systems perform better during succession. However, the study does not empirically isolate financial challenges, limiting its explanatory power regarding financial performance outcomes. Across these studies, there is strong agreement that financial challenges negatively affect succession outcomes and organizational performance. However, differences exist in context and focus: European studies emphasize taxation and transition costs (Silva et al., 2021), while Kenyan studies highlight debt accumulation and financial mismanagement (Mwai et al., 2018). Methodologically, most international studies rely on large-scale quantitative designs, while Kenyan studies remain largely case-based or descriptive.

2.3.3 Interpersonal Challenges and Organizational Performance

Interpersonal challenges refer to conflicts and relational tensions that arise during succession planning in family businesses due to overlapping family and business relationships, particularly where family members assume leadership roles without adequate managerial competence, leading to disagreements, power struggles, and poor management practices (Hunter, 2020).

Empirical studies across different contexts show that interpersonal dynamics play a critical role in determining succession outcomes in family-owned supermarkets. For example, Sancton (2018) conducted a qualitative case study of the Bettencourt family dispute in France using documentary and media analysis, and found that intense family conflicts weakened governance structures and led to reduced family control. Similarly, Singh and Goodrich (2016) carried out a case study analysis of Reliance Industries in India using secondary data and corporate reports, and found that conflict among successors resulted in organizational division and instability.

In Kenya, Mugo et al. (2015) conducted a quantitative study of manufacturing firms using survey data, and found that interpersonal conflicts and sibling rivalry significantly contributed to stagnation and collapse of family businesses. Similarly, Wambu (2021) used a case study approach on Tuskys Supermarket based on secondary data and media reports, and found that internal family conflicts among successors contributed to business failure.

A synthesis of these studies shows a consistent pattern: interpersonal conflict is a major predictor of succession failure across both developed and developing economies. However, differences emerge in outcomes and context. International studies (Sancton, 2018; Singh & Goodrich, 2016) tend to emphasize governance restructuring and business division, while Kenyan studies (Mugo et al., 2015; Wambu, 2021) highlight business collapse and stagnation.

Methodologically, many international studies rely on qualitative case analyses, while Kenyan studies show a mix of qualitative and quantitative approaches but remain limited in scope and generalizability. Additionally, most studies examine interpersonal conflict in isolation without integrating related dimensions such as distrust, communication breakdown, and power struggles within a unified empirical framework. Therefore, there remains limited empirical evidence linking interpersonal challenges directly and quantitatively to organizational performance among family-owned supermarkets in Nairobi County during succession planning

2.4 Summary of Research Gaps

The reviewed literature reveals notable contextual, conceptual, methodological, and empirical gaps in succession planning research on family-owned supermarkets. Contextually, most studies are based in Europe, Asia, and South America (Kathuria et al., 2023; Silva et al., 2021; Umans et al., 2023; Singh & Goodrich, 2006), limiting their relevance to the Kenyan context where legal, cultural, and governance environments differ (Harilal, 2021; Sancton, 2018). Conceptually, several studies adopt a narrow focus such as female succession or tax-related costs while overlooking the combined influence of legal, financial, and interpersonal challenges on organizational performance (Harilal, 2021; Silva et al., 2021).

Methodologically, many Kenyan studies rely on descriptive or qualitative designs, constraining generalizability and excluding critical performance indicators (Kaibung'a et al., 2022; Charles et al., 2017). Empirically, local research is largely sector-specific, focusing on supermarkets or manufacturing firms and neglecting other family-owned business sectors (Mwai et al., 2018; Mugo et al., 2015; Hussein, 2018). This study addresses these gaps by integrating legal, financial, and interpersonal dimensions of succession planning and empirically examining their effect on organizational performance across diverse family-owned supermarkets in Kenya. Table 2.1 shows the summary of knowledge gaps identified from the reviewed studies.

Table 2.1: Summary of Research Gaps

Author(s)	Focus of Study	Location	Methodology	Gaps Identified
Kathuria et al. (2023)	Legal complications during the succession of businesses that are owned by the family.	India and Brazil	Comparative analysis of case studies	Contextual gap: Does not explore legal challenges in African or Kenyan contexts, where inheritance laws and business governance structures differ significantly.
Harilal (2021)	Understand the implications of female succession for companies that are family owned	South Africa	Case studies and interviews	Contextual gap: Limited to female succession and informal structures; lacks applicability to diverse family business models in Kenya.
Kaibung'a et al. (2022)	How organizational culture affects transfer of knowledge and strategy for family businesses	Kenya (selected counties)	Mixed methods (survey and focus groups)	Methodological gap: Does not investigate the legal framework's role or how it directly impacts the financial performance of family businesses.
Silva et al. (2021)	Financial challenges during leadership transitions in family businesses	Portugal	Case study	Conceptual gap: Focused solely on tax and training costs, ignoring other financial challenges like debt mismanagement or underperformance during transitions.
Umans et al. (2023)	Antecedents of succession planning in family businesses	Europe	Longitudinal study	Contextual gap: Findings are specific to European settings and do not address financial difficulties during succession in developing economies like Kenya.
Mwai et al. (2018)	Entrepreneurial orientation and how it affects the overall performance for family-owned supermarkets	Kenya (Nairobi County)	Descriptive research (questionnaires and interviews)	Empirical gap: Focused only on supermarkets

Sancton (2018)	Governance challenges during succession in FoS	France	Case study (Bettencourt Affair)	Contextual gap: Focused on a single case, lacks generalizability to other cultural and business contexts, such as those in Kenya.
Singh & Goodrich (2006)	Succession challenges and issues involved in FoS for the cases involving Reliance Industries	India	Case study	Contextual gap: Focuses on a large corporation, failing to address succession dynamics in small or medium family businesses.
Mugo et al. (2015)	Effect of succession planning on growth strategy in local manufacturing businesses	Kenya (Nairobi County)	Surveys and descriptive analysis	Empirical gap: Lacks focus on succession impacts on financial metrics like ROI and profitability; narrow focus on manufacturing businesses only.
Charles et al. (2017)	Effects of succession planning and performances for family SMEs	Kenya	Descriptive research (survey)	Methodological gap: Relies heavily on qualitative data, limiting the generalizability of findings.
Hussein (2018)	Strategic succession planning in family-owned supermarkets	Kenya	Descriptive (questionnaires)	Empirical gap: Limited to supermarkets, does not consider family-owned supermarkets in other sectors.

Source: Researcher (2026).

2.5 Conceptual Framework

The conceptual framework is illustrated in Figure 2.1 below.

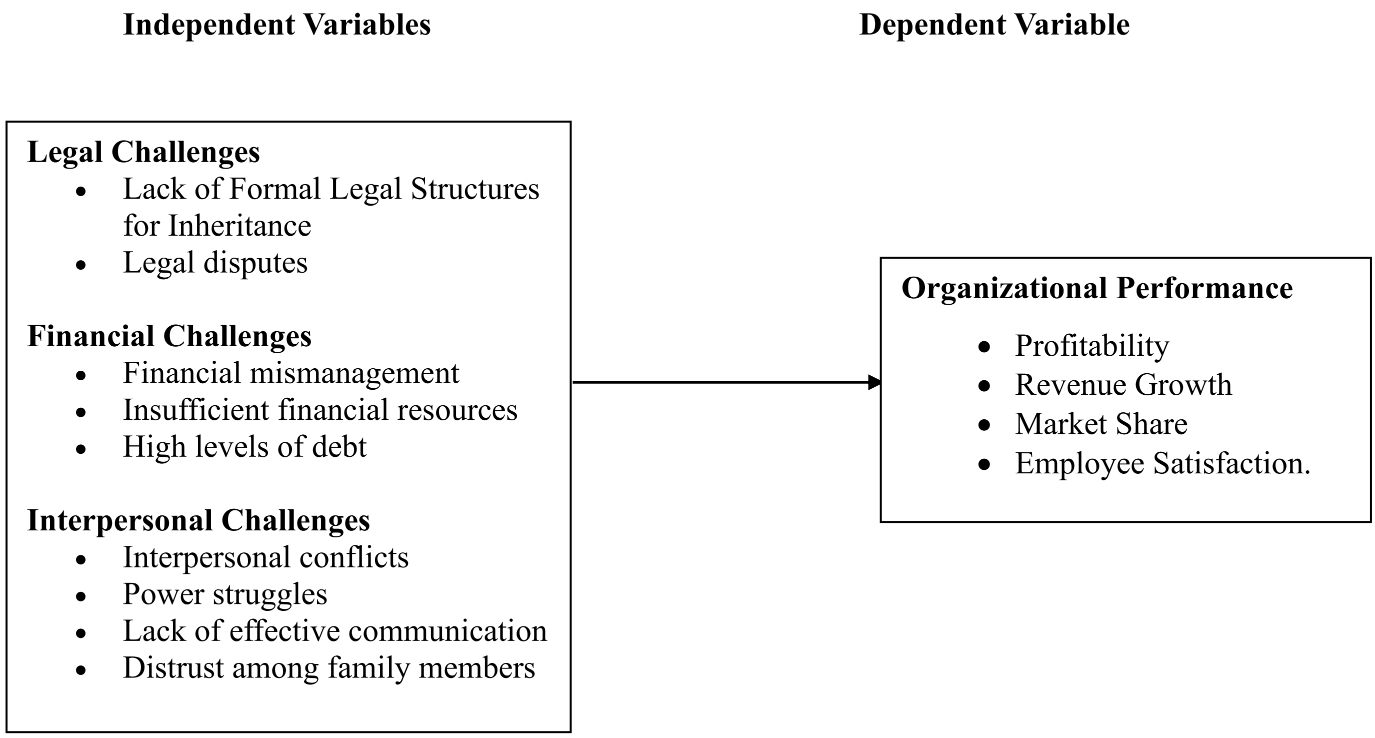

Figure 2.1:Conceptual Framework

Source: Researcher (2026)

2.6 Operationalization of Study Variables Table

The table 2.2 shows the operationalization of the study variables.

Table 2.2: Operationalization of Study Variables Table

Variable	Indicator	Measurement Scale	Source
Legal Challenges (Independent Variable)	• Lack of Formal Legal Structures for Inheritance • Legal disputes	Likert Scale	(Kathuria et al., 2023; Rono, 2018; Harilal, 2021).
Financial Challenges (Independent Variable)	• Financial mismanagement • Insufficient financial resources • High levels of debt	Likert Scale	(Umans et al., 2023; Silva et al., 2021).
Interpersonal Challenges (Independent Variable)	• Interpersonal conflicts • Power struggles • Lack of effective communication • Distrust among family members	Likert Scale	(Hunter, 2020; Orole, 2020; Wambu, 2021).
Organizational Performance (Dependent Variable)	• Profitability • Revenue Growth • Market Share • Employee Satisfaction.	Likert Scale	(Taouab and Issor, 2019; Baruah & Panda, 2020)

Source: Researcher (2026).

2.7 Chapter Summary

This chapter integrated theoretical frameworks and empirical research on succession planning issues and family firm performance based on Trait Theory and Path-Goal Theory. Literature is organized in terms of global, regional, and local contexts and summarized in a table of gaps in research. A conceptual model showed independent and dependent variable relationships, and operationalization of study variables is shown in a table.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter introduced the research methodology of the study. It incorporated the research philosophy, research design, study population, sampling design and technique, methods of data collection, data quality, analysis of data, and ethical aspects.

3.2 Research Philosophy

Research philosophy refers to the development of knowledge and the nature of that knowledge (Longwe, 2010). It depicts how you view the world, so it will influence the research methods that a researcher selects. When choosing a research philosophy, there are three approaches to consider: post-positivism, Interpretivism, and positivism. Post-positivism seeks objectivity through the collection and analysis of measurable data, while positivism is based on the 'objective' reality corpus and uses numerical data (Maksimovic & Evtimov, 2023).

On the other hand, Interpretivism is inclined toward relating to social realities in terms of perceptions and thus uses alphabetic data (Alharahsheh & Pius, 2020). Positivism research philosophy emphasizes the use of measurable, objective, and quantifiable data (Maksimovic & Evtimov, 2023). For this study, positivism was the most suitable research philosophy. This study relied on quantitative data collected through questionnaires with close ended questions rated on a Likert scale (Robinson, 2024).

3.3 Research Design

The study design used in this research is the descriptive cross-sectional design. A descriptive cross-sectional design sought to identify characteristics and provide a detailed description of the subject under investigation (Silver, 2016). It focuses on answering the "what," "when," "whom," and "where" factors, making it suitable for studies aiming to explore and describe phenomena without delving into in-depth causality.

The use of cross-sectional study design involves data collection at one point in time, which is economical and effective in establishing the current status of the variables under investigation (Creswell et al., 2018). Descriptive cross-sectional design is best applicable in this study in providing a general overview of the effect of succession planning problems (legal, financial, and interpersonal) on the organizational performance of family businesses in Nairobi County, Kenya.

Additionally, this design is well-suited for collecting quantitative data through the use of structured questionnaires, enabling the researcher to systematically gather, analyze, and summarize the characteristics and relationships among the study variables (Creswell & Creswell, 2018).

3.4 Population of Study

The target population was restricted to 47 family-owned supermarkets in Nairobi (RETRAK, 2024) thus forming the unit of observation. This population size is adequate since it represents the entire accessible population, eliminating sampling error and supporting reliable results. Census studies are appropriate for small, well-defined populations and enhance internal validity (Saunders et al., 2019).

3.5 Sampling Technique

The study adopted a census approach because the population was small (47 family-owned supermarkets), making full coverage feasible and appropriate (Creswell & Creswell, 2018). One owner/manager/employee was selected per supermarket as the unit of analysis, giving 47 respondents. These individuals were chosen because they are directly involved in strategic decision-making, succession planning, and daily operations, and therefore possess reliable firm-level knowledge on legal, financial, and operational challenges (Silver, 2016). Single key informants are widely used in organizational research to ensure consistency and avoid within-firm response duplication (Mugenda & Mugenda, 2003). While reliance on one respondent per firm may introduce key informant bias, this was mitigated by targeting senior decision-makers with comprehensive organizational oversight and using standardized instruments to enhance response consistency and comparability across firms.

3.6 Data Collection

According to Creswell & Creswell (2018), data collection is the process of gathering information in an orderly manner from various record sources to solve the research question or hypothesis being tested. The primary tool for gathering data for the study was a questionnaire. The questionnaire was divided into 5 Sections: Section A was dealing with the general side of the respondents. The subsequent parts shall address the research objectives, with Section B addressing the legal aspects, Section C addressing the financial aspects, Section D addressing the interpersonal aspects and Section E shall analyze the organizational performance of family supermarkets in Nairobi County.

The survey was administered using closed questions in a 5-point Likert scale. The adoption of the Likert scale is because it facilitates quantifiable data collection, hence the ability of statistical analysis to determine patterns and correlations (Yamashita, 2022). As per South et al. (2022), the Likert Scale is commonly used to determine respondents' extremes of attitudes and perceptions. Also, the Likert scale assisted the research in measuring the degree of agreement or disagreement with the questions.

A pick-and-drop method of data collection was employed. The researcher delivered the questionnaires to the respondents in Nairobi family-owned supermarkets during the first week of June 2025 and respondents requested to have their replies prepared to be picked after one week. The researcher used telephone correspondence to help clarify issues as needs arise to ensure clarity of the questions being answered. Further, telephone follow-ups were used to check on the respondent's feedback that may not have been received after one week.

3.7 Research Quality

3.7.1 Reliability

On reliability, pilot study was done using 10 family-owned supermarkets from Kiambu County thus didn't form part of the population of the study. Pilot study was done in Kiambu County because of its proximity to Nairobi County thus have similar socio-economic setup. Cronbach's alpha, a statistical measure for the reliability of a set of items, especially with multiple Likert-scale questions was used to ensure reliability. This measures how closely the questions asked are related. According to Cooper and Chindelr (2016) a Cronbach's alpha coefficient ranging between 0.7 and 0.9 is regarded as good. For this study, a coefficient of 0.7 was regarded as acceptable. Table 3.3 shows the reliability test results.

Table 3.3: Reliability Test Results

Variable	Cronbach's Alpha Coefficient	Interpretation of the Study
Legal Challenges	0.812	Reliable
Financial Challenges	0.853	Reliable
Interpersonal Challenges	0.860	Reliable
Organizational performance	0.793	Reliable

Source: Researcher (2026)

The reliability test results in Table 3.3 show that the variables in the study are highly reliable, as indicated by the Cronbach's Alpha coefficients.

3.7.2 Validity

Validity refers to the extent to which the study accurately measures the intended constructs and reflects true relationships between variables (Mohajan, 2020). Content validity was ensured by aligning the research questions and instruments with the study objectives, with additional review by the supervisor to confirm clarity and relevance. Construct validity was supported by developing measurement items based on established literature and adapting them to the study context, ensuring appropriate operationalization of variables. Criterion validity was considered through consistency with theoretical expectations from prior studies (Silver, 2016). To reduce common method bias arising from self-reported data, the study used clear questionnaire wording, ensured respondent anonymity, and separated items measuring different constructs. These procedures collectively strengthened the validity and reliability of the findings.

3.8 Data Analysis

The study involved a quantitative data analysis based on Statistical Package for Social Sciences (SPSS V28). The tool is appropriate to use in the study since it accommodates data analysis of many datasets and executes various statistical tests (Ali, Kausar, & Amir, 2023). Information gathered was coded and arranged accordingly to meet the requirement of ensuring that there is proper management of responses. For each objective in question, inferential and descriptive statistics was used for analysis. Descriptive statistics were used to analyze the data. The mean summarizes the average response, while the standard deviation measures the variability and consistency of the data (Creswell & Creswell, 2018).

Inferential statistics, specifically multiple linear regression analysis, were used to establish relationships between the independent variables and dependent variables (Silver, 2016). The results and findings were presented in tables and charts. Multiple linear regression analysis was adopted with the following regression equation:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$ ....(i)

Where;

Y= Organizational performance

X_1: Legal challenges

X_2: Financial challenges

X_3: Interpersonal challenges

β_0=Constant

$\beta_1, \beta_2, \beta_3$ =Regression coefficients

e=error term

3.9 Diagnostic Tests

3.9.1 Normality Test

Normality refers to how closely sample data reflect a population's distribution (D'Agostino, 2017). In this study, the Shapiro–Wilk test was used to assess whether the data followed a normal distribution. A significance value greater than 0.05 ($p > 0.05$) indicated no significant deviation from normality, making the data suitable for analyses that assume normal distribution.

3.9.2 Heteroscedasticity Test

Heteroscedasticity occurs when error variances are not constant across levels of the independent variables (Kumar, 2023). In this study, the Modified Wald test was used to assess heteroscedasticity. A probability value greater than 0.05 ($p > 0.05$) indicated the absence of heteroscedasticity, suggesting stable error variance across observations.

3.9.3 Multicollinearity Test

Multicollinearity occurs when independent variables are highly correlated, potentially distorting regression coefficient estimates (Kim, 2019). In this study, multicollinearity was assessed using the Variance Inflation Factor (VIF) in SPSS version 28. VIF values above 10 indicated severe multicollinearity, values between 5 and 10 suggested moderate multicollinearities, and values below 5 were considered acceptable (Shrestha, 2020).

3.10 Ethics

Ethics in research is important in enhancing the aims of the study (Greenwood, 2016). The researcher adhered to key ethical principles, including confidentiality, anonymity, privacy, and informed consent throughout the study. Permission from the participants was sought before involving them in the study, in this manner informing them of the rise of the study, what the study is all about, the processes to be undertaken, and freedom to withdraw at the participant's wish. The study adhered to guidelines set by the Strathmore University Institutional Scientific Ethics Review Committee. Ethical approval and NACOSTI research permit were obtained prior to data collection. All sources used were properly cited to prevent plagiarism.

3.11 Chapter Summary

This chapter described the study's methodology, guided by a positivist philosophy and a descriptive cross-sectional design. Data were collected from managers of 47 family-owned supermarkets in Nairobi using structured Likert-scale questionnaires administered through a pick-and-drop approach. Reliability was assessed using Cronbach's alpha, and validity was ensured through expert review. Data were analyzed in SPSS using descriptive statistics and multiple regression to examine the relationship between succession planning challenges and organizational performance. Ethical standards, including informed consent, confidentiality, and institutional approvals, were upheld.

CHAPTER FOUR

PRESENTATION OF FINDINGS/RESULTS

4.1 Introduction

This study sought to determine the succession planning challenges and its effect on family-owned organizational performance in Nairobi, Kenya.

4.2 Response Rate

The study respondents returned 44 out of 47 distributed questionnaires, leading to a response rate of 93.62%. This excellent response rate agrees with Mugenda and Mugenda's (2003) prescription for a significant response rate for statistical analysis, which they established at a minimal value of 50%. The high response rate of 93.63% indicates strong family-owned supermarkets' interest in the survey, enhancing the reliability of the results.

4.3 Demographic Information

Table 4.4 shows the demographic information of the respondents.

Table 4.4: Demographic Information

Demographic Variable	Category	n	%
Gender	Male	26	59.1
	Female	18	40.9
Age	18–25	4	9.1
	26–35	12	27.3
	36–45	15	34.1
	46–55	9	20.5
	56 and above	4	9.1
Role in Business	Owner	20	45.5
	Manager	14	31.8
	Employee	10	22.7
Years in Operation	Less than 5 years	10	22.7
	5–10 years	13	29.5
	11–20 years	12	27.3
	Over 20 years	9	20.5

Note. n = frequency; % = percentage. Source: Researcher (2026).

The demographic profile of respondents from the 44 family-owned supermarkets in Nairobi reveals several important trends. The gender distribution indicates that 59.1% of the respondents are male, while 40.9% are female. This suggests that although men are still the dominant players in the ownership and management of family-run supermarkets, women are significantly involved and increasingly taking leadership roles in the sector. This gender balance provides a foundation for promoting gender-inclusive policies and encouraging greater female participation in the business ecosystem.

In terms of age, the majority of respondents (61.4%) fall between the ages of 26 and 45, with 27.3% aged 26–35 and 34.1% aged 36–45. This concentration of younger and middle-aged individuals indicates that the sector is primarily led by people in their most economically productive years, who are likely to be dynamic, open to innovation, and more inclined to adopt new business technologies and practices. A smaller portion of respondents fall in the 46–55 and 56 and above age groups, showing that while there is experienced leadership present, the generational transition in family businesses may already be underway.

Regarding the roles of the respondents, a large majority are either owners (45.5%) or managers (31.8%), indicating that the findings are largely drawn from individuals with decision-making power. This is valuable for understanding the strategic perspectives of the businesses. Employees and others make up a smaller percentage, suggesting that operational or lower-tier insights may be underrepresented in the data. The findings also show a fairly even distribution in the years of operation of the businesses. About 52.2% of the supermarkets have been in operation for over 10 years, pointing to the sustainability and resilience of many of these family enterprises. At the same time, 22.7% of the businesses are less than five years old, indicating continued growth and new entrants in the market. This mix of long-standing and newer businesses reflects both stability and evolution within the sector.

4.4 Descriptive Statistics

4.4.1 Effect of legal challenges on the organizational performance of family-owned supermarkets

Table 4.5 shows the descriptive findings for the effect of legal challenges on the organizational performance of family-owned supermarkets in Nairobi County.

Table 4.5 : Effect of legal challenges on the organizational performance of family-owned supermarkets

Statement	n	Mean	SD
Absence of formal legal structures hinders succession planning	44	4.36	0.1
Legal disputes create obstacles in succession plans	44	4.31	0.09
Organization has addressed legal challenges	44	1.29	0.11
Overall	44	3.32	0.1

Note. n = frequency; SD = standard deviation. Source: Researcher (2026).

Table 4.5 presents respondents' perceptions of legal challenges affecting succession and organizational performance. Overall, the mean score of 3.32 suggests a moderate tendency toward agreement that legal challenges influence succession outcomes. However, the extremely low standard deviations (0.09 – 0.11) indicate highly homogeneous responses, which may reflect response bias such as acquiescence or socially desirable responding, or may suggest limited variability in lived experiences across supermarkets.

High agreement that absence of formal legal structures hinders succession (M = 4.36) and that legal disputes create obstacles (M = 4.31) indicates that inheritance-related legal issues are widely perceived as significant barriers. However, the near-uniformity of responses raises the possibility that questionnaire wording may have encouraged agreement rather than eliciting differentiated views.

The very low score for "organization has addressed legal challenges" (M = 1.29) further suggests a strong negative consensus on institutional preparedness, but also reflects a potentially polarized or leading framing of the item. Generally, while legal challenges are clearly perceived as important, the lack of response variability limits deeper differentiation of firm-level experiences.

4.4.2 Effect of financial challenges on the organizational performance of family-owned supermarkets

Table 4.6 shows the descriptive findings for the effect of financial challenges on the organizational performance of family-owned supermarkets in Nairobi County.

Table 4.6: Effect of financial challenges on the organizational performance of family-owned supermarkets in Nairobi County

Statement	N	Mean	SD
Financial mismanagement risks succession planning	44	4.96	0.09
Lack of transparency impacts succession planning	44	4.84	0.1
Insufficient resources hinder succession	44	4.27	0.15
High debt creates succession barriers	44	4.11	0.21
Addressing financial challenges improves outcomes	44	4.12	0.19
Overall	44	4.46	0.16

Note. n = frequency; SD = standard deviation. Source: Researcher (2026).

Table 4.6 shows a high overall mean (M = 4.46), indicating strong agreement that financial factors affect succession planning. However, the uniformly high means combined with consistently low standard deviations (0.09 – 0.21) suggest response clustering, which may be influenced by acquiescence bias or a tendency to agree with negatively framed statements.

Respondents strongly associate financial mismanagement (M = 4.96) and lack of transparency (M = 4.84) with succession challenges, but the near-ceiling scores limit discriminative insight into the relative importance of different financial constraints. This pattern raises the possibility that items may not have been sufficiently nuanced to capture variation in financial conditions across firms.

Moderate variation in responses regarding debt (SD = 0.21) and resources (SD = 0.15) suggests some heterogeneity, likely reflecting differences in firm size and financial stability. The relatively lower agreement that addressing financial challenges improves outcomes (M = 4.12) may indicate either partial implementation of financial reforms or uncertainty about their effectiveness. In general, while financial challenges are clearly perceived as important, the restricted spread of responses suggests caution in interpreting the strength and uniformity of these perceptions.

4.4.3 Effect of interpersonal challenges on the organizational performance of family-owned supermarkets

Table 4.7 presents the descriptive findings for the effect of interpersonal challenges on the organizational performance of family-owned supermarkets in Nairobi.

Table 4.7: Effect of interpersonal challenges on the organizational performance of family-owned supermarkets in Nairobi.

Statement	n	Mean	SD
Interpersonal conflicts hinder succession plans	44	4.98	0.05
Power struggles impact succession planning	44	4.97	0.09
Lack of communication worsens conflicts	44	4.2	0.19
Distrust affects succession planning	44	4.99	0.14
Addressing interpersonal challenges improves outcomes	44	4.67	0.1
Overall	44	4.76	0.12

Note. n = frequency; SD = standard deviation. Source: Researcher (2026).

Table 4.7 presents very high mean scores (M = 4.20 – 4.99), indicating strong agreement that interpersonal dynamics affect succession outcomes. However, the extremely low variability (SD = 0.05 – 0.19) suggests highly convergent responses, which may reflect social desirability bias or shared normative beliefs about family conflict in business rather than independent assessments.

The near-unanimous agreement that distrust (M = 4.99), conflicts (M = 4.98), and power struggles (M = 4.97) hinder succession raises concerns about potential over-affirmation effects, where respondents tend to endorse widely accepted narratives about family business conflict.

The relatively lower mean for communication issues (M = 4.20) with higher variability (SD = 0.19) suggests that communication challenges are more context-dependent and less uniformly experienced across firms.

While respondents generally agree that addressing interpersonal issues improves outcomes (M = 4.67), the consistently compressed distribution of responses limits the ability to distinguish degrees of severity or identify meaningful variation between firms.

4.5 Correlation Analysis

The correlation analysis was undertaken for the study to determine on whether the independent variables had a correlation relationship with the dependent variable. The results are presented in Table 4.8 below.

Table 4.8: Correlation Analysis

		Legal Challenges	**Financial Challenges**	**Interpersonal Challenges**
Business Performance	Pearson Correlation Sig.(2-tailed)	$-.830^{**}$ .000	$-.807^{**}$ .000	$-.819^{**}$ .000
	N	44	44	44

($p < 0.001$)

The correlation analysis presented in Table 4.8 demonstrates a strong and statistically significant negative relationship between the independent variable's legal challenges, financial challenges, and interpersonal challenges and the dependent variable, organizational performance, in family-owned enterprises. Each variable shows a high negative Pearson correlation coefficient: -0.830 for legal challenges, -0.807 for financial challenges, and -0.819 for interpersonal challenges. All correlations are significant at the $p < 0.001$ level, indicating a strong level of statistical confidence in these results.

These findings indicate that higher levels of legal, financial, and interpersonal challenges are associated with lower perceived organizational performance. Although formal statistical tests for CMV (e.g., Harman's single-factor test) were not conducted in this study, procedural controls were applied, including anonymity assurances and clear separation of constructs in the questionnaire to reduce response bias. Therefore, while the correlations provide useful evidence of association, the results are interpreted as indicative rather than definitive causal effects.

4.6 Diagnostic Tests

4.6.1 Normality Test

The results of the Shapiro–Wilk test showed a p-value greater than 0.05, indicating that the data did not significantly deviate from normality. The independent variables exhibited a skewness of 0.421 (SE = 0.101) and kurtosis of 0.419 (SE = 0.121), while the dependent variable showed a skewness of −0.101 (SE = 0.151). Overall, these findings suggest that the data were approximately normally distributed.

4.6.2 Heteroscedasticity Test

The heteroscedasticity was tested using the Modified Wald test. Table 4.9 below shows the results.

Table 4.9: Heteroscedasticity Results

Test	Chi Square	p-value
Modified Wald test	40.74	0.612

The results of the Modified Wald test yielded a chi-square statistic of 40.74 with an associated p-value of 0.612 Since this p-value is substantially higher than the 1% significance threshold (0.01), this indicates that heteroscedasticity is not present in the model, implying that the error terms exhibit constant variance across the observations. Thus, the findings of the Modified Wald test are in support of the conclusion that there is no heteroscedasticity within the model.

4.6.3 Multicollinearity Test

Table 4.10 shows the VIF results.

Table 4.10: **Variance Inflation Factor (VIF) Results**

Predictor Variable	Tolerance	VIF
Legal Challenges	0.301	3.32
Financial Challenges	0.331	3.02
Interpersonal Challenges	0.315	3.17

Table 4.10 shows that all three predictor variables show VIF values ranging from approximately 2.96 to 3.16, which are below the threshold of 5 used in this study. This indicates that multicollinearity is not a concern among the independent variables. The tolerance values (0.301–0.331) further support this conclusion, as they remain above commonly accepted minimum levels (typically 0.10 or 0.20). In general, the predictors are sufficiently independent, and the regression estimates are unlikely to be distorted by multicollinearity.

4.7 Regression Analysis

The study undertook a multiple linear regression analysis to determine the effect of succession planning challenges on the performance of family-owned supermarkets in Nairobi, Kenya. The regression model is presented in Table 4.11 below:

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.904	.818	.804	.567

a Predictors: (Constant), Legal challenges, financial challenges, Interpersonal challenges

The regression analysis presented in Table 4.11 results indicate a strong relationship between succession planning challenges and organizational performance among family-owned supermarkets in Nairobi, Kenya. The coefficient of determination shows that approximately 81.8% of the variation in organizational performance is explained by legal, financial, and interpersonal challenges. The adjusted of 0.804 confirms that the model remains strong even after adjusting for the number of predictors. Table 4.12 indicated the ANOVA results

Table 4.12 : ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	59.120	3	19.707	61.336	.000
Residual	13.173	41	0.321		
Total	72.293	44			

Dependent Variable: Organizational performance
Predictors: (Constant), Legal challenges, financial challenges , interpersonal challenges

The ANOVA results in Table 4.12 assessed the overall significance of the regression model examining the effect of legal, financial, and interpersonal succession planning challenges on the organizational performance of family-owned supermarkets in Nairobi, Kenya. The regression sum of squares was 59.120 with 3 degrees of freedom, indicating that a large proportion of the variation in organizational performance is explained by the three predictors. The residual sum of squares was 13.173 with 41 degrees of freedom, showing that only a smaller portion of the variation remained unexplained by the model.

The model produced a Mean Square Regression of 19.707 and a Mean Square Error of 0.321, resulting in an F-statistic of 61.336. The significance value was $p < 0.001$, which is below the 0.05 level of significance. This indicates that the regression model is statistically significant and that the predictors jointly have a significant effect on organizational performance. Table 4.13 shows the coefficient of determination.

Table 4.13: Coefficient of Determination

Model	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
	B		Beta		
(Constant)	.832	.102		8.157	.000
Legal challenges	-.429	.120	.230	-3.575	.001
Financial challenges	-.414	.105	.118	-3.943	.000
Interpersonal challenges	-.418	.103	.218	-4.058	.000

a. Dependent Variable: Organizational performance

Multiple regression analysis was conducted to determine the extent to which each independent variable affect the organizational performance. Table 4.13 shows that all the independent variables (Legal, financial and interpersonal challenges) were significant predictors of organizational performance at $p<0.05$. , the regression equation is:

$$Y = 0.832 - 0.429X_1 - 0.414X_2 - 0.418X_3 + e$$

Table 4.13 presents the results from a multiple regression analysis where the dependent variable is Organizational performance, and the independent variables are Legal challenges, financial challenges, and Interpersonal challenges. The constant (intercept) of the model is 0.832, with a t-value of 8.157 and a p-value of 0.000, which indicates that the baseline level of organizational performance (when all independent variables are zero) is statistically significant. This suggests that the constant contributes significantly to the overall model, indicating a positive level of organizational performance when no challenges are present.

When examining Legal challenges, the unstandardized coefficient is -0.429, suggesting that an increase in legal challenges is associated with a decrease in organizational performance. The t-value of -3.575 and p-value of 0.001 show that this relationship is statistically significant at p = 0.05. The negative sign of the coefficient confirms that legal challenges detract from organizational performance. Financial challenges show a similar negative impact, with an unstandardized coefficient of -0.414. This implies that financial challenges negatively affect organizational performance. The t-value of -3.943 and the p-value of 0.000 indicate a highly significant relationship.

For Interpersonal challenges, the unstandardized coefficient is -0.418, which indicates a negative association between interpersonal conflicts and organizational performance. The t-value of -4.058 and a p-value of 0.000 highlight a highly significant relationship. The higher t-value for interpersonal challenges suggests they may have the most substantial relative impact on organizational performance when controlling for legal and financial challenges.

4.8 Chapter Summary

This chapter presents findings of the study. The study found that legal issues, financial problems , and interpersonal conflicts all hinder effective succession. In summary, the results indicate that legal, financial, and interpersonal challenges all have a negative effect on organizational performance, with all relationships being statistically significant.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, discussion, conclusions, and recommendations based on the study objectives.

5.2 Summary of Findings

The study established that legal challenges significantly hinder organizational performance in family-owned supermarkets. The descriptive findings showed that the absence of formal legal structures and the existence of inheritance-related disputes greatly disrupt succession planning. It was also evident that most organizations have not taken adequate steps to address these legal challenges, highlighting a gap in preparedness. Further, corelation analysis revealed that legal challenges are strongly associated with a decline in organizational performance. Regression results confirmed that legal challenges have a significant negative effect on performance, implying that an increase in legal-related issues leads to a reduction in business effectiveness and continuity.

The study also found that financial challenges play a critical role in influencing both succession planning and organizational performance. Descriptive findings showed that respondents emphasized financial mismanagement and lack of transparency are major risks that undermine the succession process. Additional challenges such as limited financial resources and high debt levels were also identified as barriers to effective succession. The corelation analysis further showed that financial challenges are strongly linked to poor organizational performance. Regression findings reinforced this relationship by demonstrating that financial challenges significantly and negatively affect performance, indicating that weak financial governance reduces the likelihood of successful succession and overall business stability.

In addition, descriptive findings for interpersonal challenges revealed a profound and highly significant effect on organizational performance, emerging as the most influential factor among the variables examined. Issues such as distrust among family members, interpersonal conflicts, and power struggles were widely reported to hinder succession planning. Poor communication was also identified as a factor that intensifies these challenges. Corelation analysis further indicated a strong negative relationship between interpersonal challenges and organizational performance. Regression analysis confirmed that interpersonal challenges significantly reduce performance, suggesting that unresolved family dynamics can severely undermine both succession planning and long-term business sustainability.

5.3 Discussions

5.3.1 The effect of legal challenges on the organizational performance of family-owned supermarkets in Nairobi County.

The descriptive findings showed that the absence of formal legal structures and the existence of inheritance-related disputes greatly disrupt succession planning. It was also evident that most organizations have not taken adequate steps to address these legal challenges, highlighting a gap in preparedness. Further, correlation analysis revealed that legal challenges are strongly associated with a decline in organizational performance. Regression analysis revealed legal challenges have a negative and significant effect on organizational performance of family-owned supermarkets in Nairobi. Suggesting that an increase in legal challenges is associated with a decrease in organizational performance.

Kathuria et al. (2023) confirmed that legal disputes stemming from ambiguous or poorly defined inheritance structures significantly hinder seamless business transitions, particularly in the contexts of India and Brazil. This finding aligns with the current study's emphasis on the detrimental impact of unaddressed or inadequate legal frameworks on succession planning and business continuity.

Similarly, Harilal (2021) highlighted that the absence of comprehensive and gender-sensitive legal frameworks impedes organizational performance and contributes to delays in succession processes. These challenges closely mirror the legal issues observed in Nairobi, where unclear legal procedures continue to obstruct smooth leadership transitions. Further supporting this trend, Kaibung'a et al. (2022) documented how unresolved legal conflicts in Kenya frequently escalate to the point of business liquidation, underlining the crucial role that legal clarity plays in ensuring enterprise sustainability.

These findings are conceptually supported by Path-Goal Theory, which posits that effective leaders must proactively eliminate barriers legal or otherwise that hinder goal achievement. By clarifying succession pathways and aligning leadership decisions with established legal expectations, leaders not only foster organizational stability but also enhance performance outcomes. In this light, navigating and resolving legal complexities becomes a central leadership responsibility, critical to the success and longevity of family-owned or closely held businesses.

5.3.2 The effect of financial challenges on the organizational performance of family-owned supermarkets in Nairobi County during succession planning.

Descriptive findings showed that respondents emphasized financial mismanagement and lack of transparency are major risks that undermine the succession process. Additional challenges such as limited financial resources and high debt levels were also identified as barriers to effective succession. The correlation analysis further showed that financial challenges are strongly linked to poor organizational performance. Regression analysis revealed a negative and significant regression coefficient. This implies that financial challenges negatively affect organizational performance.

Silva et al. (2021) found that financial stress during succession significantly weakens businesses, especially due to burdens such as tax obligations and transition-related costs. These findings parallel the financial strain identified in this study, where inadequate financial planning emerged as a major barrier to smooth leadership transitions. Similarly, Umans et al. (2023) emphasized that poor financial management intensifies existing vulnerabilities within organizations during succession periods, reinforcing this study's observation that lack of transparency and control undermines business continuity.

Mwai et al. (2018) highlighted the twin risks of debt mismanagement and uncontrolled growth in Nairobi's family businesses, aligning with the financial challenges noted here and underscoring the importance of prudent fiscal governance. Path-Goal Theory offers a valuable theoretical framework for interpreting the financial challenges associated with succession in family-owned supermarkets. The theory emphasizes that leaders are responsible for identifying and removing obstacles that hinder goal attainment while providing the support and direction necessary to enhance employee motivation and performance. Within the context of succession planning, this theory highlights the pivotal role of leaders in navigating financial uncertainty and ensuring organizational stability.

Specifically, effective leaders must offer clear financial direction by establishing transparent budgeting practices, aligning financial strategies with succession goals, and communicating openly about financial expectations. Ultimately, Path-Goal Theory underscores the importance of adaptive, supportive, and directive leadership in mitigating financial barriers, thereby promoting the long-term sustainability and success of family-owned enterprises undergoing generational transitions.

5.3.3 The effect of interpersonal challenges on the organizational performance of family-owned supermarkets in Nairobi County during succession planning.

Descriptive findings for interpersonal challenges revealed a profound and highly significant effect on organizational performance, emerging as the most influential factor among the variables examined. Issues such as distrust among family members, interpersonal conflicts, and power struggles were widely reported to hinder succession planning. Poor communication was also identified as a factor that intensifies these challenges. Correlation analysis further indicated a strong negative relationship between interpersonal challenges and organizational performance. Regression analysis revealed that interpersonal conflicts have a negative and significant effect on organizational performance. This implies that interpersonal conflicts (e.g., power struggles, lack of trust) negatively affects organizational performance during succession.

Singh & Goodrich (2016) and Wambu (2021) present high-profile business case studies. Reliance in India and Tuskys in Kenya where unresolved interpersonal conflicts among family members led not only to organizational instability but, in the case of Tuskys, a complete business collapse. These examples illustrate how internal strife can escalate from personal disagreements to issues that paralyze leadership decision-making, disrupt strategic direction, and compromise financial and operational continuity. These findings align with the current research.

Additionally, the findings of this study align with the findings of Mugo et al. (2015) similarly observed that power struggles, misaligned personal interests, and rivalry among family members were major causes of stagnation and decline in Kenyan family-owned enterprises, particularly when such conflicts emerged during the critical period of succession. Sancton (2018) further demonstrated that interpersonal disputes can go beyond mere relational tension undermining governance structures and shifting control in ways that destabilize leadership legitimacy. In many cases, these unresolved tensions disrupt formal succession processes, often resulting in unclear leadership, fractured vision, or even legal battles, all of which threaten the long-term sustainability of the business.

The findings of this study further support Trait Theory provide a compelling framework. It posits that effective leadership especially in the context of complex family businesses is strongly affected by inherent personal attributes. Traits such as emotional intelligence, self-awareness, empathy, diplomacy, and the ability to manage conflict are critical when dealing with family-based interpersonal challenges. Successors who naturally possess these qualities are more likely to maintain trust, mediate disputes, and foster a collaborative environment, thereby smoothing the path for leadership transitions.

5.4 Conclusion

The study made the following conclusions in accordance with the objectives.

The study concluded that legal challenges have a negative and significant effect on the organizational performance of family-owned supermarkets in Nairobi County during succession planning. Implying an increase in legal challenges leads to a decrease in organizational performance of family-owned supermarkets in Nairobi County.

The study concluded that financial challenges have a negative and significant effect on the organizational performance of family-owned supermarkets in Nairobi County during succession planning. Implying an increase in financial challenges leads to a decrease in organizational performance of family-owned supermarkets in Nairobi County.

The study concluded that interpersonal challenges have a negative and significant effect on the organizational performance of family-owned supermarkets in Nairobi County during succession planning. Implying an increase in interpersonal challenges leads to a decrease in organizational performance of family-owned supermarkets in Nairobi County.

5.5 Recommendation

5.5.1 Policy Recommendations

The study recommended the strengthening of legal frameworks. Government and regulatory bodies should streamline succession and inheritance laws to provide clarity and reduce disputes. This includes promoting the use of formal wills, trusts, and succession plans.

The study recommended the mandatory succession planning requirements. Introduce policies requiring medium to large family-owned supermarkets to submit documented succession and continuity plans as part of business registration or tax compliance procedures.

5.5.2 Recommendation for Practice

The study recommended formalization of governance structures. Family businesses should establish clear governance systems, including boards with external advisors, to separate family dynamics from business operations.

The study recommended the enhancement of financial transparency and planning. Family businesses should adopt financial best practices such as regular audits, transparent reporting, and long-term financial planning to minimize mismanagement and debt crises.

The study recommended the adoption of conflict resolution training and mechanisms. Encourage the use of professional mediators, family charters, and open communication platforms to manage interpersonal conflicts.

5.6 Limitations of the Study and Recommendations for Further Research

Although this study offers useful insights into how succession planning challenges affect the performance of family-owned supermarkets in Nairobi County, it has some limitations. Its focus on a single region and sector limits the generalizability of the findings to other areas or industries. Additionally, the small sample size of 47 businesses, despite using a census approach, may reduce statistical power and the wider applicability of the results.

The cross-sectional design further limits the ability to draw causal inferences or assess how succession planning processes and their impact on performance evolve over time. In addition, reliance on self-reported data from a single respondent per firm introduces potential bias and may not fully capture the diverse perspectives of family members and employees involved in succession. The correlation findings should be interpreted with caution due to several methodological considerations. First, the relatively small sample size limits generalisability and may inflate correlation estimates. Second, the data are based on self-reported perceptions collected from single respondents within each firm, which introduces the possibility of common method variance (CMV). Since both independent and dependent variables were measured using the same instrument and respondent, shared measurement bias may have contributed to the strength of the observed relationships.

Further, the study’s focus on legal, financial, and interpersonal challenges excluded other potentially relevant factors, such as cultural influences, governance structures, and market conditions. Moreover, while Trait Theory and Path-Goal Theory provided a useful leadership lens, they may not comprehensively explain the complexity of succession dynamics in family-owned supermarkets.

Future research should therefore expand to different regions and sectors to enhance generalizability and adopt longitudinal designs to examine succession outcomes over time. Scholars should also incorporate broader theoretical frameworks and explore additional variables, including cultural dynamics, governance mechanisms, gender roles, and generational differences, to provide a more holistic understanding of succession planning and business continuity in family-owned enterprises.

Future studies should employ multi-source data and larger samples to further validate these relationships and reduce the risk of common method bias.

5.7 Chapter Summary

This chapter presented the study's key findings, discussions, conclusions, and recommendations. The results showed that legal, financial, and interpersonal challenges all have a negative and significant effect on the organizational performance. The discussions highlighted how unclear legal frameworks, financial mismanagement, and interpersonal conflicts hinder smooth leadership transitions, with evidence supported by literature and Path-Goal and Trait Theories. The study concluded that these succession challenges diminish organizational performance and recommended strengthening legal frameworks, mandating succession planning policies, enhancing financial transparency, and adopting governance and conflict resolution mechanisms. Theoretical contributions emphasized integrating Trait Theory with Path-Goal Theory to explain succession dynamics, while practical and policy interventions focused on improving governance, planning, and conflict management in family firms. The study also acknowledged limitations such as its small, localized sample, cross-sectional design, and reliance on self-reported data, and suggested future research on cultural, generational, and gender dimensions of succession as well as longitudinal analyses across diverse contexts.

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APPENDICES

Appendix I: Letter of Introduction

Ole Sangale Rd, Madaraka Estate,
P.O Box 59857 00200, Nairobi, Kenya.
Cell: +254 703 414/6/7, Twitter: @SBSKenya
Email: info@sbs.ac.ke or visit www.sbs.strathmore.edu

Strathmore UNIVERSITY BUSINESS SCHOOL

13th March 2025

To Whom It May Concern,

RE: FACILITATION OF RESEARCH – KAUMBUTHU, JOSEPHINE KAWIRA

This is to introduce Kaumbuthu, Josephine Kawira who is a Master of Commerce (MCOM) Student at Strathmore University Business School, admission number MCOM/100486. As part of our MCOM Programme, Josephine is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MCOM course. To this effect, Josephine would like to request appropriate data from your organization.

Josephine is undertaking a research paper on **"Succession planning challenges and its effect on family owned business performance in Nairobi, Kenya."** The information obtained shall be treated confidentially and shall be used for academic purposes only.

Our MCOM Programme seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

Njoki Kiagiri
Manager – Graduate Programmes
Strathmore University Business School.

Strathmore Business School is a Proud member of:

Association of African Business Schools AABS EFMD AACSB

Appendix II: Questionnaire

This questionnaire has been designed to collect information on the effect of succession planning challenges on the organizational performance of family-owned supermarkets in Nairobi County, Kenya. Please complete each section as instructed. Do not write your name or any other form of identification on the questionnaire. All the information in this questionnaire was treated in confidence.

Section A: Demographic Information

(Please tick (√) where applicable)

1. Gender

Male [ ] Female [ ]

2. What is your age?
   - 18-25 [ ]
   - 26-35 [ ]
   - 36-45 [ ]
   - 46-55 [ ]
   - 56 and above [ ]
3. What is your role in the business?
   - Owner [ ]
   - Manager [ ]
   - Employee [ ]
4. How many years has your business been in operation?
   - Less than 5 years [ ]
   - 5-10 years [ ]
   - 11-20 years [ ]
   - Over 20 years [ ]

Section B: Legal Challenges

Please indicate the extent to which you agree or disagree with the following statements on a scale of 1-5, where: **1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.**

Question	1	2	3	4	5
The absence of formal legal structures for inheritance hinders succession planning in our organization.					
Legal disputes related to inheritance often create obstacles in implementing succession plans.					
Our organization has addressed legal challenges through comprehensive planning.					

Section C: Financial Challenges

Please indicate the extent to which you agree or disagree with the following statements on a scale of 1-5, where:**1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.**

Question	1	2	3	4	5
Financial mismanagement poses significant risks to effective succession planning.					
Lack of financial transparency negatively impacts the succession planning process.					
Insufficient financial resources hinder the implementation of succession plans.					
High levels of debt within the family business create barriers to successful succession.					
Addressing financial challenges has improved succession outcomes.					

Section D: Interpersonal Challenges

Please indicate the extent to which you agree or disagree with the following statements on a scale of 1-5, where: **1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.**

Question	**1**	**2**	**3**	**4**	**5**
Interpersonal conflicts among family members hinder the implementation of succession plans.					
Power struggles within the family negatively impact the succession planning process.					
Lack of effective communication exacerbates interpersonal conflicts during succession.					
Distrust among family members negatively effects the succession planning process.					
Addressing interpersonal challenges has improved succession outcomes.					

Section F: Organizational performance

Please indicate the extent to which you agree or disagree with the following statements on a scale of 1-5, where: **1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.**

Question	**1**	**2**	**3**	**4**	**5**
The profit margins of our business have improved over the past three years.					
Succession-related disruptions negatively affect our profitability.					
Our business has experienced consistent revenue growth over the last three years.					
Revenue declines in our business are often linked to succession-related challenges.					
Our business has maintained or increased its market share in recent years.					
Effective succession planning strengthens our competitive position in the market.					
Employees remain motivated during leadership transitions in our business.					
Succession challenges negatively affect employee morale and commitment.					

Appendix III: List of Family-Owned Supermarkets within Nairobi County

1. Quickmart supermarkets
2. Wayaki Way supermarkets
3. Top people supermarkets
4. Homechoice supermarkets
5. Horyal supermarket
6. Eastmatt supermarket
7. Jawa supermarkets
8. Ibrahim supermarkets
9. Happy valley supermarket
10. Vantage Supermarket Ltd
11. Venture Mini Supermarket
12. Whitestar Supermarket
13. Esajo Supermarket
14. Fair Mart Supermarket
15. Fairlane Supermarkets Ltd
16. Fairrose Supermarket Ltd
17. Galmart Supermarket
18. Green Forest Supermarkets Ltd
19. Mustard Supermarket
20. Naivas Supermarket
21. Naks Supermarkets Ltd
22. Neibas Supermarket
23. Nova Supermarkets
24. Nuru Supermarket Ltd
25. Park &shop supermarket ltd
26. Raken Supermarket Ltd
27. Ridgeways Supermarket
28. Right Supermarkets Ltd
29. Rikana Supermarkets
30. Rosjam Supermarket
31. Sakim supermarket
32. Saltes Supermarket
33. Starehe Supermarket

34. Lumar Supermarket
35 . Seraben Supermarket
36. Chandarana Supermarket
37. Acacia Supermarket Ltd
38. Aflose Supermarket Ltd
39. Horyal supermarket
40. Alliance Supermarket Ltd
41. Amal Supermarket Ltd
42. Amana Eastleigh Supermarket
43. Banshi Supermarket
44. Bei Poa Supermarket
45. Wananchi supermarket
46. Magunas supermarket
47. Khetias supermarket

(Source: Retail Trade Association, 2024)

Appendix IV: Ethics Approval

Strathmore UNIVERSITY

22nd April 2025

Ms Kaumbuthu Josephine,
kaumbuthu.kawira@strathmore.edu

Dear Ms Kaumbuthu,

<u>RE: Succession Planning Challenges and Its Effect on Family-Owned Business Performance in Nairobi, Kenya</u>

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU- Masters** proposal. Your application reference number is **SU-ISERC2850/25.** The approval period is from **22nd April 2025 to 21st April 2026.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

Ole Sangale Rd, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya. Tel +254 (0)703 034000
Email admissions@strathmore.edu www.strathmore.edu

Appendix V: NACOSTI

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: **848875**

Date of Issue: **10/May/2025**

RESEARCH LICENSE

This is to Certify that Ms.. Josephine Kawira of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Succession planning challenges and its effect on family-owned business performance in Nairobi, Kenya for the period ending : 10/May/2026.

License No: **NACOSTI/P/25/4173309**

848875

Applicant Identification Number

Deputy Director
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

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See overleaf for conditions