EdinBurg Peer Reviewed Journals and Books Publishers
Journal of Strategic Management
Vol. 2, No. 2, pp. 16-35: ISSN 2789-4851
Email: info@edinburgjournals.org

Analysis of Succession Planning and Sustainability of Family-Owned Enterprises in Nairobi Metropolitan, Kenya

[1*]Ahmed Maalim Hassan & [2]Dr. Julius Bichanga

[1]Strategic Management, Mount Kenya University

[2]Jomo Kenyatta University of Agriculture and Technology

Corresponding author e-mail: ahmedmaalimhassan74@gmail.com

How to cite this article: Hassan, A. M., & Bichanga, J. (2022). Analysis of Succession Planning and Sustainability of Family-Owned Enterprises in Nairobi Metropolitan, Kenya. *Journal of Strategic Management, 2*(2), 16-35.

Abstract

Family-owned businesses are very important in the world economy. These firms are helping to shape and define economies the world over. Between 50-60% of the workforce in industrialized nations is employed in family-owned businesses. However, in the 21st century, less of family-owned businesses are being formed. This study, therefore, sought to investigate effect of succession planning on sustainability of family-owned enterprises in Nairobi metropolitan, Kenya. The study specifically assessed the influence of identification of successors, successors' capacity development, and leadership commitment on sustainability of family-owned businesses. The study adopted a mixed research methodology where both qualitative and quantitative data were used. The target population comprised 313 family-owned businesses which are registered by the Association of Family Business Enterprises (AFBE). Stratified random sampling was used to select 176 respondents with help of Yamane formula. Data was analyzed using descriptive and inferential statistics. Regression results indicated that a unit increase in the identification of successors resulted in a considerable rise in the sustainability of family-owned firms by 0.197. A unit increase in the capability of the successors would result in a considerable rise in the sustainability of family-owned firms by 0.266. A unit increase in leadership commitment resulted in a substantial improvement in the sustainability of family-owned firms by 0.332. The study concluded that family members are engaged in identifying a successor; successors' training provided them with the necessary entrepreneurial and financial abilities to take the company to the next stage of growth, and leadership commitment has a key impact in improving the sustainability of family-owned enterprises was indicated by this study. The study recommends that family companies should utilize independent boards and experts to help them make judgments on who will succeed them throughout the selection process of a successor. Future company owners should provide their employees with enough training and development options, such as a mentorship program and on-the-the-job training. Succession plan should be time-bound and updated to be realistic and relevant to the current situations in business life so that it becomes an invaluable business tool to guide transgenerational business transition while ensuring sustainability.

Keywords: *Succession planning, sustainability of family-owned enterprises, identification of successors, successors capacity development, leadership commitment*

1.0 Introduction

In Kenya's economy, the importance of family-owned companies cannot be overstated. Seventy-five percent of the country's workforce is employed in this field, according to the most recent Economic Survey (2011). Despite their importance, family-owned enterprises encounter several difficulties in their performance and eventual survival. If family firms are to remain viable when the founder departs, Astrachan and Stider (2005) argue that they must address issues of succession. Leaders in the family company must devise realistic leave plans (Hunt, 2006).

According to Dowell and Silzer (2001), an organization's success or failure is determined by its ability to attract and retain top people. After he or she retires, the company owner should be able to identify capable successors, whether they come from within the family or come from outside it. There should be an honest appraisal of the persons in the family's leadership potential (Hess, 2006). A leader's familial relationships may influence their assessment of a family member's capabilities and abilities, which subsequently influences the quality of leadership following the present leader's departure from the company's head.

A succession plan, according to Rothwell (2010), should not be exclusive to managerial roles when it comes to including a departure strategy. It's important to attempt to include personal growth in every job category in the company. In family-owned enterprises, succession planning and the development of an exit strategy must go beyond the executive level. Extension of succession planning (exit strategy) to the whole staff aims to align existing talent with future requirements of organization.

Businesses that are owned and operated by families play a critical role in the global economy (Charantimath, 2009). In the industrialized world, 75% of companies are owned by families, however, in the United Kingdom, 70% of enterprises are held by families. 50% to 60% of people working in developed countries are employed by family-run enterprises (Charantimath, 2009). Fortune 500 firms have a family ownership percentage of 33 percent (Lee, 2004). The importance of family-run businesses to the global economy is seen in Table 1.

Table 1: Family Business: The Statistical Story

Family Businesses constitute 80-98% of all the world's businesses in free economies.
Family Businesses generate 49% of the Gross Domestic Product in the USA.
Family Businesses generate more than 75% of the Gross Domestic Product in most other countries.
Family Businesses employ more than 75% of the working population around the world.
Family Businesses create 86% of all new jobs in the USA.

Source: Poza (2010)

Growth in family-owned firms has enabled a handful of small businesses to expand into significant commercial organizations, according to Poza (2010). To expand, several of the world's largest family-owned businesses have turned to the public for investment. Some companies' family ownership was lost as a result of using public equity, while others were able to preserve family ownership while being professionally managed. Wal-mart (US), Buitoni (Italy), Samsung Group (South Korea), and Tata Group (India) are among the world's biggest family-owned businesses (India).

The problem of succession requires careful consideration. A successful corporation might be brought to its knees if the succession process is managed incorrectly. It is assumed that the

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founder would lay the groundwork for future leadership. The founder's successor must be chosen and mentored before he or she takes over the firm. Approximately one-half of all family firms, according to James and Gary (2002), lack a clearly defined succession plan. The successor may be unable to fill the void left by the founder if the latter instructed him or her to run the firm while keeping key corporate secrets a secret. Before and after the transfer, the founder has a significant impact on the business's success and performance. Transparency in decision-making and information sharing with the successor may assist that person in better prepare for the responsibilities ahead.

1.1 Problem Statement

Global emphasis is focused on small and medium-sized organizations, especially family-owned businesses, as well as academics and policymakers. One of the best examples of this is seen in Kenya, where the government has designated entrepreneurship as a key component in achieving Vision 2030. Nearly half of Kenya's workforce is employed in the six areas of the Kenyan Vision 2030 framework that has been regarded as vital (Vision 2030, 2011). Create new prospects for these industries by investing plenty of time and money.

About 75 percent of all employees in formal employment are employed by family-owned businesses, which is one of the fastest-growing divisions of the corporate world (Whitehead, 2005). Every family company has its distinct characteristics, yet they all confront the same problems. According to Keynon-Rouvinez and Ward (2005), a company's owners must overcome the unique obstacles their businesses confront, such as succession and family unity.

A significant achievement for every family company is the transfer of ownership from one generation to the next. Succession planning is an intentional and organized process that supports the transition of management power from one family member to another, according to Sharma, Chrisman and Chua (2003). Continuity in service and product delivery is at the heart of this procedure, which is why it's so important. A company's long-term sustainability depends on its decision-makers measuring the results of succession planning in terms that matter to its consumers (Rothwell et al., 2005). A study by Poza (2010) indicated that 85 percent of all new family-owned firms fail within the first five years, and just 30 percent of those that survive can be passed down to the next generation.

It's a fact that many enterprises that aren't handed on to the following generation are forced to shut down (Poza, 2010). Passing over control of the firm to the next generations becomes increasingly difficult as family size increases. Only 12% of businesses are handed down from the second generation to the third generation, and only 4% from the third generation to the fourth generation succeed (Poza, 2010). Many studies have been carried out, however, there is no evidence that succession planning affects the performance and survival of family-owned firms. A lack of a national database of family-owned enterprises makes it difficult to research the subject. Since the founders are usually long gone, this research aimed to find out how succession planning helps family companies in Kenya thrive longer.

1.2 Research Objectives

1. To assess the influence of identification of successors on sustainability of family-owned businesses.
2. To determine the influence of successors' capacity development on sustainability of family-owned businesses.
3. To investigate if leadership commitment does affect succession planning and its effect on the survival of family-owned businesses.

2.0 Literature Review

2.1 Ecological Succession Theory

In the field of ecology, the notion of ecological succession is one of the most well-established. As a result of disruption or colonization of new occupants, the idea claims that ecological succession is a process that an ecological community undertakes in an orderly way (Clements, 1916). In a nutshell, ecological succession is the process through which the species composition of an ecological system changes over time. Plants in this process begin as a few pioneering plants, but as they grow and mature, they become self-sustaining, as the community nears its peak (Cook, 1996).

Although the idea was established from a study of plants in a natural setting, the theory is useful in the corporate world because succession is crucial to the survival of commercial enterprises. The kind of company doesn't matter; the principle applies to all enterprises in terms of succession, where self-perpetuation shows a tremendous accomplishment. Plants and animals, as well as microbes, all have mutualistic and parasitic connections that may be seen in a business setting (Poulin, Morand & Skorping, 2000).

Symbiosis is described as a tight ecological interaction between two or more individuals from two or more distinct species (Poulin, Morand & Skorping, 2000). Customers, staff, and the company as a whole might be considered as distinct species. The company and its customers have a mutually beneficial relationship in which the firm generates income from its customers while the consumers get the products and services they need. Employer-employee relationships are those in which both parties benefit from the work of the other. In symbiotic partnerships, one species may gain at the cost of the other (Meyer, 1998). In certain circumstances, neither species can profit from the other's presence.

A parasitic relationship is one in which one species gains an advantage at the cost of the other. In a commercial setting, a clear-cut parasitic connection cannot be pointed out, although parasitic ties may be established. Parasitic relationships may arise when a company hires and underpays her people while making big profits. A mutually beneficial connection exists between the employer, which happens to be the organization, and its workers, but neither party benefits directly from the other. For a family-owned firm to succeed, the two ties are essential. People who can help a company realize its vision and goal may be found via the connections it builds. For a species to become extinct, it must be replaced by a new one over time, according to Clements (1916). The present species provide the habitat for the new species to flourish, allowing this succession to occur (Stringham, Krueger, and Shaver, 2003). For a seamless transfer, a family-owned company leader is required to achieve just this via the identification and development of leadership commitment.

In an ecological context, disturbances like as severe logging or fires might serve as a catalyst for succession to occur naturally. When corporate leader dies or becomes ill, they may be obliged to step down from their position of power. Landslides and even lava flows may occur as a result of plant colonization, as well (Clements, 1916). Assuming the founder or current generational leader needs continuity, colonization would be the same as being forced to choose a successor by those forces. Small businesses may accomplish self-preservation by expanding their operations over time, much as species populations can do as naturally as they rise in number. The self-perpetuating stage of the firm allows it to achieve a high degree of stability and secure its sustainability across many generations (Handler, 1994).

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2.2 Empirical Review

Identification of Successor

After the founder retires, the family firm will need to be handled by people with the appropriate skills and competencies. Certain expectations are placed on a successor even if the founder would most likely want to hand over power to a close family member. Because of this, the founder and his board of directors are required to choose a successor with the proper successor profile. The ability of a family business's head to run the company is critical to its long-term health and expansion. Having a well-designed strategy for identifying and assessing potential successors will aid in the achievement of a successful family company succession plan (Sphr & Sims, 2007). Finding a successor is not something you do on the spur of the moment. Long, multi-year processes are involved in preparing future company leaders (Cascio, 2011).

The identification of successors may be connected to the overall company strategy to assist in effectively achieving organizational objectives. According to Cascio (2011), the most successful companies actively participate in the development of their organization's strategic leadership. As a last step, both internal and external candidates might be evaluated to find a successor in the future. Even children who are not actively working in the family company might be included in successor evaluation activities.

A variety of research has been conducted across the world on succession planning and the sustainability and/or effectiveness of organizations in general. Non-governmental organizations in Turkey were studied in 2011 by Newman, Thanacoody, and Hui to see how succession management affected their performance. Researchers wanted to learn more about the impact of identifying, adapting, and adopting successors on the performance of NGOs in Turkey. The researchers used an experimental approach and a sample size of 230 people for their study. Retaining essential workers was made easier by Deckop et al. (2016), which found that succession management helps firms identify people capable of supplying critical capabilities in their operational processes. Organizations can achieve a more productive and functioning staff via the use of succession management, which results in increased organizational performance (Newman et al., 2011).

Successors Capacity Development

It was found that successor training and development has a positive impact on commercial bank performance, according to research done by Hassan, Mehmet and Demet (2013). The research was carried out in Qatar and focused on licensed commercial banks in the nation. There were 52 participants in the study's descriptive research design. According to the research, it has been shown that training is one of the most essential aspects in keeping successors and making them more productive in the business, according to Hassan et al (2013). Developing and acquiring new skills helps successors become more productive and capable in the business, according to Hassan et al. (2013).

According to Chen (2014), successor training has a direct impact on an organization's sustainability and performance. The purpose of the research was to determine how the training of successors affects the continuity of the organization. Pakistan was the site of the investigation, which used an exploratory research approach. A total of 119 people working in Pakistani manufacturing companies took part in the research. According to Chen (2014) findings, the training of successors enables them to address concerns and be more compatible with organizational problems. There is a need to continually teach successors for them to be better competent in handling organizational concerns, as stated by Chen (2014).

Firm successor involvement and financial institution sustainability were the focus of research was undertaken by Manzoor (2012) in the United Kingdom. A descriptive research approach and a sample size of 93 were used in the study. Employees had a better understanding of organizational goals and strategies by working with successors of previous institutions, according to the findings. To improve the organization's strategic position in the market, including successors is critical, according to Manzoor (2012).

Elsewhere A research conducted by Chew and Chan (2017) looked at the effects of human resource management on the success of family-owned firms, with a particular emphasis on employee involvement. The research focuses on employee involvement and how it improves the company's success. When the 34 successors were engaged in their work, it was found that they had a significant impact on boosting the company's performance. Chew and Chan (2017) claim that involving workers increase their dedication and eagerness to work for the company they are already employed with.

Leadership Commitment

Several factors contribute to the success of family-owned enterprises. Researchers Schuman, Stutz and Ward (2010) discovered that enterprises held by a single family or group tend to have more stable financial outlooks. As a result of the founders' belief that their firms may be passed down to future generations, the businesses are given a longer time horizon.

Consistency in leadership is another factor in the success of family companies, as stated by Schuman, Stutz and Ward (2010). It is only via the passing of authority and control from one generation to the next that a leader can maintain consistency. In the event of a leadership changeover, the continuity provided by strong family values and culture cannot be overstated (Schuman, 2011).

The ability of family-owned firms to deal with challenges quickly is a key factor in their long-term success. The company's internal resources and capabilities are built up to deal with any issues that may arise (Schuman, Stutz & Ward, 2010). Although capacity cannot be learned, it may be improved upon. That dedication to leadership extends beyond the acquisition of the abilities necessary to govern an organization, says Daf (2008).

As defined by Weiss and Molinaro (2005), leadership commitment is the degree to which organizations can maximize their existing and future leaders to drive business. A leadership gap must be discovered in an ever-changing corporate environment, where the changes in the environment must be tracked. Family-owned companies benefit from their leaders' ability to maintain a clear vision while also using the power of networking (Gallos, 2008).

The majority of family companies rely too much on a single person to succeed. As an organizational function, one heroic character in the corporation distorts the appreciation of leadership (Gallos, 2008). Many of the most successful companies have made the most important leadership duties part of their corporate culture, value systems, and practices (Gallos, 2008). This is the same strategy that family-owned businesses may employ to reduce their dependence on a single person.

3.0 Methodology

The study adopted a mixed research methodology where both qualitative and quantitative data were used. The target population of this study comprised 313 family-owned businesses which are registered by the Association of Family Business Enterprises (AFBE). Stratified random sampling was used to select 176 respondents with help of Yamane formula. The research used primary data. Semi-structured questionnaires were used to gather the data. Descriptive analysis

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was summarized in form of central tendency as well as dispersion and inferential analysis was used to find out the effects of independent variables on dependent variables at a significance level of 0.05. Descriptive analysis included; frequencies, Mean, standard deviation, and percentage while inferential analysis involved correlation analysis and linear regression analysis.

4.0 Results and Discussion

4.1 Descriptive Statistics

Data sets may be described and defined using descriptive statistics (Mboya, 2019). It is important to note that descriptive statistics are based on the research variables' percentages, the mean, and the standard deviation of their values. Identification of successors, capacity development of successors, and leadership commitment were all independent factors, while the sustainability of family-owned enterprises was a dependent variable. The respondents were asked to indicate their level of agreement from 1 strongly disagree, 2-Disagree, 3-not sure, 4-agree, and 5 strongly agree. The findings are as follows.

Identification of successors

The initial goal of this research was to determine how the identification of successors affects the sustainability of family-owned businesses in Nairobi, Kenya. For this, the researcher posed a series of questions to the participants on the identification of family-owned company successors. Table 2 shows the results, with percentages in brackets and frequencies outside of brackets.

Table 2: Identification of successors

Identification of successors	5	4	3	2	1	Mean	SD
There is a written and formal succession plan for identification of a successor	16 (12.6)	42 (33.1)	41 (32.3)	24 (18.9)	4 (3.1)	3.33	1.024
There is a minimum education qualification and skills required to become a successor.	31 (24.4)	45 (35.4)	18 (14.2)	28 (22)	5 (3.9)	3.54	1.194
The family members are involved during identification of a successor	45 (35.4)	28 (22)	30 (23.6)	20 (15.7)	4 (3.1)	3.71	1.196
The total number of years of work experience in entire career affects successor identification	45 (35.4)	30 (23.6)	40 (31.5)	10 (7.9)	2 (1.6)	3.83	1.052
Talent in a specific aspect of business management is considered during identification of a successor	44 (34.6)	26 (20.5)	28 (22)	22 (17.3)	7 (5.5)	3.61	1.273
Successor willingness is considered during identification of a successor	60 (47.2)	17 (13.4)	41 (32.3)	4 (3.1)	5 (3.9)	3.97	1.133
Overall Score						3.67	1.145

N=127; KEY: 1= Strongly Disagree; 2= isagree; 3=Not sure; 4=Agree; 5=Strongly Agree; SD= Standard Deviation**.**

From Table 2, the results indicated that 12.6% of the sampled respondents strongly agreed that there is a written and formal succession plan for identification of a successor while 33.1% agreed with a mean of 3.33. On the other hand, 32.3% of the respondents were not sure that there is a written and formal succession plan for identification of a successor. The results also indicated that few of the respondents (35.4%) agreed that there is a minimum education qualification and skills required to become a successor while 24.4% of the respondent strongly agreed. On the hand, 14.2% were not sure with a mean of 3.54 although 22.0% disagreed.

In regards to the family members involved during identification of a successor, 24.4% of the respondents strongly agreed that the family members are involved during identification of a successor while 35.4% agreed with a mean of 3.71. The results also revealed that a slight majority of the respondents were in agreement that a total number of years of work experience in entire career affects successor identification of which 35.4% strongly agreed and 23.6% agreed on that assertion with a mean of 3.83 although 7.9% of the respondents disagreed and 31.5% of the respondents were not sure.

The results further revealed that 34.6% of the respondents strongly agreed that talent in a specific aspect of business management is considered during identification of a successor while 20.5% of the respondents agreed on the same. On the other hand, 22.0% of the respondents were not sure and 17.3% of the respondents disagreed with a mean of 3.61. Lastly, 47.3% of the respondents strongly agreed that successor willingness is considered during identification of a successor and 13.4% agreed on the same with a mean of 3.97 although 32.3% were not sure. Averagely, the level identification of successors had a mean of 3.67 implying that majority of the respondents agreed with identification of successors statement regarding sustainability of family-owned businesses.

Respondents were asked to provide their thoughts on the overall influence of leadership on succession planning and which succession plans would be successful with certain types of leadership, as part of a survey on leadership commitment. Many of the respondents said that leadership had a good influence on succession since leaders were the vision bearers in the succession program. It was pointed out by respondents that an effective succession plan has been consulted on. It was also questioned about the most important leadership position in succession and how it is performed by the respondent Concurrence on the importance of leaders' guidance and leadership during times of transition was expressed.

Qualitative research shows that identifying a successor is influenced by a variety of criteria, including managerial ability, experience, negotiation skills, people management, and knowledge of the market, as well as gender and religion preferences. Here, we can get a better idea of how owners think their successors will be chosen based on these variables: Only one of the firms indicated gender and religion prejudice in the selection of a successor; the owners were judged to be more specific about the abilities required to continue the company rather than personal bias; Gender is not a significant factor in the selection of a potential successor. Current management's successors are selected based on their ability, enthusiasm, and desire as a leader. Also, religion isn't given too much attention. The present management is concerned about the company's sustainability. The results of the survey demonstrate the benefits of family-owned businesses and the importance placed on succession planning by all family-run company executives. Company sustainability is more important to family business decision-makers than making emotional choices that may have bad consequences.

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Successors capacity development

The second purpose of this research was to investigate the influence of successor capacity building on the sustainability of family-owned businesses in Nairobi, Kenya. To do this, the research intended to determine the extent to which successor capacity development affected the sustainability of family-owned firms. The data are summarized in Table 3, where percentages are denoted by brackets and frequencies are shown by square brackets.

Table 3: Successor's capacity development

Successors capacity development	5	4	3	2	1	Mean	SD
The organization has implemented coaching and mentoring programs to allow seamless succession from one generation to the next	32 (25.2)	40 (31.5)	31 (24.4)	5 (3.9)	19 (15)	3.48	1.320
Capacity development programs are properly tailored-made to address succession gap	40 (31.5)	32 (25.2)	31 (24.4)	15 (11.8)	9 (7.1)	3.62	1.240
Successors are equipped with management skills to enhance mutual trust between the family and the business	28 (22)	42 (33.1)	32 (25.2)	18 (14.2)	7 (5.5)	3.52	1.147
Successors are equipped with financial skills to lead the business to enter a higher level of development	38 (29.9)	40 (31.5)	28 (22)	11 (8.7)	10 (7.9)	3.67	1.215
Successor's training equipped them with entrepreneurial skills to lead the business to enter a higher level of development	43 (33.9)	43 (33.9)	18 (14.2)	16 (12.6)	7 (5.5)	3.78	1.201
There is a well-defined process and structure for grooming potential successor in the organization	17 (13.4)	55 (43.3)	31 (24.4)	17 (13.4)	7 (5.5)	3.46	1.060
Overall Score						3.59	1.197

N=127; KEY: 1= Strongly Disagree; 2= Disagree; 3=Not sure; 4= Agree; 5=Strongly Agree; SD= Standard Deviation.

Results in Table 3, revealed that 25.2% of the sampled respondents strongly agreed that the organization has implemented coaching and mentoring programs to allow seamless succession from one generation to the next and 31.5% of the respondents agreed on the same with a mean of 3.48. However, 24.4% of the respondents were not sure that the organization has implemented coaching and mentoring programs to allow seamless succession from one generation to the next. The results also revealed that 25.2% of the respondents agreed that capacity development programs are properly tailored-made to address succession gap while 31.5% strongly agreed on the same although 24.4% were not sure with a mean of 3.62. In regards to successors are equipped with management skills to enhance mutual trust between the family and the business, 33.1% of the respondents agreed with this assertion while 22.0% strongly agreed. However, 25.2% of the respondents were uncertain with a mean of 3.52.

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The results also revealed that few of the respondents (13.4%) strongly agreed that Successors are equipped with financial skills to lead the business to enter a higher level of development and a further 43.3% agreed with a mean of 3.46. However, 24.4% of the respondents were not sure, an indication that successors are equipped with financial skills to lead the business to enter a higher level of development. More so, 33.9% of the respondents agreed while 33.9% strongly agreed with a mean of 3.78 that successors training equipped them with entrepreneurial skills to lead the business to enter a higher level of development. However, 14.2% of the respondents were uncertain that successor's training equipped them with entrepreneurial skills to lead the business to enter a higher level of development.

Finally, 29.9% of respondents strongly agreed that the firm had a well-defined method and structure for grooming possible successors, and another 31.5 % agreed with a mean of 3.67. On average, the identification of successors had a mean value of 3.59 with a standard deviation of 1.197, indicating that most of the respondents were in agreement with successor capacity development claims.

Qualitative results indicated that successor capacity development was significant as far as succession plans and sustainability are concerned. This study established that successor capacity development should therefore not just be measured in terms of the years worked in the family business but rather the developmental experience. This is critical as it shows that the mere passage of time of an employee in a family business does not contribute to successor development. Further, successor development emerged as a significant factor affecting successor development. Respondents in this study believe that work experience from outside the family business is critical in ensuring successor capacity development.

Leadership commitment

The third purpose of this research was to examine how leadership commitment affects the sustainability of family-owned businesses in Nairobi, Kenya. To attain this goal, the researcher wanted to learn how leadership commitment impacts the sustainability of family-owned firms. Results are shown in Table 4 in which percentages are shown within brackets and frequencies outside brackets are shown.

Table 4: Leadership commitment

Leadership commitment	5	4	3	2	1	Mean	SD
The leadership fosters leadership commitment by enhancing job rotation for successors pursuing the administration credential.	17 (13.4)	56 (44.1)	27 (21.3)	21 (16.5)	6 (4.7)	3.45	1.067
Leadership is a commitment to provide adequate resources to ensure continuity and its succession from one generation to another	30 (23.6)	51 (40.2)	26 (20.5)	15 (11.8)	5 (3.9)	3.68	1.083
The leadership has to implement job enlargement and job enrichment to enhance succession plan	32 (25.2)	47 (37)	24 (18.9)	22 (17.3)	2 (1.6)	3.67	1.084

Leadership has created functional areas/departments that affect succession plan	24 (18.9)	50 (39.4)	22 (17.3)	14 (11)	17 (13.4)	3.39	1.286
The leadership has clear guidelines for successor expectations as well as management of sibling rivalries	31 (24.4)	59 (46.5)	22 (17.3)	13 (10.2)	2 (1.6)	3.82	0.971
Leadership regard passing on the business to the next generation as a very important strategic plan	38 (29.9)	52 (40.9)	23 (18.1)	12 (9.4)	2 (1.6)	3.88	.997
Overall Score						3.65	1.081

N=127; KEY: 1= Strongly Disagree; 2= Disagree; 3=Not sure; 4= Agree; 5=Strongly Agree; SD= Standard Deviation.

The findings indicate that out of 127 respondents who took part in the study, 44.1% agreed while 13.4% strongly agreed that leadership fosters leadership commitment by enhancing job rotation for successors pursuing the administration credential. The line had a mean of 3.45 indicating that leadership fosters leadership commitment by enhancing job rotation for successors pursuing the administration credential to a moderate extent. Additionally, 40.2 percent of respondents believed that leadership is committed to providing appropriate resources to maintain the organization's continuity and transition from generation to generation, a sentiment echoed by 23.6 percent of respondents who strongly agreed. A mean of 3.68 corroborated this conclusion.

On the statement that the leadership has to implement job enlargement and job enrichment to enhance succession plans, 37.0% agreed while 25.2% strongly agreed and 18.9% were not sure. The statement had a mean of 3.67 indicating that the leadership has to implement job enlargement and job enrichment to enhance succession plan. The results also revealed that 40.9% strongly agreed and 29.9% strongly agreed that the Leadership has created functional areas/departments that affect succession plans with a mean of 3.88.

The outcome further revealed that 24.4% and 46.5% strongly agreed and agreed respectively that the leadership has clear guidelines for successor expectations as well as management of sibling rivalries. This was supported by a mean of 3.82 although 17.3% of the respondents were not sure. Another 18.9% strongly agreed and 39.4% agreed that leadership views handing the firm on to future generations as a very important strategic objective, with a mean of 3.39 and a standard deviation of 1.286. There was a 3.65 average degree of leadership commitment, indicating that the majority of respondents agreed with assertions about commitment.

Sustainability of family-owned businesses

The study's overarching goal was to examine the influence of succession planning on the sustainability of family-owned businesses in Nairobi, Kenya. This information may be seen in Table 5, which shows % and frequency in brackets, respectively.

Table 5: Sustainability of family-owned businesses

Sustainability of family-owned businesses	5	4	3	2	1	Mean	SD
The business has over the year demonstrated continuous growth in profits	20 (15.7)	38 (29.9)	46 (36.2)	21 (16.5)	2 (1.6)	3.42	0.996
The business has increased its market share.	14 (11)	62 (48.8)	34 (26.8)	12 (9.4)	5 (3.9)	3.54	.949
The number of employees has increased over the years	38 (29.9)	69 (54.3)	6 (4.7)	10 (7.9)	4 (3.1)	4.00	0.976
The business has created a high degree of customer satisfaction.	46 (36.2)	55 (43.3)	14 (11)	10 (7.9)	2 (1.6)	4.05	.967
The business outdoes its rival in the marketplace	45 (35.4)	43 (33.9)	21 (16.5)	9 (7.1)	9 (7.1)	3.83	1.194
There has been a substantial increase in sales turnover	30 (23.6)	41 (32.3)	24 (18.9)	22 (17.3)	10 (7.9)	3.46	1.246
Overall Scores						3.72	1.055

N=127; KEY: 1= Strongly Disagree; 2= Disagree; 3=Not sure; 4= Agree; 5=Strongly Agree; SD= Standard Deviation.

From table 5, a few of the respondents confirmed that the business has over the year demonstrated continuous growth in profits as indicated by 15.7% of the respondents who strongly agreed and a further 29.9% who agreed the same. However, 36.2% of the respondents were not sure indications that not all businesses over the year demonstrated continuous growth in profits supported by a mean of 3.42. The results also revealed that 48.8% of respondents agreed that the business has increased market share and an additional 11.0% strongly agreed on the same with a mean of 3.54. However, 26.8% were not sure.

More so, 29.9% of respondents strongly agreed that the number of employees has increased over the years while 54.3% agreed on the same although 7.9% of the respondents disagreed with a mean of 4.00. The study also established that 36.2% of the respondents strongly agreed that the business has created a high degree of customer satisfaction and 43.3% agreed, although 11.0% were not sure about the same. This was supported by a mean of 4.05.

In regard to the business outdoing its rival in the marketplace, 35.4% of the respondents strongly agreed and 33.9% of the respondents agreed with a mean of 3.84 although 16.5% of the respondents were not sure. Lastly, 23.6% of the respondents agreed that there has been a substantial increase in sales turnover with 32.3% strongly agreed on the same although 18.9% were not sure with a mean of 3.46. Averagely, the level of sustainability of family-owned businesses had a mean of 3.72 implying that majority of the respondents agreed with the sustainability of family-owned businesses statements.

4.2 Correlation Analysis

Correlation analysis was used to determine the type and strength of the correlations between the study's independent and dependent variables. Pearson Correlation analysis was also used to determine linearity since it computes both the linear and nonlinear components of a pair of variables. Linear regression analysis presupposes that the independent and dependent variables have a linear relationship. The linearity is because all research variables had a significance level of less than 0.05. At 0.01 level of significance, all linear connections were significant (99.0 percent confidence level). The findings are summarized in Table 6.

Table 6: Pearson Correlation Analysis

		Identification of Successors	Successors Capacity Development	Leadership Commitment
Identification of successors	Pearson Correlation	1	.322**	.028
	Sig.(2-tailed)		.000	.752
	N	127	127	127
Successors capacity development	Pearson Correlation	.322**	1	.043
	Sig.(2-tailed)	.000		.634
	N	127	127	127
Leadership commitment	Pearson Correlation	.028	.043	1
	Sig.(2-tailed)	.752	.634	
	N	127	127	127
Sustainability of family-owned businesses	Pearson Correlation	.359**	.481**	.385**
	Sig.(2-tailed)	.000	.000	.000
	N	127	127	127

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

The results indicate that identification of successors has a moderate positive Pearson correlation (r=0.359, p=0.000) effect on sustainability of family-owned enterprises in Nairobi metropolitan, Kenya. This indicates that identification of successors plays a major role in sustainability of family-owned businesses. The results also indicated that there is a moderate relationship between successor's capacity development and sustainability of family-owned enterprises in Nairobi metropolitan, Kenya (Pearson correlation coefficient= 0.481, P=0.000). Successor's capacity development, therefore, has a very great effect on sustainability of family-owned businesses. The results showed that there is a positive relationship between leadership commitment and sustainability of family-owned businesses (Pearson correlation coefficient, r= 0.385, P=0.000). This implies that leadership commitment is very necessary for sustainability of family-owned businesses.

4.3 Regression Analysis

The purpose of multiple regression analysis is to see whether a collection of independent variables can accurately predict a single dependent variable (Mugenda & Mugenda, 2008). Because there were several independent variables in the sample, multiple regressions were performed. If and how family-owned businesses in the Nairobi metropolitan area of Kenya are sustainable this research sought to find out. As a predictor of the sustainability of family-owned firms, the three independent factors were combined into one equation. Analysis of the independent and dependent variables was conducted using a multiple linear regression model.

The study sought to determine the model summary findings to determine the overall percentage change in the sustainability of family-owned businesses that was explained by all the metrics of the succession plan by use of R^2. The results in Table 7 present R, R^2, Adj $R^{2,}$ F ratio, and Sig. value.

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Journal of Strategic Management
Vol. 2, No. 2, pp. 16-35: ISSN 2789-4851
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Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.674[a]	.454	.440	.62735	.454	34.065	3	123	.000

a. Predictors: (Constant), Leadership commitment, Identification of successors, Successor's capacity development
b. Dependent Variable: Sustainability of family-owned businesses

The model summary findings in Table 7 provide us with information about the model's overall summary. It can be determined that succession plans account for 45.4 percent of the variance in the sustainability of family-owned firms (R square =.454, P=0.000), meaning that other factors account for 54.6 percent of the variance in the sustainability of family-owned enterprises. Additionally, adjusted R square values are derived from the results, which is a corrected R square value that provides a helpful approximation of the genuine research population. The difference between R^2 and adjusted R^2 is calculated by subtracting the latter from the former (.454-.440=0.014), which results in a 1.4 percent value when multiplied by 100%. This means that if the model were derived from the full population rather than a sample, it would account for around 1.4 percent less variance in the research result. The following Table 8 contains information on ANOVA, often known as a model of fit (goodness of fit; F Ratio, Sig Value).

Table 8: Model of Fit (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	40.220	3	13.407	34.065	.000[b]
Residual	48.409	123	.394		
Total	88.629	126			

a. Predictors: (Constant), Leadership commitment, Identification of successors, Successor's capacity development
b. Dependent Variable: Sustainability of family-owned businesses

F Ratio was used to assess the model's relevance, or if the study model is a better predictor of family-owned firms' longevity than the mean score, which was considered a guess by the researchers. As shown by the data, the F value is more than one, with a value of 34.065, which suggests that the enhancement achieved as a result of model fitting is considerably bigger than the model errors/inaccuracies that were not included in the model ($F(3,126) = 34.065$, P=0.000) As a consequence of the succession plan reviewed, the final study model has greatly enhanced its ability to estimate the sustainability of family-owned firms (99.0 percent).

Table 9 included regression coefficients (Unstandardized and standardized), t-values, and Sig. values. Standardized or Unstandardized Coefficients may be used based on the kind of data in the research. Because we wish to compare the influence of the succession plan on the same metrics, we employed an unstandardized coefficient column in the research (Likert Scale 1 through 5).

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Vol. 2, No. 2, pp. 16-35: ISSN 2789-4851
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Table 9: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.579	.353		1.639	.104
	Identification of successors	.197	.065	.222	3.037	.003
1	Successors capacity development	.266	.061	.316	4.390	.000
	Leadership commitment	.332	.064	.362	5.219	.000

A regression of the four predictor variables against sustainability of family-owned businesses established the multiple linear regression model below as indicated in Table 20.

$$\mathbf{Y=0.579+ 0.197X_1+0.266X_2+ 0.332X_4}$$

where:

Y= Sustainability of family-owned businesses
$\mathbf{X_1}$= Identification of successors
$\mathbf{X_2}$= successors capacity development
$\mathbf{X_3}$= leadership commitment

All of the succession plans studied had a substantial impact on the sustainability of family-owned firms, according to Table 9. The sustainability of family-owned businesses in Nairobi metropolitan, Kenya, if the succession plan is nil or nonexistent, is 0.579, p=0.104. This means that family companies will not be able to survive if they do not have a succession plan in place.

B=.197, p=.003 showed that a unit increase in the identification of successors will result in a substantial improvement in the sustainability of family-owned firms by 0.197 units, regardless of other factors (Successors capacity development and Leadership commitment).

Successors' capacity growth had a significant (p=.000) and positive coefficient of 0.266. For every unit increase in successors' capacity development, a 0.266-unit boost to family-owned firm sustainability may be expected when all other model variables (identification of successors and leadership commitment) are controlled.

With B = 0.332, p=.000, it can be concluded that when other variables in the model are taken into account (Successors capacity development and identification of successors), a unit increase in Leadership commitment would lead to an increase in the sustainability of family-owned businesses by 0.332 units.

4.4 Discussion

Effect identification of successors on the sustainability of family-owned enterprises in Nairobi metropolitan, Kenya

The study's initial purpose was to determine the effect of succession planning on the viability of family companies. The findings suggested that the majority of respondents agreed with the claims about successor identification, with a mean score of 3.67. Specifically, the respondents confirmed that successor willingness is considered during identification of a successor, the family members are involved during identification of a successor and a total number of years of work experience in the entire career affects successor identification. According to the findings of this study, the successor must be compatible with the incumbent leader’s goals for a successive succession plan to take place. This study’s findings also pointed out that the relationship between the incumbent and successor is important. According to the findings of this study, it was found that it was very important that the successor can get along with the family members; that the successor is trusted by the rest of the family members; that he is respected by both actively and non-actively involved family members.

Researchers have shown that one of the most important elements in determining the sustainability of a family business is whether or not the succession process is well planned and the successors are properly identified (Handler, 1994; Lansberg, 1988 as quoted by Merwe et al. 2009). When it comes to small and medium-sized businesses, a thorough long-term succession plan is essential (Ibrahim et al, 2001a). Many families do not engage in formal succession planning or talk about succession planning or retirement planning with their children, according to Rosenblatt et al. (1985). Many families have the misconception that succession will "fall into place" when the time is right (Keating & Little, 1997).

R=0.359, P=0.000 showed that there is a clear association between the identification of successors and the sustainability of family-owned enterprises. This highlighted that a greater emphasis on the accurate identification of successors will help to ensure the sustainability of family-owned enterprises. Research on the connection between succession management and business sustainability was conducted by Rich, Lepine and Crawford (2010). The research found that SMEs in South Korea's small and medium-sized enterprises (SMEs) were more likely to survive if they were able to cultivate the next generation of leaders. As a consequence of this research, a unit increase in the identification of successors resulted in a considerable rise in the sustainability of family-owned firms by 0.197. In addition to Sharma et al. (2001) and Morris et al. (1997), these results support the notions that stakeholders in enterprises may cooperate more effectively if a successor is identified.

Influence of successors capacity development on the sustainability of family-owned enterprises in Nairobi metropolitan, Kenya

The second goal of the research was to investigate the impact of successor capacity building on the sustainability of family-owned enterprises. According to the results, respondents agreed with the majority of the statements used to gauge successor capability development, with a mean score of 3.59. The majority of respondents confirmed that succession gap capacity development programs are properly tailored to address, successors training equipped them with entrepreneurial skills to lead the business a higher level of development, succession gap capacity development programs are properly tailored to address and successors are equipped with financial skills to lead the business into a higher level of development. The consequence is that although family firms have succession plans in place, the successors' capability is only being built to a limited amount.

As stated by Massis et al. (2008), training a possible successor is critical to succession. Succession planning may be thwarted if the next in line is not appropriately mentored before assuming the responsibilities of the CEO. According to them, a successor needs early contact with the company to form ties with important suppliers, customers, and lenders as well as establish credibility inside the organization and get an understanding of its unique culture and inner workings. According to Watts and Yucker (2004), successors' capacity development addresses the problem of a succession plan, even if ownership and management succession are the major concerns of many company families. According to Molly, Laveren, and Deloof (2010), firm owners consider a succession plan but postpone execution owing to a lack of successor development. The inference is that, as in other nations, local enterprises seem to have a succession plan, but there may be a reluctance to implement it.

R=0.481, P=0.000 shows that there is a clear association between the development of successors' potential and the sustainability of family enterprises. This showed that the development of the successor's capability will boost the sustainability of family-owned firms. Chen (2014) investigated the link between successor training and the sustainability and performance of an organization in his research. Chen (2014) found that the training of successors provided them with crucial and critical abilities that enhance their capacity to manage challenges and are more compatible with organizational issues. A unit increase in the capability of the successors would result in a considerable rise in the sustainability of family-owned firms by 0.266. The results corroborated Watts and Yucker (2004) assertion that many company families are concerned about ownership and management succession plan, but that they do not pay enough attention to the process. The implication was that Kenyan family-owned businesses are privy to the importance of Families addressing a succession successor's capacity development.

Extent to which Leadership commitment influences sustainability of family-owned enterprises in Nairobi metropolitan, Kenya

As a third goal of the study, researchers wanted to see whether leadership commitment had an impact on succession planning and the sustainability of family companies. The research used six statements to gauge leadership commitment, and the mean score was 3.65, indicating that some of the respondents agreed with the assertions. Respondents confirmed that the leadership is committed to providing adequate resources to ensure continuity and succession from generation to generation, has implemented job expansion and enrichment to enhance succession plans, has clear guidelines for successor expectations as well as management of sibling rivalries, and leadership views passing on the business to the next generation as extremely important. According to Jaffe and Lane (2004), a family business's sustainability relies on the devotion of its leaders. There is a clear knowledge of how important succession planning is in the firms surveyed.

Leadership commitment and the sustainability of family-owned firms have a positive and substantial link (R=0.385, P=0.000), according to the Pearson correlation study. An increase in family-owned firms' capacity to withstand change was indicated by this study. It was found that most family-owned companies saw an increase in performance due to leadership dedication. Families who run their own companies rely on the efforts of family members who are mostly the directors to spend more and establish stronger foundations to keep the company going for a long time. A unit increase in leadership commitment resulted in a substantial improvement in the sustainability of family-owned firms by 0.332. As Shilder (2009) found out when he studied family-owned businesses, these results are in line with what he found out. This study by Shilder (2010) shows how effective succession planning by the firm's management may increase the sustainability of family-held businesses by making sure that the next generation is capable of running them.

5.0 Conclusion

According to the findings, succession planning is critical to the sustainability of family-owned businesses in the Nairobi metropolitan area of Kenya. Family-owned firms might benefit from better succession planning, according to this study. Family members are engaged in identifying a successor; the total years of work experience and the desire to succeed are taken into account when determining if a candidate is suitable for the position.

According to the findings, succession planning has a major impact on the sustainability of family-owned businesses in the Nairobi metropolitan area of Kenya. This posited that the development of the successor's capability is critical to the sustainability of family-owned enterprises. According to the findings of the research, successors training provided them with the necessary entrepreneurial and financial abilities to take the company to the next stage of growth. A succession gap is adequately addressed through capacity development initiatives.

Researchers in Nairobi, Kenya, concluded that leadership dedication has a substantial impact on the sustainability of family-owned businesses. That leadership commitment has a key impact on improving the sustainability of family-owned enterprises was indicated by this study. There is a strong commitment from the top to provide appropriate resources to maintain continuity and transition from one generation to the next, and this commitment has resulted in job expansion and enrichment initiatives to strengthen the succession plan. As a result, the succession of the company to the next generation is highly valued by the top management.

6.0 Recommendations

According to the findings, the capacity of family-owned enterprises to remain in the family has a major impact on the selection and evaluation of successors. Family companies should utilize independent boards and experts to help them make judgments on who will succeed them throughout the selection process of a successor, according to new research. As part of a successful corporate transition, they should prepare formal written succession plans.

The report advised that family firms establish a clear succession plan approach and that the agreed-upon road map should be written down (formally). Alternatively, if the family's issues are not managed in harmony, such a technique may be useless. As a result, a mutually agreed-upon strategy for succession and a clear method for dealing with family members, accountability, and dispute resolution are necessary.

The research found that the creation of successor capability has a major impact on the sustainability of a company. As a result, the study's findings suggest that future company owners should provide their employees with enough training and development options, such as a mentorship program and on-the-the-job training. In addition, the need for formal education should be stressed to raise the level of knowledge and abilities of the successor. The successor should be allowed to operate the enterprises from time to time to get the necessary abilities.

Besides committing resources toward a succession plan, the study recommended that the succession plan should be time-bound and updated to be realistic and relevant to the current situations in business life so that it becomes an invaluable business tool to guide transgenerational business transition while ensuring sustainability.

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