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Research Paper

The family business failure paradox in the retail industry: Does succession planning contribute to the preservation of superior performance?

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Abstract: Family firms have continued to register low survival rates. Across the world, research puts the survival rate of family businesses beyond the third generation at a mere single digit. The dilemma is also that despite the high failure rate of family-owned firms, the world's most enduring companies also belong to this class. What do they do differently from the majority of their peers? Succession planning tops the list of the 21st century's paradoxical challenges facing family business enterprises. Past studies have been barely conclusive on whether and how succession planning, or the lack of it, affects business economic performance. The current study assesses the effect of succession planning on business economic performance. The study used a deductive approach, a survey research strategy, and an explanatory research design to fulfil its objectives. Data analysis was done through descriptive as well as inferential analyses. Regression analysis results indicated that succession planning is a statistically significant determinant of business economic performance. The study recommends that firms should improve their measures targeted towards the prior identification of roles and leadership positions that require successors. The study also recommends the enhanced preparation, grooming, and development of identified successors.

Keywords: family business; succession planning; business economic performance; business survival

Citation:
Gichuki, F. G., & Ábel, I. (2024). The family business failure paradox in the retail industry: Does succession planning contribute to the preservation of superior performance? *Prosperitas*, *11*(2), Article 2. Budapest Business University. https://doi.org/10.31570/prosp_2023_0077

History:

Received:	28 May 2023
Revised:	10 Sep 2023
Accepted:	14 Sep 2023
Published:	16 Oct 2023

1. Introduction

In the family business context, succession entails the process by which family-owned firms transition the management and the ownership of the business (Gagné et al., 2021). The process is very sensitive and overwhelming, particularly for the firm's founders or senior leaders, who face difficulty letting go of day-to-day family business management. Succession planning has emerged as one of family business enterprises' biggest paradoxical challenges. Close to half (43 percent) of family businesses lack a succession plan. In addition, only 12 percent of those firms survive to the 3rd generation globally (Chekroun et al., 2022).

As Ahmad et al. (2021) report, only 30 percent of family enterprises survive past the second generation in Australia. In addition, only 12 percent remain viable in the third generation, and just 3 percent survive in the fourth generation and beyond. In the United States of America, statistics show that only 13 percent of family firms survive to the third generation (Duckworth-Chambless et al., 2023). Other statistics by Bellas (2022) show that while roughly 40 percent of family firms in the U.S transition into a second generation, only 3 percent of those entities survive to the fourth generation. Notwithstanding the high failure rate of business-owned firms, it is paradoxical that the world's most enduring companies, such as Coopers Brewery, Walmart, Samsung, and BMW, are indeed family enterprises (Rovelli et al., 2022).

In Kenya, the trend is that the first generation painfully establishes an enterprise from scratch, and the second generation boosts it like a meteor, while the third generation quickly abandons it (Murithi & Woldesenbet Beta, 2022). More than 70 percent of business enterprises in Kenya are family-owned, yet less than 10 and 15 percent survive to the third generation (Mlotshwa, 2022). The retail sector has registered many business closures because the paradox of family business failure past the third generation persists. Some notable family firms that have collapsed recently include Tuskys, Nakumatt, the Akambas bus, Spencon, and ARM cement (Kenya Association of Manufacturers, 2023).

McAdam et al. (2020) present succession as an emotive subject for family firms. Succession in family enterprises may breed conflicts as the heirs drift from the incumbent's control and pursue personal autonomy, often through aggressive strategies. Effective succession planning is more than just naming a successor as it seeks inter-generational teamwork. It should be a product of long conversations and engagement about the future of family firms. Family businesses should create opportunities that allow owners to hold open and honest conversations about their vision and direction (Krell, 2019).

Business economic performance represents a function of a firm's success in meeting her objectives and generating benefits for owners, particularly through efficient use of resources and income generation (Riofrio et al., 2023). It represents achieving an organization's goals, aspirations, plans, targets, aims, or objectives. Business economic performance is the ability of a firm to use the available resources effectively and efficiently to grow shareholders' wealth. Business economic performance is indicated in terms of overall returns or losses during a period (Shapiro & Hanouna, 2019).

Business economic performance explains the efficiency and effectiveness with which an entity generates value for the owners from their investment (Moreno-Gómez & Lafuente, 2020). Business economic performance is a subjective measure of the efficiency and effectiveness of a firm using assets to generate revenues. Measures of business economic performance include profitability ratios, liquidity ratios, efficiency ratios, solvency ratios, coverage ratios, and market prospect ratios (Riofrio et al., 2023). The current study used profitability ratios, as well as return on assets, and equity as business economic performance indicators. Return on assets determines how efficiently a firm uses her total assets to generate revenue. Comparatively, return on equity establishes the effectiveness with which a firm employs shareholders' funds (equity) to generate income (Hoerl & Snee, 2020).

Statement of the problem

The paradox of family business has persisted for centuries, and research has barely solved this dilemma. Chekroun et al. (2022) established that 43 percent of family businesses lacked a succession plan, and only 12 percent survived to the 3rd generation. Comparatively, only 12 percent and 13 percent of family enterprises survive to the third generation in Australia and the USA, respectively (Ahmad et al., 2021; Duckworth-Chambless et al., 2023). In Kenya, Mlotshwa (2022) finds comparable results: only less than 10 and 15 percent of family enterprises survive to the third generation. In the Kenyan retail industry, which is the focus of our study, family firms that have recently closed doors include Tuskys and Nakumatt retail stores (Kenya Association of Manufacturers, 2023).

The dilemma is that the world's most enduring companies, such as Cooper Brewery, Walmart, Samsung, and BMW, are also family enterprises (Rovelli et al., 2022). In Kenya, family-owned firms such as HACO Industries, Naivas Supermarkets, and Chandaria Industries Ltd have also been resilient as such model business entities that outperformed peers. So, what is it that these firms do differently? Succession planning is identified as one of the most serious challenges facing family firms (Gagné et al., 2021). Nonetheless, past studies have been barely conclusive on whether succession planning, or the lack of it, affects business economic performance.

Does succession planning help in sustained business economic performance and resilience? Rotich (2014) analyzed succession planning and financial performance of family-owned supermarkets in Nairobi County, Kenya. Succession planning showed a significant positive association with financial performance. Mokhber et al. (2017) studied succession planning and family business performance. The study targeted small and medium-scale enterprises in Malaysia. Results demonstrated that the preparation level of heirs positively affects performance.

Umans et al. (2020) studied succession planning for family firms and analyzed key factors that included family governance practices, board of directors, and emotions. The study establishes a positive effect of succession planning and firm success. Ballal and Bapat (2019) considered how succession planning in family business establishments affected innovation in India. The study established that family succession planning positively impacts innovation. To solve research gaps and address the problem at hand, the current study focused on succession planning and business economic performance in the context of the Kenyan retail sector.

The study's objective was to determine the effect of succession planning on business economic performance for family-owned retail outlets in Kenya.

H: Succession Planning statistically affects the economic performance of family-owned retail outlets in Kenya.

2. Literature review

The study is anchored on several economic theories of family firms: these theories are focused on the interaction of economic agents, contract designs, and incentive provisions to generate and distribute economic rent. The theories reviewed in the scope of this paper include the Branches of Agency Theory, namely Classic Agency Theory (Jensen & Meckling, 1976), Principal-Principal Theory (Schulze et al., 2003), and the Behavioral Agency Theory (Obermann et al., 2020). Other theories include the Resource Theory of Rent Creation (Barney, 2001) and the Transaction Cost Theory (Shukla et al., 2014).

Several past studies have focused on succession planning and business economic performance. Rotich (2014) analysed succession planning and financial performance of family-owned supermarkets in Nairobi County, Kenya. The study was motivated by numerous court cases on succession involving family businesses in Nairobi County. A descriptive survey research approach was adopted. The study sampled a total of 45 family-owned supermarkets in the county. Sampling was done through the convenience sampling technique. The analysis adopted both descriptive and inferential methods. Succession planning showed a significant positive association with financial performance.

Mokhber et al. (2017) studied succession planning and family business performance. The study targeted small and medium-scale enterprises in Malaysia. Two elements of succession planning were considered: the preparation level of heirs and the relationship between family and business members. The study analysed largely quantitative data from 50 family business successors in Malaysia. Results demonstrated that the preparation level of heirs positively affects performance. In addition, the relationship between family and business members was also found to be positively related to family-owned SMEs' performance.

Kiwia et al. (2020) studied succession planning and performance of family-owned SMEs in Arusha, Tanzania. The study adopted a positivist research philosophy and relied on quantitative data. Data was collected through a structured questionnaire. Analysis was done through descriptive and inferential analysis. Most family-owned SMEs were found to have a clear succession plan. Results also indicated that the criteria for successors' selection was key in determining the performance and growth of the examined SMEs. The successors identified by SME founders performed better than those identified by other family members.

Umans et al. (2020) studied succession planning for family firms and analysed key factors that included family governance practices, board of directors, and emotions. The intention theory guided the assessment of governance and board structure while the evaluation of CEO emotions was grounded on the goal adjustment theory. The moderated mediation analysis was applied while the sample comprised of 225 family firms. The study establishes a positive effect of succession planning and firm success. Further, results indicated that board involvement in succession procedures plays a mediating role to a positive relationship between the use of family governance practices and the level of succession planning. In addition, the family CEO's emotions have a negative effect on the succession process.

Ballal and Bapat (2019) considered how succession planning in family business establishments affected innovation in India. The study was motivated by the fact that 85 percent of Indian businesses were family-owned, hence controlling virtually the entire economy and over two-thirds of gross domestic product. The study established that family succession planning positively impacts innovation. More specifically, the involvement of the founder's descendants in management positively influenced the innovative capacity of these enterprises.

3. Methodology

Research Approach and Method

The study used a deductive approach. This research approach involves testing existing theories to either reject or accept the propositions of those theories (Al-Ababneh, 2020). The deductive approach involves formulating the expected patterns in variables of interest and testing the formulated patterns against observations (Iovino & Tsitsianis, 2020). The research method provides details of how, based on the objectives of the study, research can be effectively and efficiently executed (Tharsika & Pratheepkanth, 2020). The current study employed the survey research method. The survey research method involves collecting data from a sample of study participants who respond to questions of interest to the researcher (Check & Schutt, 2012). This strategy incorporates a variety of methods in the recruitment of respondents and collection of data. In addition, the survey research method allows the utilization of various research instruments. The survey research method also allows the adoption of both quantitative and quantitative research tools.

Research Design

The study adopted an explanatory research design. The explanatory research design effectively provides information on the nature and state of the research problem, explaining why the problem is encountered and clarifying the cause-and-effect relationships therein (Sileyew, 2019). The explanatory research design helped explain the condition of the dependent variable (Business Economic Performance of Family Entities) and the Independent Variable (Succession Planning). The research design also effectively helped determine the cause-and-effect relationships between the two variables. Thus, the research design provided an effective test of the research hypothesis.

Research Instrument

The current study employed a structured questionnaire. According to Basias and Pollalis (2018), questionnaires are advantageous in data collection as they provide objective answers and allow responses to be arranged in a standardized manner. The survey relied on primary data that was collected with the help of a questionnaire. The data was collected in July 2022 and covered the period between 2018 and 2022. The target respondents were the persons described in Table 1. The respondents were identified through purposive sampling as they have better access to and knowledge of information on succession planning and business economic performance.

Table 1. Target respondents. *Source: Authors' own*

Leadership Role in the Company	Number Targeted	Total Target
Chairman of the Company	1	10
Chief Executive Officer	1	10
Executive Directors	2	20
Non-Executive Directors	1	10
Head of Finance	1	10
Total Target Respondents		60

Population

According to Oso and Onen (2005), the target population consists of a complete set of components that share some common characteristics and from which a sample can be obtained. The target population of the current study consists of all the 10 Kenyan Family-Owned Retail Businesses operating in Nyeri County, Kenya. The study adopted a census of all the ten family-owned businesses.

Data Analysis

The data collected from the study was cleaned and categorized in line with the research objectives. The analysis of quantitative data involved descriptive as well as inferential analysis. Descriptive statistics comprised of means and standard deviations. Inferential analysis, on the other hand, included the multiple linear regression analysis and Pearson correlation analysis. The study adopted the following model. The empirical model represents the effect of succession planning on the economic performance of family businesses.

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \varepsilon \quad \text{(i)}$$

β_0 = Constant/ Y-Intercept
X_1 = Succession Planning
β_3 = Coefficient/ Gradient of the linear regression line
ε = error term.

The guiding hypothesis and statistical tests are summarised in Table 2.

Table 2. Statistical tests for the research hypothesis. *Source: Authors' own*

Hypothesis	Statistical Test(s)	Reason
Succession Planning has a statistically significant effect on the economic performance of family businesses.	Spearman Rank correlation analysis	• Assesses the association or relationship between dependent and independent variables. • The test will be instrumental in determining the strength and direction of linear association between succession planning and economic performance of family businesses.
	Multiple Linear Regression Analysis	• This inferential analysis method determines the effect of one or more independent variable(s) on one dependent variable. • The test is useful in determining the effect of succession planning on the economic performance of family businesses.

4. Research Findings

This part presents the findings of the study. The output covers both descriptive and inferential statistics. The output was considered useful in effectively testing the research hypothesis.

Reliability Analysis

The study assessed the reliability status of the research instrument using the Cronbach's Alpha reliability test. Table 3 presents the results of the Cronbach's Alpha Reliability analysis.

Table 3. Cronbach's Alpha reliability. *Source: Survey data*

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items
.865	.801	18

The Cronbach's Alpha Coefficient stands at 0.865 for 18 items. That represents a high extent of internal consistency of the research instrument. Gliem and Gliem (2003) state that a

Cronbach's alpha reliability coefficient of 0.70 indicates that the instrument's reliability is good. A coefficient of more than 0.70 would demonstrate that the instrument is reliable. However, when Cronbach's alpha coefficient falls below 0.70, the implication is that the internal consistency of the research instrument is wanting.

Response rate

Table 4 provides a summary of the response rate achieved by the study.

Table 4. Response rate. *Source: Survey data*

Targeted respondents	Responses received	Response rate
60	38	63.33%

The researcher sent the questionnaires to sixty (60) respondents. Out of these, thirty-eight (38) submitted their responses. That represented a response rate of 63.33 percent. According to Mugenda and Mugenda (1999), a response rate of 50 percent is considered adequate, 60 percent good, and above 70 percent very good. Hence, the response rate was good and acceptable for the purposes of the current analysis.

Descriptive statistics – Business economic performance

This section presents descriptive statistics on Business Economic Performance. That was indicated by the return on assets and return on equity metrics. Table 5 presents the statistics in this regard.

Table 5. Business economic performance: ROA and ROE. *Source: Survey data*

	N	Minimum	Maximum	Mean	Std. Dev
Return on Assets	38	8.65	21.45	13.4220	3.26349
Return on Equity	38	7.65	18.54	12.6541	2.64234
Valid N (listwise)	38				
Average				13.0381	2.95291

The mean (13.04) indicates that the business economic performance, as indicated by profitability metrics ROA and ROE, was fairly good. The return on assets stood at 13.42 percent, while the return on equity stood at 12.65 percent. The standard deviations for both metrics were 3.26 and 2.64, respectively, showing that observations were tightly held close to the mean.

Respondents' opinion was also sought regarding the condition of business economic performance at the firms. Table 6 provides the respondents' opinions regarding various aspects of performance as reported by participants.

Table 5. Dimensions of business economic performance for the family firms. *Source: Survey data*

	N	Mean	Std. Dev
The firm has continually enhanced its capacity to generate revenue from the assets at its disposal.	38	3.6754	.60032
The company has effectively controlled its costs while improving the revenue base.	38	3.9901	.89642
The firm has effectively utilized shareholders' funds to generate revenue.	38	4.0474	.60523
Average	38	3.9043	.70065

As indicated by the average mean (3.90), respondents largely opined that the performance of their firms was on the right growth trajectory. The low standard deviation (0.70) demonstrates proximity to the mean, indicating the validity of that condition. The statistics (M=3.67, SD=0.60) indicated that the firms had largely ensured continual enhancement of their capacity to generate revenue from the assets at their disposal. Further, the results (M=3.99, SD=0.78) showed that the firms had largely controlled their costs while improving their revenue base. The output (M=4.05, SD=0.61) showed that the firms had been largely effective in utilizing shareholders' funds to generate revenue.

Descriptive statistics – Succession planning

This part covers statistics on the succession planning of family-owned firms. Table 6 presents statistics on the extent to which succession planning dimensions were applied.

Table 6. Application of succession planning dimensions. *Source: Survey data*

	N	Mean	Std. Dev
Prior identification of roles and leadership positions that require successors.	38	3.6021	.40853
Development of succession plans for strategic roles in the firm.	38	3.9537	.63274
Identification of successors for strategic roles in the firm.	38	4.0643	.59512
Preparation, grooming, and development of identified successors.	38	3.9992	.74321
Average	38	3.8812	.59490

The average mean (3.88) shows that the family firms examined largely implement succession planning. The low average standard deviation (059) further affirms the existence of this condition showing that data were close to the mean. The results (M=3.60, SD=0.41) show that the family firms largely practiced prior identification of roles and leadership positions that require successors. The statistics (M=3.95, SD=0.63) indicated that the firms were highly committed to developing succession plans for strategic roles. Further, as indicated by the results (M=4.06, SD=0.60), the firms largely utilized a framework for identifying successors for strategic roles. Finally, statistics (M=3.99, SD=0.74) indicated that the firms were largely committed to preparing, grooming, and developing identified successors. The results are similar to those of Kiwia et al. (2020), who established that most family-owned businesses largely implemented a clear succession plan.

Respondents were further prompted to provide further information regarding the condition of succession planning in the organizations. Table 7 shows these statistics.

Table 7. Succession panning conditions. *Source: Survey data*

	N	Mean	Std. Dev
The firm has a well-outlined organizational chart, which is key in designing an effective succession management plan.	38	3.9601	.50532
The firm is committed to identifying and developing special talents, competencies and abilities in the family and business for effective succession planning.	38	3.8032	.40001
The firm is committed to, and has a clear framework for, the professional development of its members to ensure efficient and effective succession planning.	38	4.3406	.43861
The company implements an effective strategy to ensure that the best personnel in the workforce are retained and developed so that they can take up new and challenging roles in the future.	38	4.0021	.59064
Average	38	4.0265	.48364

The average mean (4.02) indicated that the components of an effective succession plan were largely entrenched in the family firms. That is validated by the low average standard deviation (0.48), which shows the proximity of observations to the mean. Results (M=3.96, SD=0.51) showed that the firms had largely established a well-outlined organizational chart, which is key in designing an effective succession management plan. The firms, as the results (M=3.80, SD=0.40) show, were largely committed to identifying and developing special talents, competencies and abilities in the families and businesses for effective succession planning. The statistics (M=4.34, SD=0.44) showed that the firms were largely committed to the professional development of their members as a way of entrenching efficient and effective succession planning. Finally, the results (M=4.00, SD=0.59) indicated that the companies largely implemented an effective strategy to ensure that the best personnel in the workforce are retained and developed so that they can take up new and challenging roles in the future.

Respondents were also requested to indicate their opinion regarding the value of succession planning in the organization. This part features descriptive statistics to present this. Table 8 provides the statistics.

Table 8. Value of succession planning to family firms. *Source: Survey data*

	N	Mean	Std. Dev
An effective succession plan has been key in ensuring the continuity of our business interests.	38	4.0573	.07896
Effective succession planning has been critical to preparing and developing potential leaders.	38	4.3273	.23341
Succession planning has been useful in helping the firm plan for the future by identifying and preparing its next successors.	38	4.4532	.43242
Effective succession planning has helped ensure the smooth functioning of our organization.	38	3.9967	.64343
The organizational adoption of an effective succession plan has been useful in reducing the costs involved in recruiting successors.	38	3.8894	.34234
Succession planning has developed our human resource capacities and aided in setting up effective career advancement plans for competent employees.	38	3.8967	.40063
The presence of an effective succession plan has aided the firm in controlling employee turnover and retaining a competent and especially talented workforce.	38	4.4501	.09564
Average	38	4.1530	.31812

The average mean (4.16) demonstrates that succession planning was perceived to be highly useful and valuable to the family firms. The low standard deviation (0.32) shows that observations were close to the mean, thus validating this state of affairs. The results (M=4.06, SD=0.79) showed that an effective succession plan was instrumental in ensuring business interest's continuity. Results (4.32, SD=0.23) also demonstrated that effective succession planning was critical to preparing and developing potential leaders. Respondents also highly agreed (M=4.45, SD=0.43) that succession planning was useful in helping the firms plan for the future by identifying and preparing their next successors. The results (M=4.00, SD=0.64) demonstrated that effective succession planning had been largely helpful in ensuring the smooth functioning of the organization.

The statistics (M=3.89, SD=0.34) showed that organizational adoption of an effective succession plan had been largely useful in reducing costs in recruiting successors. In addition, the results (M=3.89, SD=0.40) showed that succession planning played a useful role in developing the firm's human resource capacities and aided in setting up effective career advancement plans for competent employees. Finally, the statistics (M=4.45, 0.10) indicated that an effective succession plan largely aided the firm in controlling employee turnover and retaining a competent and talented workforce. The results are similar to those of Kiwia et al. (2020), who established that most family-owned firms recognized the value of succession planning.

Inferential Statistics – Spearman's Rank Correlation Analysis

The Spearman's Rank Correlation analysis was applied to explain the nature, strength, and direction of the relationship between Succession Planning and Business Economic Performance. Table 9 presents the output.

The output shows that succession planning positively correlates with returns on assets and equity as indicators of business economic performance. The current results agree with Rotich (2014), Mokhber et al. (2017), Kiwia et al. (2020), and Ballal and Bapat (2019), who earlier established that succession planning has a significant positive association with financial performance.

Table 9. Spearman Rank Correlation Analysis. *Source: Survey data*

	Return on Assets (ROA)	Return on Equity (ROE)
Correlation Coefficient	.799**	.706**
Spearman's rho Succession Planning Sig. (2-tailed)	.021	.010
N	38	38

***Correlation is significant at 0.01 level (2-tailed)*

The Spearman's correlation coefficient, rs, for succession planning and return on assets (ROA), is 0799, which shows a very strong relationship with return on assets as an indicator of business economic performance. Since the associated P-value (p=0.021) is lower than 0.05 or 5% level of significance, the relationship is statistically significant.

Similarly, the Spearman's correlation coefficient, rs, for succession planning and return on equity (ROE), stands at 0.706. That demonstrates that succession planning has a strong relationship with business economic performance as indicated by return on equity (ROE). Since the P-value (p=0.010) is lower than 0.05 or 5% significance, the relationship between succession planning and business economic performance as represented by ROE is statistically significant.

Regression Analysis

Regression analysis was carried out to determine the effect of succession planning on business economic performance. Table 10 provides a statistical output of the F test.

Table 10. F- Test on ANOVA. *Source: Survey data*

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression (1)	253.001	1	253.001	102.906	.011
Residual	28.009	37	.757		
Total	281.010	38			

At the 5% significance level, there was evidence to conclude that the gradient of the regression line was not zero. That is since the p-value of 0.011 is within the 5% significance boundary.

The regression model summary, a key output of the regression analysis, explained the model's usefulness in predicting business economic performance for family-owned retail outlets in Nyeri County of Kenya. Table 11 presents the regression model summary.

Table 11. Regression model summary. *Source: Survey data*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.756	.571	.544	.16342	2.102

As explained by R Square, the coefficient of determination, 57.10 % of the variation in business economic performance (the dependent variable), was explained by variability in succession planning. Furthermore, only 42.90% of the variation in business economic performance was explained by other predictors not included in the model. The results obtained in the present study agree with Rotich (2014), Mokhber et al. (2017), Kiwia et al. (2020), and Ballal and Bapat (2019), who earlier established that succession planning has a significant positive association with business economic performance.

Table 12 captures the multiple linear regression coefficients. Business economic performance was analysed as the dependent variable, while succession planning formed the independent variable.

Table 12. Regression model coefficients. *Source: Survey data*

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
(Constant) (1)	4.075	.068		59.926	.011
Succession Planning	.999	.412	.396	2.4247	.021

From the regression analysis results, succession planning is a statistically significant determinant of business economic performance. The regression model is developed as follows:

$$Y_{it} = 4.075 + 0.999X_1 + \varepsilon \quad \text{(ii)}$$

Where:
Y_{it} = Business Economic Performance (Index of ROA and ROE)
β_0 = Constant/ Y-Intercept
X_1= Succession Planning
β_3 = Coefficient/ Gradient of the linear regression line
ε = error term.

From the regression analysis results, succession planning is a statistically significant determinant of business economic performance at the $p<.05$ level. With a Beta coefficient of .396 $p<.05$, succession planning strongly predicts business economic performance. The regression coefficient for succession planning (0.999) has an associated p-value of 0.021, within the $p<.05$ significance level. That indicates that succession planning is a useful predictor of business economic performance. The study, therefore, failed to reject the alternative hypothesis: H: Succession planning has a statistically significant effect on the economic performance of family businesses. A conclusion was made that succession planning is a useful predictor of business economic performance. The statistics further demonstrate that a unit improvement in succession planning efforts would result in a 0.999 unit improvement in business economic performance. The current results agree with Rotich (2014), Mokhber et al. (2017), Kiwia et al. (2020), and Ballal and Bapat (2019), who earlier established that succession planning has a positive effect on business economic performance.

5. Conclusions

The results demonstrated that the business economic performance of the examined companies was fairly good as indicated by profitability metrics ROA and ROE. The performance of the companies was also on the right growth trajectory. The management of the firms largely ensured continual enhancement of their capacity to generate revenue from the assets at their disposal. In addition, the firms largely controlled their costs while improving their revenue base and utilizing shareholders' funds to generate revenue. As explained by R Square, the coefficient of determination, 57.10% of the variation in business economic performance (the dependent variable), was explained by variability in succession planning.

The regression analysis proved that succession planning is a useful and strong determinant of business economic performance. Thus, improvements in succession planning efforts would improve business economic performance. The Spearman's Rank Correlation Analysis output shows that succession planning has a positive relationship with business economic performance as indicated by either return on assets or equity. Spearman's correlation analysis results indicated that succession planning positively predicts business economic performance indicated by return on assets. Similarly, Spearman's correlation analysis showed that succession planning positively correlates with business economic performance indicated by return on equity (ROE).

The family-owned retail firms in Nyeri County, Kenya largely implemented succession planning. These family firms largely practiced prior identification of roles and leadership positions that required successors. The leadership of the family firms was also highly committed to developing succession plans for strategic roles. Further, the firms largely utilized a framework for identifying successors for strategic roles. The components of an effective succession plan were largely entrenched in the family firms. The firms largely established a well-outlined organizational chart, which is key in designing an effective succession management plan. The firms were also largely committed to identifying and developing special talents, competencies and abilities in the families and businesses for effective succession planning. Finally, the companies also largely implemented an effective strategy to ensure that the best personnel in the workforce are retained and developed so that they can take up new and challenging roles in the future.

Succession planning was perceived to be highly useful and valuable to the family-owned retail firms in Nyeri County, Kenya. The presence of an effective succession plan was seen to be largely instrumental in ensuring the continuity of business interest. Effective succession planning was critical to the preparation and development of potential leaders. Succession planning was also reported to be useful in helping the firms plan for the future by identifying and preparing their next successors. Further, effective succession planning has been very helpful in ensuring the smooth functioning of organizations. The organizational adoption of an effective succession plan has also been useful in reducing costs involved in recruiting successors. Finally, an effective succession plan largely aided the firm in controlling employee turnover and retaining a competent and talented workforce.

Several conclusions were made regarding succession planning and business economic performance of family-owned retail outlets in Nyeri County, Kenya. The conclusions are anchored on inferential statistics, which allow generalizations to the entire population. It was concluded that the business economic performance of the family-owned retail outlets in Nyeri County was good. Spearman's Rank Correlation Analysis concluded that succession planning has a positive relationship with business economic performance as indicated by both return on assets and return on equity. As such, it was concluded that an improvement in succession planning would improve the level of business economic performance indicated by either return on assets or return on equity.

Recommendations

Recommendations are made based on the unique findings of the study. Although the level of business economic performance was fairly good, recording a double-digit figure for both returns on assets and return on equity, there is still room for improvement. There was a need to continually enhance firms' capacity to generate revenue from the assets at their disposal. The study recommends measures towards enhanced control of costs while improving the firms' ability to grow their revenue bases and utilizing shareholders' funds to generate revenue. The study indicated that succession planning would play an effective role in improving business performance. The study recommends further entrenching these practices since succession planning has been established to be a positive determinant of business economic performance.

Although succession planning was well-entrenched, the study recommends that the firms should tighten measures towards prior identification of roles and leadership positions that require successors. The study recommends maintenance and possible furtherance of the development of succession plans in the case of strategic roles. Identifying successors for strategic roles in the firm should also be enhanced as it ensures business continuity. The study recommends enhanced preparation, grooming, and development of identified successors. The study recommends that the components of effective succession be further entrenched in family firms.

The study recommends that all firms should establish a well-outlined organizational chart, which is instrumental in designing an effective succession management plan. The firms should also ensure the identification and development of special talents, competencies, and abilities in families and businesses. All the family firms should also establish a clear framework for the professional development of their members. The study recommends that the firms implement a staff growth and retention strategy to ensure that the best persons in the workforce are retained and developed so that they can take up new and challenging roles in the future.

Contribution to knowledge

This study makes a significant contribution to the development of management. Although succession planning has been a subject of past research, this has scarcely been done in the context of family businesses in developing countries. This study is, therefore, instrumental to developing the management practice and theory of family-owned business ventures. The study provides a rich and original approach to assessing succession planning and business performance. The consideration of a combination of return on assets and return on equity metrics helps better understand the investigated relationships. Hence, the study delivers valuable empirical evidence to guide decision-making on succession planning and business economic performance. Anchoring the study on several theories, including the Classic Agency Theory, Principal-Principal Theory, Behavioural Agency Theory, and Resource Theory of Rent Creation, provides a rich framework for deductions. The study makes a significant contribution to management by finding evidence that supports the economic theories of family firms by underlining the importance of succession planning in improving firm performance.

Limitations and Future Research Direction

The study faced some limitations related to content, context, and methods. The study tested only one hypothesis. The scope of hypothesis testing could be expanded to understanding succession planning and performance metrics more in depth. Regarding the contextual scope, the research focused on retail outlets in Nyeri County, Kenya. There is a need to expand this scope to cover a wider region for better generalisability of results. The researcher's future studies will employ more advanced research methodologies and will expand content and contextual scope to deal with succession planning and family business performance.

Funding: This research received no external funding.

Conflicts of Interest: The authors declare no conflict of interest.

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