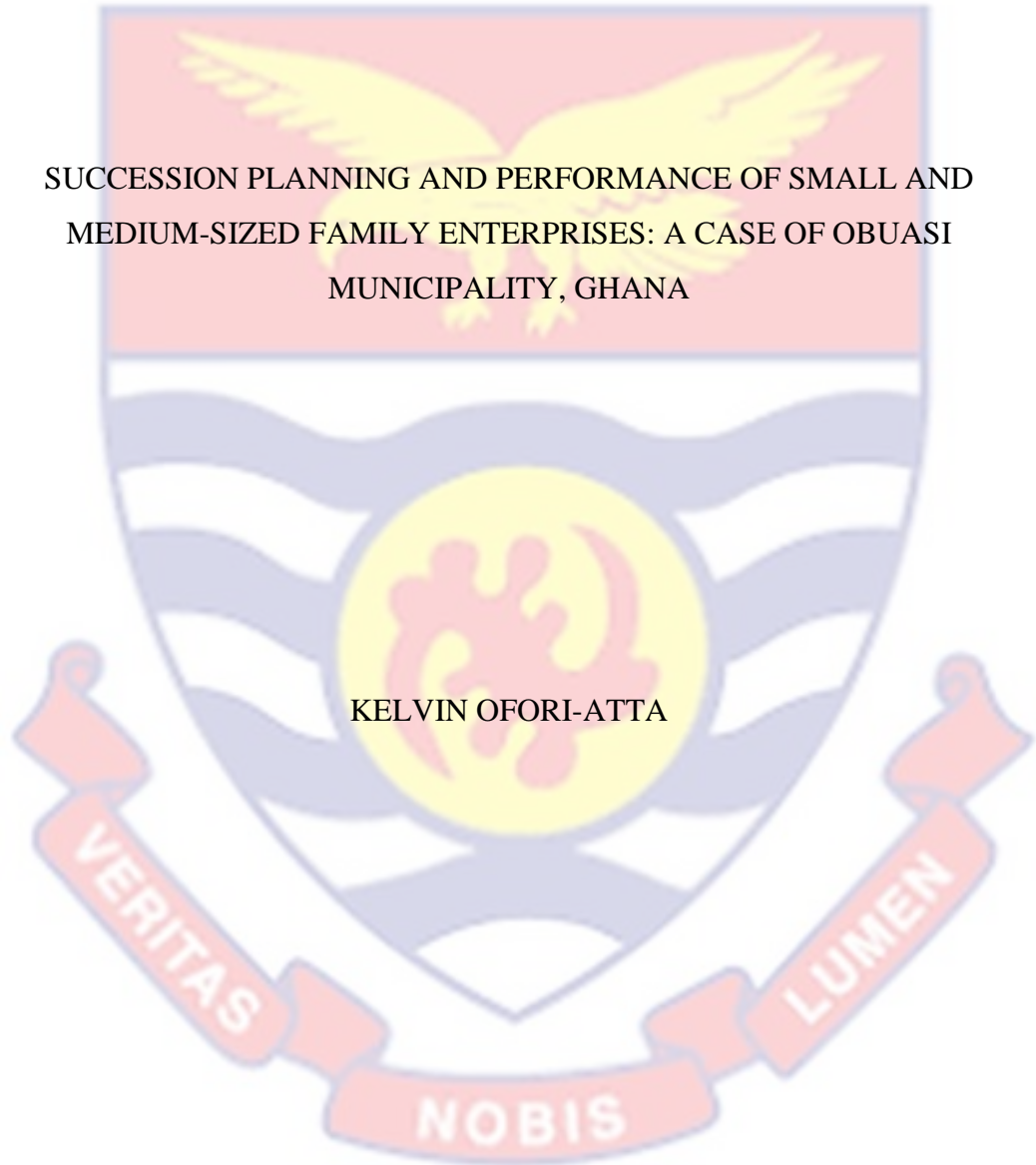


UNIVERSITY OF CAPE COAST

SUCCESSION PLANNING AND PERFORMANCE OF SMALL AND  
MEDIUM-SIZED FAMILY ENTERPRISES: A CASE OF OBUASI  
MUNICIPALITY, GHANA

KELVIN OFORI-ATTA



2022

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MUNICIPALITY, GHANA

BY  
KELVIN OFORI-ATTA

Dissertation submitted to the School of Business of Centre for Entrepreneurship  
and Small Enterprise Development, University of Cape Coast in partial fulfilment  
of the requirements for the award of Master of Administration (MBA) in  
Entrepreneurship and Small Enterprise Development

AUGUST 2022

## DECLARATION

### Candidate's Declaration

I therefore declare that this dissertation is the result of my own independent work and that no portion of it was submitted for another degree to this university or elsewhere.

Candidate's Signature .....Date .....

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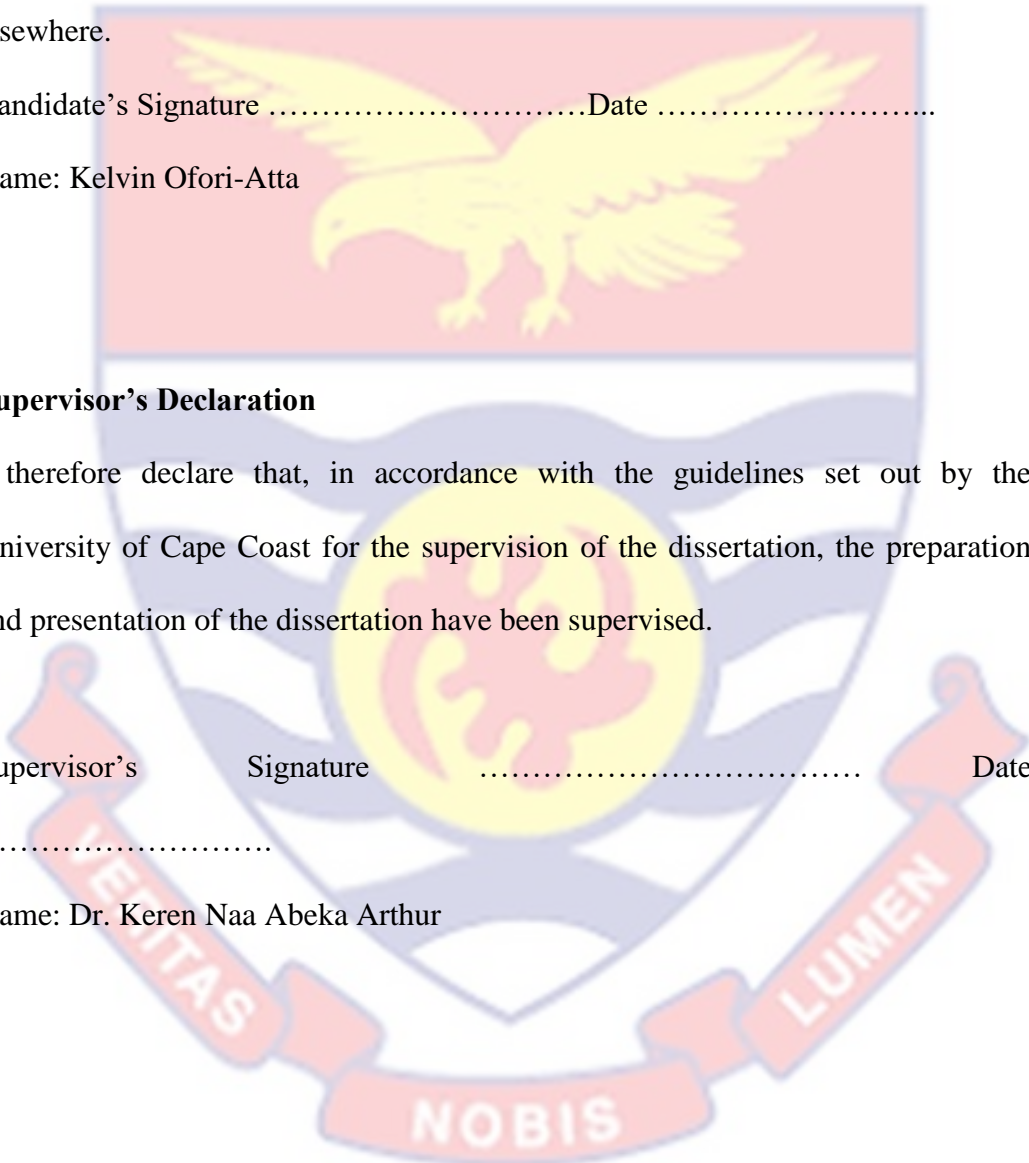
### Supervisor's Declaration

I therefore declare that, in accordance with the guidelines set out by the University of Cape Coast for the supervision of the dissertation, the preparation and presentation of the dissertation have been supervised.

Supervisor's Signature ..... Date

.....

Name: Dr. Keren Naa Abeka Arthur



## ABSTRACT

Despite the significance and involvement of small and medium enterprise on the economy, several empirical studies indicate that most family-owned small and medium enterprise fail to grow with some folding up within the first few years of their operation. The study looked at the factors that influence succession planning, the challenges of succession planning and the relationship between succession planning and the performance of family-owned small and medium enterprise. The study discussed the theory of planned behaviour, the concept of succession planning and firm performance evaluation as part of the theoretical and conceptual analysis. The thesis adopted the theory of positivism and the descriptive design discussed in a quantitative approach to science. In all, 60 family-owned small and medium enterprise in the Cape Coast Metropolis were included in the study using convenience sampling technique. The research employed a questionnaire to elicit the required data for the study. Based on the discoveries of the research, we can conclude that the succession planning of sampled family-owned small and medium enterprise in the municipal had an important positive influence on their firm performance. It was suggested that managers of family-owned SMEs or entrepreneurs in Obuasi Municipal must always ensure they include succession-planning policies in their business's core vision statement and always identify key areas and position that needs successors before the need arises.

**KEYWORDS**

Succession Planning

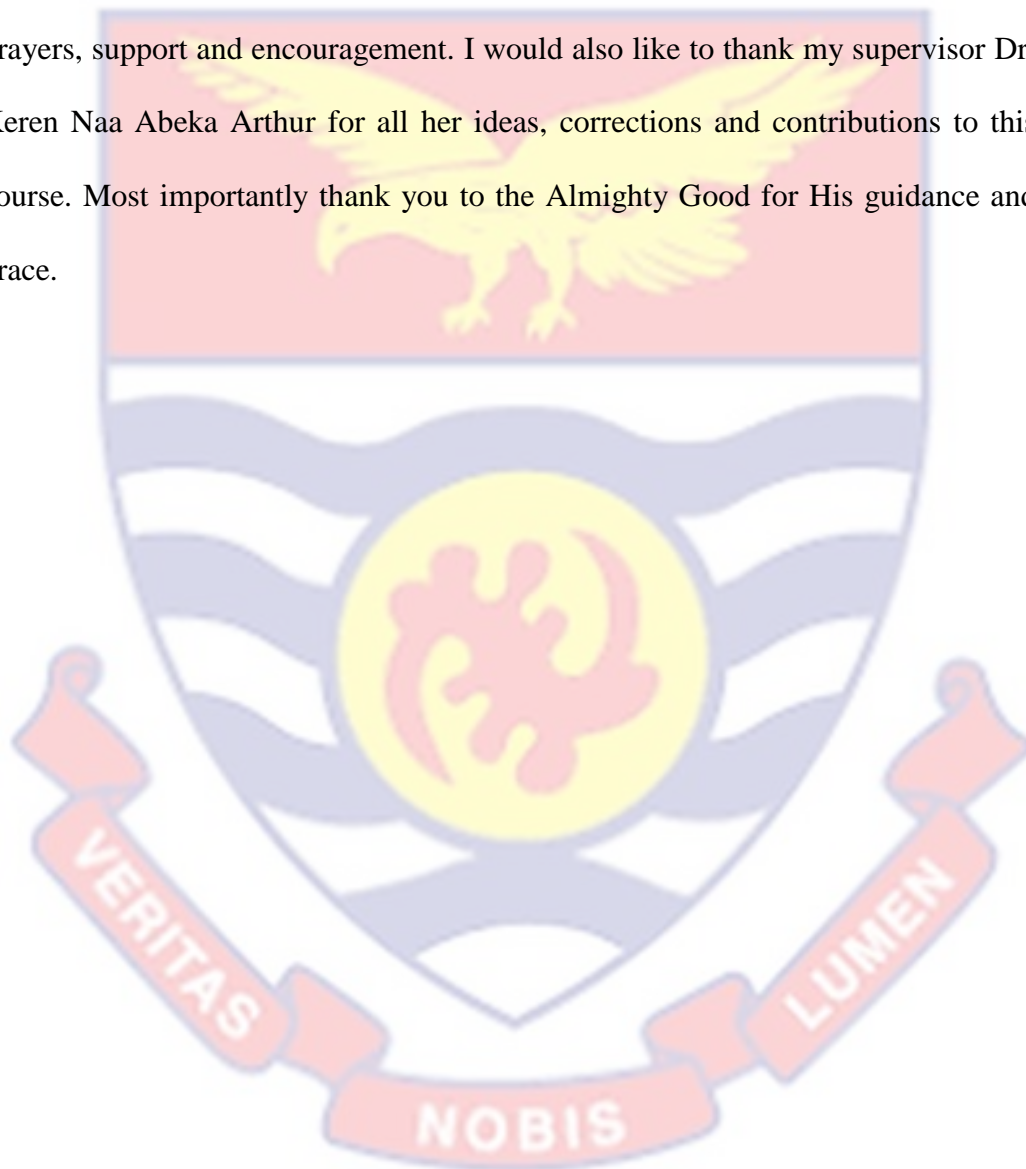
Organisational Performance,

Small and Medium Sized Family Enterprises



## ACKNOWLEDGMENTS

Many people played significant roles in the course of this work. To my family especially my lovely wife and my kids I say thank you and God bless you. A big thank you to my parents Mr. & Mrs. Ofori-Atta and my siblings for their prayers, support and encouragement. I would also like to thank my supervisor Dr. Keren Naa Abeka Arthur for all her ideas, corrections and contributions to this course. Most importantly thank you to the Almighty Good for His guidance and grace.





## DEDICATION

To my family.



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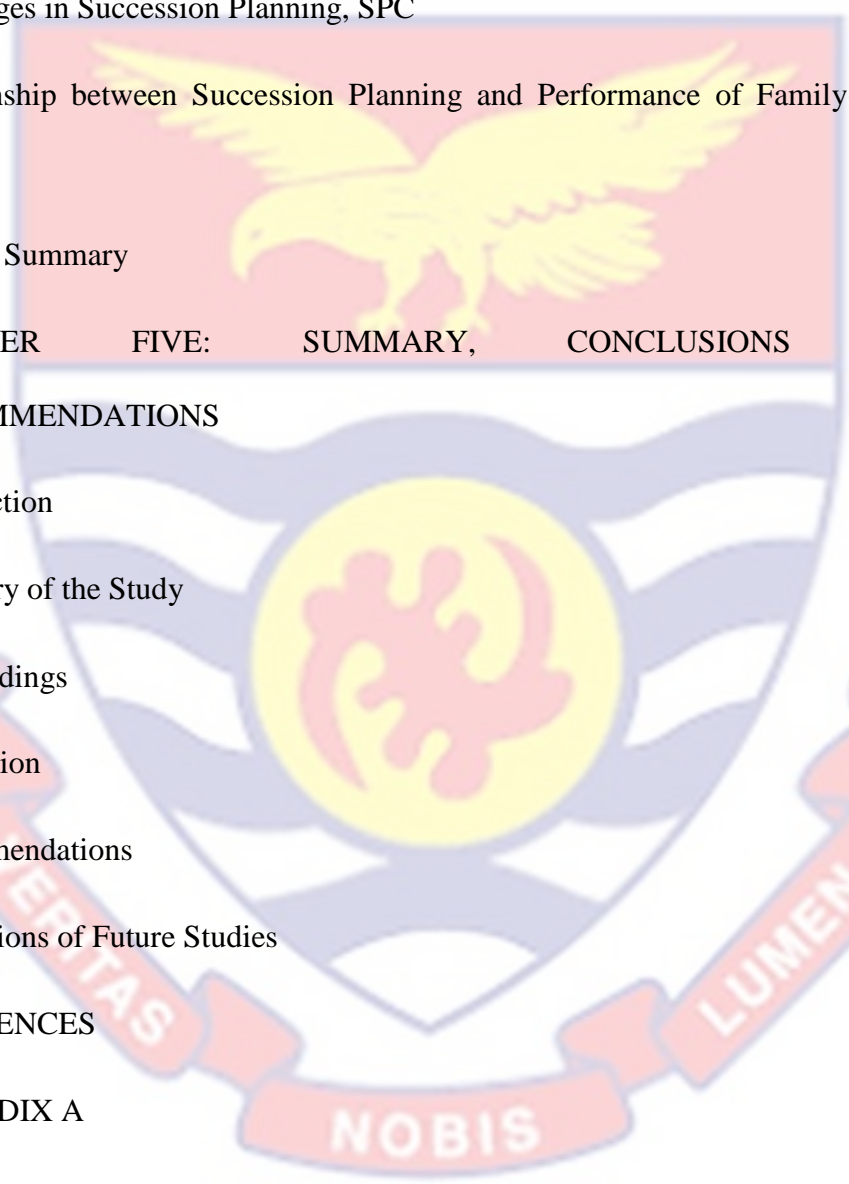
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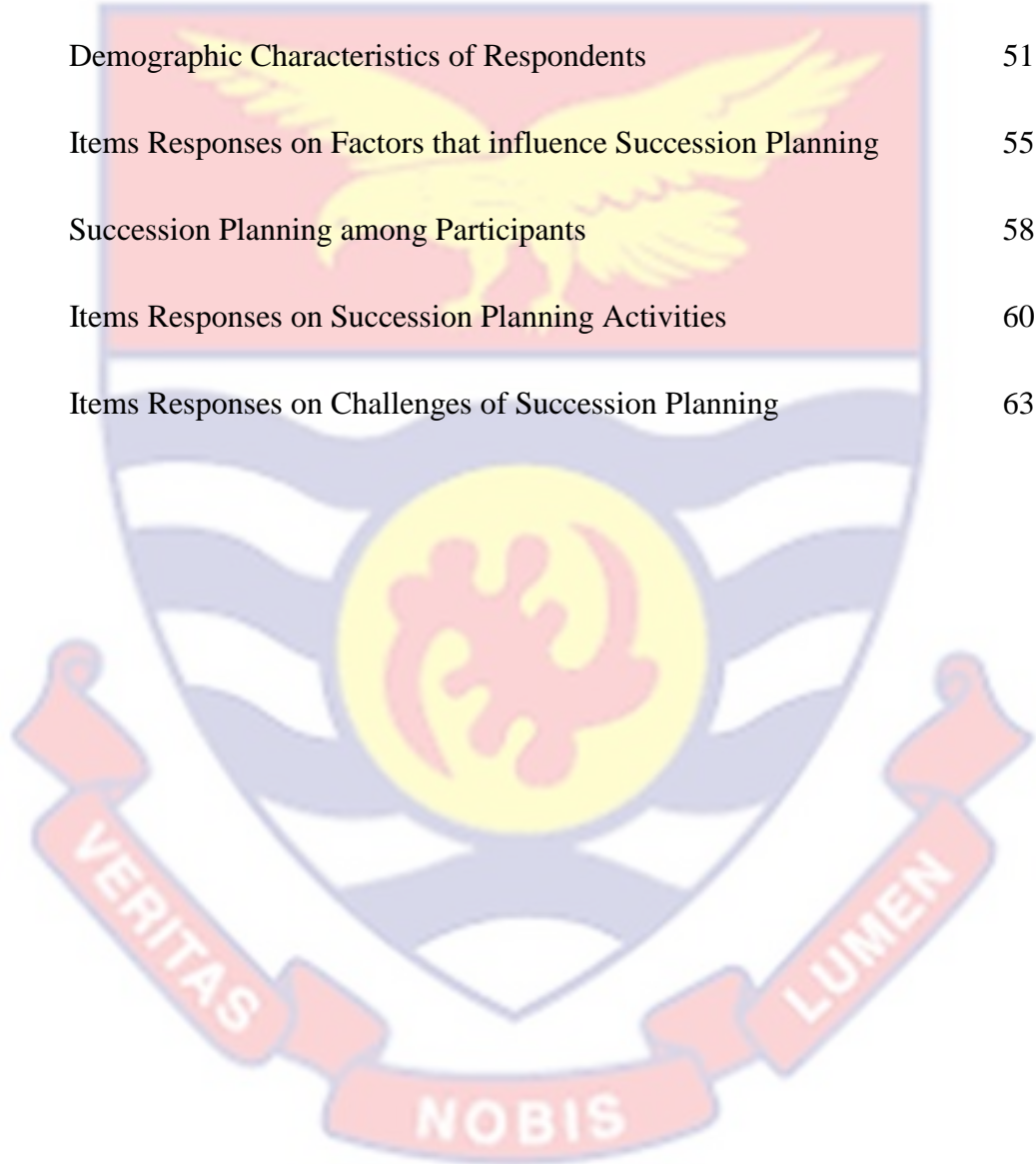
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## LIST OF ACRONYMS

<b>PFM</b>	Growth in Profit
<b>NUMEMPLY</b>	Number of Employees in the company
<b>ACCFIN</b>	Access to Finance
<b>SMEs</b>	Small and Medium Enterprises
<b>SPSS</b>	Statistical Package for the Social Sciences
<b>GSS</b>	Ghana Statistical Service



## CHAPTER ONE

### INTRODUCTION

This research aimed to identify the relationship between succession planning and organisational performance. Small and medium-sized family enterprises in Obuasi Municipality, Ghana was selected for this study. The contribution of small and medium-sized family enterprise on the economy and the private sector cannot be taken lightly because they provide employment to citizens and contribute to immensely to the GDP. However, small and medium-sized family enterprises over the years underperform in terms of passing on their success to their next successors in Ghana. One of the reasons accounting to this drawback is the weakness in the succession planning in small and medium-sized family enterprise. It is from this assertion this study draws motivation to identify the relationship between succession planning and the organisational performance of small and medium-sized family enterprise in Obuasi Municipality.

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

Over the years, the study in forms of management, sociology and leadership performance has brought to light the development of family business of small and medium-size enterprises which is also known as SME's. Regardless of the rise of SME's, there is a lack of consensus as to comprise a family enterprise. According to Lorna and O'Regan (2011), the European Commission's Expert Panel on Family Business Final Report identified more than ninety-five (95) family principles (Lorna & O'Regan, 2011). They explained further that in the European community, there are several variables or factors that account for

family business of small and medium-sized enterprises such as business type of revenue for the family, family possession, vital impacts and family interest in administration. Ibrahim & Ellis (2003) arranged a family-managed company where a solitary family possesses 52% of the organization and the administrative sector of the organization was occupied by two individuals from the family (Ibrahim & Ellis, 2003).

In some countries, small firms are not regarded but they play a significant role in the economy such as tax contribution, foreign direct investment, promotion of exchange goods, economic revenue, birth of invention and entrepreneurship and the production of human capital. Due to the extent to which SME's influenced the economy, government and policy makers were urged to provide both financial and non-financial serviced to SMEs with the aim of improving growth and enable continuity (National Board for Small Scale Industries, 2006).

It is impossible to discuss family-owned organizations and ignore a succession process arrangement. The process and method of exchange or possessing or succession appears to directly affect the achievement and management ability of the family undertaking (Maalu, McCormick, K'Obonyo, & Machuki, 2013). In this regard, it is very important that the right relationship must be established between the administration, proprietorship and group of the firm to ensure steadiness and consistency in the market even in times when there is a need for unavoidable changes that would emerge (Nkondola, 2019). Other researcher also discovered that most family possessed organization are challenged with progression because of issues with regard to movement.

One significant was for family-run organization to generate funds is by pursuing a strategic focus with specific strength and leverage as well as organizational excellence and family companies with the aim of providing excellence for their clients (Miller & Breton-Miller, 2006). Another analysis indicated that expertise and unique resource of family business influences the global market at a significant level (Poza, 2007). Bosman and Harding (2006) were of the view that the existence of an organization is more likely to begin its life as a family operation and the family plays an important economic role by involving in innovation and competition in the changing market world. Whiles Smith (2005) argues that the family businesses make acquisitions based on long-term returns, which tends to attract lower dividends and salaries.

Comparisons between family businesses and non-family businesses have shown that, family businesses are more daunting than non-family business and Hess (2006) supports claim with the view that cases where two or three generations are involved, are usually concerned as to how family relationship affects company decision making. Small and medium-size enterprises vary from other organizations by leadership and alliances, ownership, social and company philosophies (Miller & Breton-Miller, 2006). The role of family members involved in the administrative sector of the organization one major factor that differentiates the family-run company from the non-family-run companies.

Sharma and Manikutty (2005) define succession preparation as a constructive effort to ensure that company leadership is continuous by defining how vacancies, tasks, responsibilities and duties will be filled as both unplanned

and announced departures arise (Sharma & Manikutty, 2005). Succession planning was also defined as the method of finding and preparing necessary workers using work rotation, preparation, and mentoring to replace key employees in a company when for reasons such as turnover, professional growth, and retirement, they quit the organization (Rothwell, 2014).

In addition, Ganu and Boateng (2013) stated that, succession planning is the mechanism by which organization's owner plans to transfer an organization's management, power and administration to the next generation. This is with the goal of ensuring the continuation of the company, incorporating the transition of beliefs, talents, and expertise (Ganu & Boateng, 2013). Succession preparation encourages company owners to hire and prepare current employees and new hires to take up available positions within the company when necessary.

The recognition of succession planning challenges in family enterprises is of concern in emerging countries. Several scholars have concluded that personal choice of the maker, death, events such as sickness or divorce, or a changing business climate frequently causes preparation for succession. Although several scholars argue that the procedure tends to maximize a company's performance, the question is, is it sufficient to conclude that some family firms do not prepare the process of succession planning in due time? It is against these assertions that the current analysis was carried out in order to examine the succession planning and performance of small and medium-sized family-owned businesses in Ghana with the Obuasi municipality as a case study.



The Obuasi Municipality has tremendously experienced a fast-growing population due to increasing housing demand according to Ghana Statistical Service (2021). There has been an increase in the development of small and medium-sized businesses specifically in the mining sector (Adjei, 2019). On countless attempts, the AngloGold Ashanti (AGA) had the aim of ensuring that the Obuasi community lives on after the mine's extinction. In addition, AGA's Sustainability Chief, Nana Ampofo Bekoe is focuses on the production of SMEs as part of his new role, which lead to the launching of the Enterprise Development Programme (EDP) in 2019.

Moreover, some SMEs were selected from the Obuasi Municipality with the aim of promoting these SMEs to be better placed in boosting their activities as well as to help diversify Obuasi's economy. This has enabled the municipality to draw more firms. Obuasi Municipality is well endowed among the people with a lot of agricultural wealth and an entrepreneurial spirit. Due to the entrepreneurial spirit of active people in both small and medium-sized businesses, it has been ranked among the highest in terms of economic growth in recent years.

According to Deniz and Suarez (2018), there is growing agreement that family businesses are crucial to the survival of many nations (Deniz & Suarez, 2018). Ibrahim, Soufani, and Lam (2019) claim that SME family businesses contribute more to the global economy than any other type of firm. The growth of family businesses is primarily influenced by three factors: ownership, family, and market structure. Researchers also discovered that family businesses make up between 80 and 90 percent of all businesses and account for around 75 percent of

the world's economies with open markets (Poza, 2016). Hence, the need to look into how their succession plans relates to their performance.

### **Statement of the Problem**

According to Ramsden (2016), succession planning is extremely important and has significant effect on the performance and sustainability of the family-owned firm. In as much as succession planning is relevant, CEOs of family businesses have not paid much attention to succession planning companies which creates a false lack of priority over the value of succession planning with the long tenure of office or because family businesses lack any or all elements (Ramsden, 2016). The success rate in the next decade is considerable low with regards to family businesses as compared to no-family business (Adjei, 2019).

A study conducted by the Families Industry Review (2018) showed that less than one of every family firm lives in the subsequent age and just one of ten (10) live in the third era, with a normal organization age of 25 years. Regardless of the advantages of family-run SME's, the European Commission conducted a survey and results showed that about 1.5 million SMEs in Europe are at a greater risk of breakdown due to problems with progression.

This means, most organizations operating on a small scale have difficulties in advancing as an organization due certain factor. Harvie (2019) investigated the commitments of SMEs with reference to development and advancement particularly in the East Asian economy and it was discovered that there were issues such as delayed monetary development and business exchange (Harvie, 2019). Other researcher raised concerns on the relationship between the



size of the SME sector and economic growth (Beck, Demircuc-Kunt, & Maksimovic, 2004). This lays emphasis on the need to develop more stable SME sectors because policymakers promote both local and international entity investment in their economies. Despite the value of succession to family business longevity, little research has been conducted on succession and its effect on family consistency hence the current research.

Research has shown that after 10 years, many SME family businesses run out of business due to looming global economic crises and just a few able to make it into the second generation. Zimmerer, Scarborough and Wilson (2008) stated that, just about 12 % and 16% of SMEs survive the third generation and only 3% are able to move into the fourth generation (Zimmerer, Scarborough, & Wilson, 2008). The ability for SMEs to be sustainable in a rapidly dynamic market setting is based on their ability to develop and exploit both human and financial assets as well as other skills in order to handle corporate relations. Nevertheless, the ability to develop a succession plan is one significant factor as it serves as schema for the operational continuation of the business or businesses. The successor or successors and how they run the businesses is very important because a lack of competence can affect the businesses. This poses an invariable threat to the family businesses.

According to Lousewort (2018), the latest rapid developments in the business sector and the current economy knowledge-based leads businesses to address the strict competitive landscape in the field of content development, creativity, time period, and good pricing. In order to support the competitive

advantage of the businesses and to foster greater employee value in the businesses, it is the necessity for family businesses to concentrate on the importance of Human Resource Management (HRM) and organizational capacity. This is very important because most family business select a successor based on relationship rather than competence.

One of the critical explanations on the absence of life of SME family organizations in the subsequent age, however, is that there is no progression plan either as a main priority or set up. Failure to succeed could inflict harm to Ghana's economy in terms of market stability, short-term and long-term livelihoods of owners' families, tax contribution to the economy, and job production for a large number of unemployed young people. As a result, given the important role played by SMEs in Ghana's economy, it is important to understand their future plans. Research on succession planning issues in the family business of SMEs in Ghana is very rare, let alone in the municipality of Obuasi.

There is evidence that in the area of succession planning among SME family businesses in Obuasi Municipality, no research work has been undertaken. This current study aims to add to existing knowledge by providing more cracking findings on succession planning and performance metrics among Obuasi's SME family businesses.

### **Purpose of the Study**

The aim of this research was to examine the relationship between succession planning and the performance of small and medium-sized family enterprises in the Obuasi Municipality, Ghana.

### **Research Objectives**

1. To determine the key factors of succession planning that relate to the performance of family-owned SMEs in the Obuasi Municipality.
2. To examine the challenges of succession planning on performance of family-owned SMEs in Obuasi Municipality.
3. To determine the relationship between succession planning practices and the performance of family-owned SMEs in Obuasi Municipality.

### **Research Hypothesis**

H1: There are no key factors of succession planning that relate to the performance of family-owned SMEs in the Obuasi Municipality.

H2: There is no challenges of succession planning on performance of family-owned SMEs in Obuasi Municipality.

H3: Succession planning practices do not have any influence on the performance of family-owned SMEs in Obuasi Municipality.

### **Significance of the Study**

This current study would positively affect different sectors of the economy as well as SMEs. The beneficiaries of the study include management of family-owned businesses, policymakers, other corporate business, scholars and academicians. The management of SMEs family-owned businesses in the Ghana would have an in-depth understanding of the significance of succession planning on their business performance. This would inform the human resource policies and practices that would be corporate institute to secure effective succession planning. Another group of beneficiaries is policymakers. The

findings of this study may benefit the policymakers (that is, the government) by providing insights as to the role of succession planning on the performance of SMEs family-owned businesses in the country. This may in turn inform the formulation of effective policies and regulations to govern succession planning in the sector.

In addition, other corporate businesses would benefit as well. Succession planning is not unique to businesses in the SMEs, family-owned businesses, and therefore other corporate businesses in other sectors of the economy may benefit from this study as it highlights the significance of succession planning on their performance. Finally, scholars, researcher and academicians. This research adds to the existing field of knowledge about the relationship between succession planning and SME's family-owned business performance and provides other scholars and academicians with a basis for further research on the subject.

### **Delimitation of the Study**

This research was restricted to family-owned SMEs such as barbing salons, carpenters, plumbers, etc. operating in the Obuasi Metropolis. In addition, only the components of succession planning were discussed in the research. The study tested the effect of succession planning between barbing salons, carpenters, plumbers, etc. and the influence on their performance of the various dimensions of succession planning.



### **Limitations of the Study**

Research limits were often those elements of methodology or design that have an impact on or influence how the research's findings should be interpreted. These limitations on generalizability, applicability to practise, and/or effectiveness of findings are the outcome of the researcher's initial decision to design the study in this manner. The technique used to verify internal and external validity is also included. The limitations of the study design that were encountered is listed in the next paragraph.

The methodology limitation to this study was the convenience sampling technique. The only issue with convenience sampling is that it heavily relies on the investigator's judgement rather than objective standards (Bless, Higson-Smith & Sithole, 2013). Participants who were only closer and willing to fill the questionnaires were carefully chosen from a variety of backgrounds who could provide data for the study as part of the sample selection process. For instance, barbers, hairdressers and fashion designers were used to choose the owners, personnel, and managers of small businesses in the municipality.

### **Organisation of the Study**

This study was arranged into five chapters. Chapter One contained the context of the project, the problem statement, the study goals, research concerns, the study's importance, the scope, the study's limitations, and the study's organization. With respect to the research subject, Chapter Two discussed some related literature. Chapter Three dealt with the methodology of analysis that looks at approaches used in the study's behavior. Chapter Four focused on the

presentation and interpretation of data, while a review of the research, observations, and conclusions taken from the results and recommendations of the study were provided in Chapter Five.



## CHAPTER TWO

### LITERATURE REVIEW

#### **Introduction**

This section presented the theoretical, empirical and conceptual review of literature pertinent to the study. As part of the theoretical and conceptual assessment, the study reviewed the leadership succession theory, the notion of succession planning (SP), and measurement of business performance. The chapter also included an empirical review of works on succession planning (SP) and performance. Chapter Two ends with the chapter summary.

#### **Theoretical Review**

##### ***Theory of Planned Behaviour***

The Theory of Planned Behaviour (TPB) is an extension of the Theory of Reasoned Action (TRA) which was developed by Fishbein and Ajzen (1975) and upgraded by Ajzen and Fishbein (1980). Both models are based on the premise that individuals make logical, reasoned decisions to engage in specific behaviours by evaluating the information available to them. The performance of a behaviour is determined by the individual's intention to engage in it (influenced by the value the individual places on the behaviour, the ease with which it can be performed



and the views of significant others) and the perception that the behaviour is within his/her control.

In reasoned action, a Theory of Planned Behaviour model based on attitudes, social support, self-efficacy and intention was moderately successful in predicting and explaining self-management of arthritis (Strating et al., 2006). Whilst no validated questionnaires are available, a comprehensive guide to developing measures of TPB components is given in Ajzen (1991). A challenge in TPB measurement is the difficulty in conceptualising and capturing attitudes. In this study were expand the concept of planned behaviour to include successor's attitude.

According to Kiyabo and Isaga, (2021), a successor's attitude is their tendency to respond a certain way towards the appointment of succeeding their predecessor. Naturally, the successor's response can be on a continuum of positive to negative or good to bad. A positive response to something indicates agreement, approval, or encouragement. The definition of a positive response is a good thing, or a result greater than zero, or something that represents an affirmation. An example of a positive response from students can be said to be when students accept the introduction of innovation or idea.

Whereas a negative response means a statement from a party stating the party does not wish to listen to whichever presentation or participate in the solicitation presented. A response that involves avoidance of or withdrawal from a stimulus from a successor can be said to be a negative response. An example of a negative response from successors can be said to be when they refuse to accept

the appointment of continuing a family business or abiding by the laid down trends to succeed the family business.

The study was underpinned by the theory of planned behaviour, which endeavours managers who are agents on behalf of a company to consider appropriate practices and principles like positive attitude or response from successors when engaging in succession planning for their small and medium sized family business. Thus, the theory of planned behaviour helps highlight the interrelationship between small and medium sized family business, its successor and the attitudes they show towards the appointment of running the family-owned business on behalf of their stakeholders. These practices go a long way to impact organizational performance.

## **Conceptual Review**

### **Concept of Family Business**

Deniz and Suarez (2005) demonstrated that there is a growing consensus on the importance of family companies to the survival of many countries (Deniz & Suarez, 2019). SME family companies play a major role in the global economy, according to Ibrahim, Soufani, and Lam (2018) and it is more than any other form of business in the world. Three main variables are the basis of the development of family enterprises, namely the market structure, family, and ownership. Researchers also found that in the free-market economies of the world, family companies constitute 80 to 90 percent of all enterprises and yield about 75 percent of the Gross Domestic Product (Poza, 2019). According to Ward (2016), it remains the most significant contributor to job growth in virtually every country. Just 30 percent of family businesses thrive in the next decade, according to

worldwide estimates, with a decline rate of 12 percent in the third and 4 percent in the fourth (Poza, 2019).

In defining family-owned SME, there are a number of complex feats in which the complexities of family and business blend in different ways. There is a lack of structured knowledge of what makes an organization a family enterprise. There are no existing coherent explanations or scientific structures that explain why, and what defines their reach and sustainability, family companies exist. "The definition of the family business by some authors focuses on variables such as risk assumption and participation of ownership; while others mention that it is precise "family involvement". Astrachan and Zellweger (2018) stated, "a definition of family is often missing" and this remarkable absence poses problems especially in an international context in which families and cultures differ not only over geographical boundaries but also over time" (Astrachen & Zellweger, 2018).

Upton et al., (2019) portray family organizations as an association where family possession or the board affects the dynamic cycles of the organization. It is where at least two centre players related through solid collusions or family relationships have an enormous portion of board control or full proprietorship that lets them settle on choices about business goals and plans just as key administration decisions (Gubitta & Gianecchini, 2018). As indicated by Chua, Chrisman and Steier (2019), "an organization administered and additionally oversaw to shape and seek after the business vision held by a predominant alliance constrained by individuals from the very family or few families in a

manner that is conceivably practical for ages or families" (Chua et al., 2019) cited in (Collins & O'Regan, 2016). Collins and O'Regan (2016) proposed that the little and medium-sized family organization is "one that will be given to the up-and-coming age of the family to oversee and control."

According to Venter and Maas (2019), broad depiction, "privately-run company is a kind of business claimed by individuals from a similar family". The relatives try to shape and additionally follow the organization's formal and implied vision with the objective of passing the organization to a relative to affect the future.

In 2008, an idea for a privately run company was given by the Austrian Institute for Small and Medium Enterprises (SMEs).

The organization, of any scale, is a privately-owned company, if the dynamic rights will be in the possession of the characteristic person(s) who has established the firm. Alternatively, in the ownership of the regular person(s) who has gotten the offer capital of the firm, or in the ownership of the kids or kids, the guardians or the quick beneficiaries of the accomplice.

- At least one delegate of the family will be formally occupied with the administration of the organization.
- The majority of dynamic forces will be immediate or aberrant.
- The recorded firms will consent to the idea of a family attempted if the individual who bought or framed the offer capital (firm) of their families or posterity has 25% of the dynamic rights commanded by their offer capital' (Austrian Institute for SMEs Research, 2008).



### **Features of SMEs Family Company**

Family companies are mainly located in the travel, catering, and logistics sectors in the services sector. This relates to the type of job and the fact that certain jobs are “absorptive” of the time, money, and labour of their spouses (such as home-based firms, hotels, and farming). There is a trend in these circumstances to be a greater incidence of family enterprises and closer ties between business and family relationships (Collins & O'Regan, 2019).

One characteristic of family enterprises has to do with their resonance to build committed and imperishable networking relationships or social associations with external stakeholders, for instance, government officials, political leaders, and community leader (Acquaah, Amoako-Gyampah, & Jayaram, 2018). Establishing networking relationships or social connections may be priceless in developing countries, as the social networking connections family business is able to build make up for “institutional voids” and weak regulatory systems (Acquaah, 2018). According to Miller et al., (2019), these “institutional voids” shackle economic strength and labour market, and product in emerging countries. So, developing social networking relationships with stakeholders enhance social capital and enable them to obtain critical resources in the form of technology, marketing, human capital, financial capital, knowledge acquisition, and exploitation, as well as information opportunities (Miller, Lee, Chang, & Breton-Miller, 2019).

Small-scale family businesses are being launched using family and friends' financing tools. According to Sarbah and Wen (2019), donations from friends and family members are an underutilized or untapped area of funding available for



family businesses (Sarbah & Wen, 2019). Nepotism in family businesses can affect efficiency, according to Bloom and van Reenen (2017), by deterring the recruiting of newly trained and qualified staff and adopting new management methods and techniques. The conflict between non-commercial goals and sound profit-seeking activity is considered by these criteria, meaning that family enterprise appears to be less growth-oriented, less creative, and more risk-averse.

According to Bosma and Harding (2016), family businesses tend to be a strong platform for spinout ventures and entrepreneurial start-ups. They argued that significantly more early-stage entrepreneurial activity develops from existing family businesses (22.2%) than from owner-manager activity (12.7%) and that 13% of SME family businesses developed out of existing family businesses. This can be partly explained by the exchange or transfer of skills and knowledge between generations. A further explanation of why family firms are fertile grounds for an entrepreneurial start-up is that it may be easier for family firms to access (family) finance than external sources. This means that entrepreneurial start-ups are more likely to begin their life as family businesses and the family performs an important economic function by introducing a new competition, efficiency and innovation into the market (Bosma & Harding, 2016).

Hoffman, Hoelscher, and Sorensen (2016) contend that one of the defining characteristics that distinguish other businesses from a family firm is the impact of the involvement of members of the family in the business. Families give priority to members of the family in other sensitive positions and higher managerial level in order to control their own firms and are selective in their

recruitment and selection processes, which in turn allow them to minimize human resource cost (Bertrand & Schoar, 2016). Family enterprises possess unparalleled potentials, which breed commitment, motivation, and trust within the employees. Again, there is a strong quest to explicate the manifestation of flexibility in decision-making and customer relationships. There is a paternalistic connection among the employees and managers/owners of family businesses. This versatile working style encourages staff to be trustworthy, dedicated, and inspired, and to concentrate on consumer safety

### **Non-Family Companies and Family Businesses in Ghana**

Literature has found that firms with a low number of family members becoming administrators are less likely to suggest that "family goals have priority over business goals" (Westhead & Howorth, 2019). Ibrahim et al., (2018) argue that because of the alignment of both management ownership and the dual identity of these companies, the decision-making process in non-family businesses differs from family businesses. Family businesses also ignore coordination and casual management strategies and claim that strategic strategy and growth can be the main component of the preparation and advancement of workers (Peters & Buhalis, 2018). In contrast to non-family companies, few family firms have a strategic business strategy, according to Kotey (2019). While some analysts have concluded that the healthiest family enterprises are formally and consistently dedicated to policy growth, they are vulnerable to relying on strategies rather than strategy (Allio, 2018).

In non-family enterprises that are usually affected by reasonable analysis, the issue of succession planning is an open decision-making procedure, while in a family business it is one of the important problems in the sustainability of the business (Ibrahim & Ellis, 2019). Furthermore, authors have shown that the dual identity of monitoring family enterprises and the potential production of heirs is not clear. However, the production and demand of workers in non-family companies give the enterprise the ability to continually track its successors' current and potential results.

In Ghana, the private area is likewise considered as the driving force of the development of the economy and generally comprised of miniature, little, and medium-sized undertakings, for the most part, called the SMEs. The SMEs area in Ghana is assessed to be comprised of 70% of every single mechanical foundation (Oppong, Owiredu, & Churchill, 2018). In the assembling segment, privately-run companies additionally give around 85 percent of business and record for 75 percent of the Gross Domestic Product and contribute around 92 percent of firms (Abor & Quartey, 2019). Family ventures are a genuine vehicle for the accomplishment of the public macroeconomic goal.

Generally, the family company's shareholders aim to protect the resources of the enterprise for the next generation without any degree of risk. Family owners prefer to centralize, through both authority and judgments, the use of informal management practises. El-Chaarani (2018) concluded that family business owners increase their employees' level of satisfaction, confidence, and motivation by using a high level of emotional intelligence to treat them.

Employees in the organisation are known to be family members and can find family membership relevant in respects that non-family companies would not be able to imitate (El-Chaarani, 2019). Similarly, several studies have noticed that leadership models are becoming more analytical and structured in modern first-generation family companies (Srinivasa & Munagapati, 2018).

The distribution of power of decision-making is part of the actions of family companies. Aronoff (2016) reiterated this point further to address the use of autocratic and team management decision-making and the degree of decision-making authority. Team leadership is made up of parents and children with fair representation for all in the decision-making process.

### **Succession Planning**

To ensure organisational continuity, several studies have emphasised the value of succession planning. Concerning the target of the survival of family businesses, their successful leadership succession proves to be significant. Again, the effectiveness of succession specifically affects the maintenance of the enterprise's competitiveness and the happiness of its owners (Dehghanpour, Nasehifer, & Karahrudi, 2018). Preparation for succession has been extensively researched and according to their interpretation, has been established by many scholars. "Succession planning is a systematic approach to ensuring that an organisation has a steady, reliable talent pipeline that meets its future needs in leadership and other key roles", according to Edwards (2018).

Succession preparation measures are thoughtful and an organization's orderly approach to ensure leadership continuity in critical roles, human capital



for the next generation, and foster career development (Dehghanpour, Nasehifer, & Karahrudi, 2019). Succession preparation phases are the management-planning piece of the puzzle and highlight important leadership positions at any stage of the company. Succession planning follows the larger concept of "workforce planning," presenting a "framework based on the mission of an organisation, strategic plan, budgetary resources, and desired workforce competencies for making staffing decisions and related investments" (Dehghanpour, Nasehifer, & Karahrudi, 2019).

In as much as several scholars believe that succession planning steps are intended to maximise the effectiveness of succession planning, family business owners do not arrange successions in due time (Sharma, Chrisman, & Chua, 2018). Mentoring is seen as one of the succession process's essential variables. The influence of mentoring as a component of the succession process depends partially on the mentoring abilities of the mentors, according to Noakes (2019).

Every generation must be taken over by the next, which is the primary managerial competitor for owners, heirs, family members, and other stakeholders, to continue as a family company (El-Chaarani, 2019). In the modern family sector, succession has undergone various types of major adjustments, such as the enduring governing system, the conventional management initiative, and the current family partnership. Effective corporate succession planning entails two critical outcomes, such as the interest of its partners and the output of the organisation relative to the succession-planning context according to Hugo (2017).



### **Succession Planning in Family Business**

Small-scale family businesses provide tremendous potential for corporations to extend their period of operation by succeeding in the next decade. According to Astrachan, Allen, and Spinelli (2018), succession planning initiatives in family companies are just one of many aspirations, although research indicates that most owners of family corporations seek to retain family control throughout their tenure. Many scholars appear to confirm that succession planning steps are more of a mechanism than a reassignment of authority and control to a family member (Sharma, Chrisman, & Chua, 2018). In research into succession planning in family firms, however, it is apparent that planning a succession must be planned in due time and should be anchored by a team (Ting, 2019).

Succession involves the efficacy of balancing family goals and personal ambition (Ting, 2019). The members of the family must produce heirs with the requisite knowledge, inspiration, values, and expertise to thrive as a family enterprise. Successors also do not have the same dedication and drive as the organization's founders, which in turn has a negative effect on the corporate transformation in terms of its growth and progress according to Astrachan, Allen, and Spinelli (2018). In family firms, despite the existence of a succession planning mechanism, succession happens unintentionally. The likelihood of events such as the death of a prominent worker's replacement, divorce, departure, or inheritance may preclude a child from entering a managerial position in the family business.

Researchers like Bjuggren and Sund (2018) have indicated that succession is frequently caused by the expiration of the owner-managers' deal, events (illness

or divorce), changes in the business landscape (new goods or shifting markets), or personal decisions (change in the family situation, interests, change of profession, or early retirement (Bjuggren & Sund, 2018). Saan, Boateng and Kamwine (2019) claim that succession planning is borne out of the quest of the family business to step up the possibility of a fruitful succession to the family business.

### **Factors Influencing Planning for Succession in a Family Business**

Businesses around the world are still losing their workforce. While managers/owners fill empty positions in the corporation within a short period of time, they lose a significant number of the vital business staff and expertise as well as the memory of the enterprise (Mehrabani & Mohamad, 2018). A critical mechanism that corporations cannot continue to neglect is preparing for succession. Several scholars have devised models that address conditions that shape the succession of family enterprises. Esuh, Mohd & Adebayo (2019), however, reported that there is no single model that provides sufficient and consistent variables that influence family business succession planning (Esuh, Mohd, & Adebayo, 2019).

The external and internal growth of the successor concerning opportunity identification is one of the factors addressed by Sardeshmukh and Corbett (2018). They also suggested that the succession planning process is hampered by factors such as work history, schooling, understanding of entrepreneurship prospects, and self-efficacy (Sardeshmukh & Corbett, 2018). Mehrabani and Mohamed (2019) have described a good corporate culture, optimistic vision development, career path clarity, encouragement for management, and preparation as factors that affect

the process of succession planning. They argued that the acquisition of corporate culture establishes paradigms, norms, principles, and ideals for workers (Mehrabani & Mohamad, 2019). They also showed that it helps to eradicate them when workers build an optimistic vision of their jobs, which in turn encourages them to have a clear perspective into succession planning.

In addition, they led corporations to explain the career direction of their employees; to better recognize the career priorities that help implement an effective succession. To introduce a successful succession, managers need to train and help workers to develop new expertise and skills, according to Mehrabani and Mohamed (2019). In the appointment of non-family and family members using stepwise logistic regression with a bootstrap process, resource-based view and agency hypotheses, an analysis was carried out to analyse the impacts of pre-performance on succession planning among companies (Bocatto, Gispert, & Josep, 2019). They concluded that appointments are impaired by the interaction of the Directive, while performance before succession is not. Furthermore, findings from their study showed that bad performance would not interfere in the choosing of a potential replacement, although good performance would indicate otherwise.

Another research was carried out using an integrative model with multiple stakeholder consequences for successions to evaluate the variables influencing family business succession planning (Collins & O'Regan, 2019). They noted that the succession planning process is affected by variables such as climate, family, business, and person. Similar research was also carried out by Lam (2017) to investigate the factors affecting the successful succession planning of small-scale

family businesses. Lam (2017) finds that in many family enterprises, the son and father are major factors that impede the progress of succession planning. In deciding the effectiveness of succession planning, both son and father are significant, but one drawback of this analysis was the absence of external variables such as technology and the environment (Lam, 2017). Findings from this research, however, may not have offered full empirical evidence on variables influencing succession planning among family businesses.

In the role of government regulations in the business world, Haveman, Russo and Meyer (2019) noted that regulations will modify structural and technological characteristics of business environments, such as increasing and lowering entry barriers, setting or removing price limits, which eventually influence an organization's profitability. It is suspected that the organisation would have no alternative but to look for fresh talent as management is unable to manoeuvre their industry through these new rules and competition (Haveman, Russo, & Meyer, 2019). The method of developing workers for new positions and duties is often influenced by technical advances. Additionally, technical innovation makes it possible for staff to pursue other jobs. A flat structure is also a factor affecting succession planning because it tends to establish efficient succession planning by enabling healthy inter-personal partnerships and business sharing. The organization's financial factors also shape the execution of successful succession strategies.



## Challenges of Succession Planning

Today, just a small percentage of family-owned businesses have adequate succession plans according to Rice (2019). Furthermore, there are various causes behind this. These factors are obstacles that must be overcome if succession plans are to be successful. The first difficulty is that succession planning causes people to consider their own mortality. When most people think about succession planning, they think of their own retirement, death, disability, or resignation (Beleto, 2018). People avoid thinking like this since it is not happy. However, disregarding succession is detrimental to the company. Consider this undercapitalization is the most typical reason for small business failure, followed by a lack of succession planning (Yousif, 2019). When anything happens to a key person or the holder of a significant position, it has ramifications that influence the entire business. Managers should be encouraged to consider succession planning because it is critical to the organization's long-term performance. With that been said, there is a problem of negative sentiment or stigmatisation from their family or society during their succession planning process, according to Linegar (2019).

The second issue is that many managers make the error of assuming that success at one level of the organization chart always assures success at higher levels (Xandy, 2019). Promotion is sometimes seen as a reward for a job well done or a commitment to the company. The issue is that promotions should not be based on who is most likely to perform the greatest job, but rather on who is most likely to do the best job (Oluga, 2018). Because more responsible occupations are qualitatively different from lower levels, success at one level on the organization



chart is no guarantee of success at higher levels. People must be picked or trained for those qualitative distinctions. Because the job challenges of a sales supervisor or manager differ from those of a salesperson, someone who excels as a salesperson is not necessarily the best candidate for sales supervisor or manager. Here, there is a problem of conflicts/rivalries/competition among family members to take over the business (Karim, 2019).

Laurence J. Peter claimed in his book “The Peter Principle”, published in 1969, that organizational leaders continue to make the same mistake of viewing promotions as rewards for past success. As a result, people get promoted until they are no longer capable of meeting the job's demands. According to Wissledown et al., (2018), a preferable way is to create a competency profile of ideal performers at each organizational level, then analyse and develop people consistently in order to prepare them for additional, and varied, responsibilities.

Overcoming the "like me bias" is a third hurdle in succession planning. The tendency of hiring officials to select persons who are similar to themselves has been widely documented in selecting, according to Heuttle and Torres (2018). Men choose men, women choose women, engineers choose engineers, and so on. The more a person resembles (that is, is a clone of) the recruiting authority, the more likely that person will be chosen for a job or identified as a potential successor. Cloning is a poor management strategy since the future is not the same as the past (Valverde, 2019). A better approach is to first determine the characteristics of the person required at each level of the organization chart, and then objectively evaluate individuals to those requirements, highlighting strengths

and places for improvement. Family members are not fairly assessed and evaluated for succession according to Perlamo (2016).

Overcoming the "family member expectations" is a fourth hurdle in succession planning. Groups of individuals act in the same way that one hiring official acts in favour of someone who is a clone. If all of the top executives are men, they will be hesitant to appoint a woman to a top management position (Houson, 2017). The "like us bias" happens not because of intentional discrimination, but because people feel more at ease with others who are similar to them. That is why it is important to determine the characteristics of people required at each level of the organization chart, and then objectively compare individuals to those needs, highlighting strengths and places for improvement. As a result, decision-making will be more equitable (Niglesman, 2017). In Ghana, family members expectations will always be met regarding the role they play in the succession planning process in general.

### **Concept of Business Performance**

An examination of empirical literature indicates that measurement of performance defies one single uniform approach. The varied approaches in measuring performance reflect the broad nature of the concept itself. Firm performance connotes the extent to which both monetary and non-monetary objectives of a firm are accomplished through the execution of tactics, marketing and strategy. The varied approaches in measuring performance are also in part from the difficulty in obtaining firm level data. One firm is either unwilling to

voluntary give data about their financial data whereas others, particularly family-owned SMEs are noted for poor data records.

Performance indicators can be grouped under two broad categories, namely financial indicators and non-financial indicators. The financial indicators also known as objective indicators measure the state of the company. Benefit, growth, profit margins, cash flow, and return on assets are among these indicators. The non- monetary or subjective measures of performance on the other hand usually reflect the perceptions of management or workers about the state of the firm. It includes indicators such as customer satisfaction (Vij & Bedi, 2016) and employee participation (Moriarty, 2019), increase in self-sufficiency (Dzei, 2018). Although this mode of measuring performance has a number of advantages, they are several drawbacks to it.

### **Empirical Review**

Molina-Azorín, Claver-Cortés, Pereira-Moliner and Tarí (2009) have investigated the determinants of succession planning and its effect on the financial results of US firms. The sample frame for the study was the Fortune 500 list. In all, 59 US companies covering 5 industries (i.e., 16 electronic producing companies, 11 food producing companies, 14 companies in the chemical industries, and 7 paper producing companies) were selected from the list. The research used ROI and the net-income-to-sales ratio as financial performance benchmarks. The study revealed the multidimensional existence of succession planning and its effect on the relationship between company performance.

Employing a larger sample size data from 111 manufacturing firms, McKenny, Short, Ketchen, Payne and Moss (2018) also examined the strategic configurations and performance stages of conformist and succession planning. Similar to Zahra et al (2016) study, this study adopted a cross sectional design. Due to the unavailability of public financial statements of the sampled small firms, the study adopted subjective self-reported measures of financial performance. The study used varied estimation techniques including discriminant analysis, and t-tests to achieve its objectives. Succession planning was measured using a 9-item scale. A cumulative mean rating from these questions was applied to decide the level of succession planning. Per the findings of the study, entrepreneurial firms have different strategic behaviour from conservative firms. Further to this, firms with succession planning outperformed firms without succession planning in terms of growth, financial and operational performance.

Building on his earlier work, Lumpkin and Dess (2001) examined whether environmental factors restrained the connection between succession planning and SME performance. Similar to earlier works, the design was cross-sectional in nature and mainly covered firms. However, unlike the work of Wang (2008), the study only concentrated on businesses in the industrial division. The findings indicated that hostile environmental factors restrained the connection between succession planning and SME performance.

Li, Huang and Tsai (2009) examined the longitudinal effect of succession planning on company performance, contrary to the earlier cross-sectional study by Zahra (2008), which focused on the short-term implications of succession



planning. In addition, the study also analysed the effect on the relationship between succession planning and firm performance of contextual factors. In doing so, the study used annual primary and secondary data covering a period of 7 years. The sample consisted of 24 medium-sized manufacturing companies representing 14 segments of the industry, 39 chemical companies and 59 Fortune 500 companies. Performance of the firms was assessed using return on stocks (ROS) and return on asset (ROA). The study results show that succession planning has a modest impact on company performance in the short term and increases over time. The outcome of the research also revealed that succession planning among companies operating in hostile business settings seems to be a particularly effective strategic practice.

Deutscher, Zapkau, Schwens, Baum and Kabst (2016) examined the predictive power of both the contingency and configurational approaches in explaining the succession planning and performance connection. Longitudinal data, spanning a period of 5 years was sourced from 32 US companies was used for the study. The results indicated that configurational approach has greater predictive power than contingency approaches. Walter, Auer and Ritter (2006) also analysed the sustainability of the succession planning and performance connection. Akin to the research by Lumpkin and Dess, the study used longitudinal data spanning a period of 3 years covering a total of 132 small Swedish firms. Performance was measured using 7 item response scale; 3 financial and 4 growth measures. The results backed an optimistic succession



planning and performance connection with availability to credit having the biggest effect.

In 2001, Barrett, Reardon and Webb (2001) also examined whether market mix moderate the relationship succession planning and performance relationship. In all, 142 firms were used for the study. Firm's performance was measured by two judgmental questions. The results indicate that marketing mix factors restrained the connection among succession planning and business performance for large firms.

Goosen et al (2002) also analysed the connection between succession planning and performance of firms in South Africa. However, by employing a cross- sectional design, the research suffered similar boundaries with the studies of that also employed same research design. Some few experiments have explored how different aspects of succession planning influence performance. For instance, Keisen and Davis (2010) in a conceptual paper examined how the various sub-magnitudes of succession planning affect performance of firms. The research further explored whether organizational structure moderate the relationship. Wales et al., (2013) also examined the moderating role of capabilities. The study used a total of 258 Swedish firms. The results suggest that succession planning returns to success are dictated by communication technologies and network capabilities.

In the quest to add more understanding to literature, Rezaei and Ort (2018) also examined how the magnitudes of succession planning affect the practical performance of businesses. The study focused on high tech small-to-

medium-scale firms and collected cross-sectional data from a total of 279 firms. To estimate the target, the study used structural equation modelling. The results of the study showed that succession planning dimensions are related to the output of company functions in various ways.

### Conceptual Framework

The conceptual model of Swierczek and Ha (2003) is adopted by this analysis. There are three parts to the model. The first part offers the succession planning, whereas the second section of the model offers the variables of control used in this analysis. Adding control variables to our model is crucial as it will help correct for any confounding effect that may be inherent in the model. The third component of the model is the firm performance indicators (i.e., return or asset and return on equality).

### Conceptual Framework

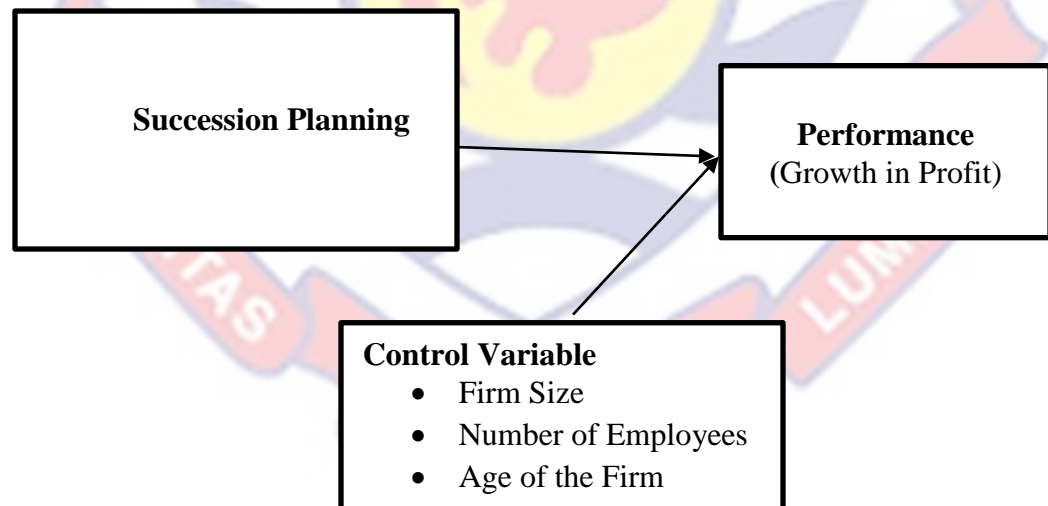


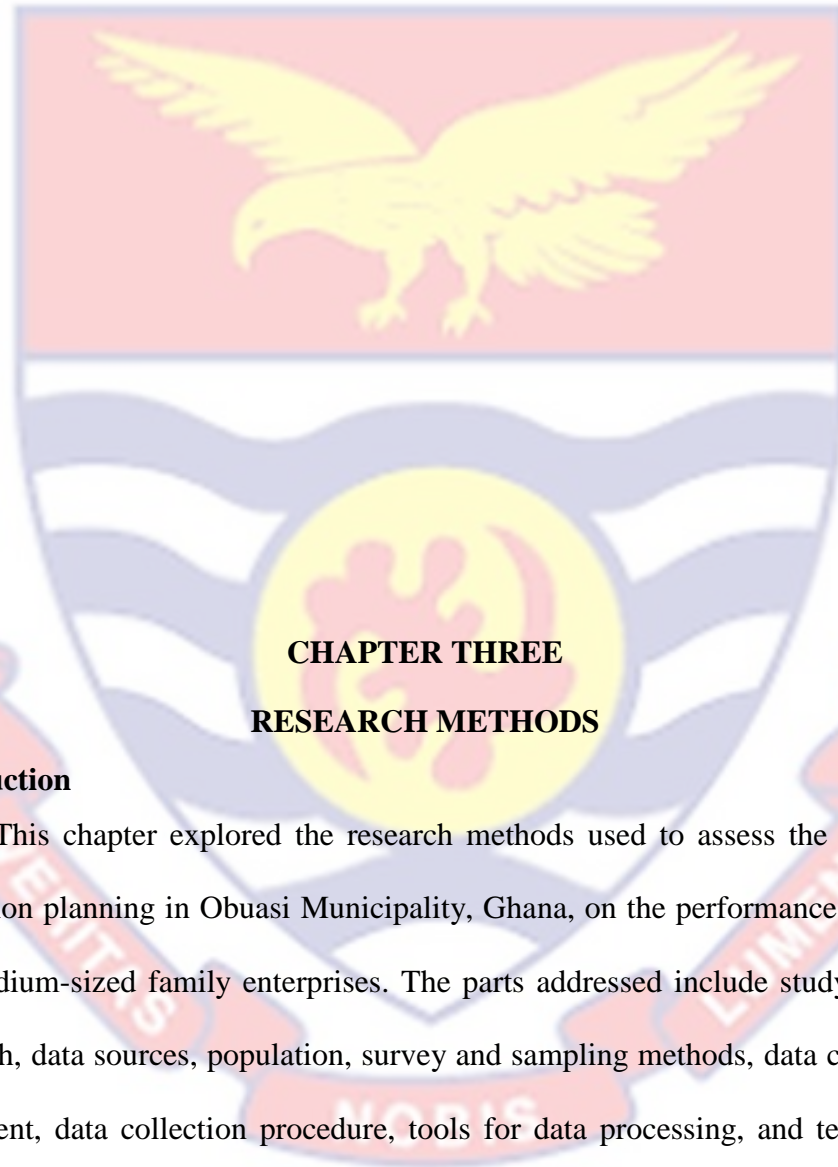
Figure 1: Conceptual Framework

Source: Adapted from Swierczek and Ha (2003)

Dependent and independent variables make up the components of the conceptual framework. The dependent variable is the organisational performance and the independent variable is the succession planning practices. From Figure 1, it can be seen that the succession planning practices variables have a direct link on organisational performance which is the dependent variable. The framework further shows how the control variable have a direct link with the performance of small and medium sized enterprises in the municipality. These direct links are hindered by some challenges which when they are not attended to, affects the performance of the enterprise.

### **Chapter Summary**

This section offered the literature review of this research. This study's literature review was structured under four headings, namely theoretical review, conceptual review, empirical review, and conceptual framework. Theoretical review explained the theoretical foundation of this study. This included leadership succession theory. The conceptual review defined and explained the various used in the context of this study. This chapter reviewed literature on succession planning and firm performance. It also presents an overview of the SME sector, theories, and conceptual issues. The chapter further delineate the proxies chosen in respect of the dependent, independent and control variables. The chapter finally presented and discussed the conceptual framework, which explains how the various variables used in this study are linked.



## **CHAPTER THREE**

### **RESEARCH METHODS**

#### **Introduction**

This chapter explored the research methods used to assess the effect of succession planning in Obuasi Municipality, Ghana, on the performance of small and medium-sized family enterprises. The parts addressed include study design, approach, data sources, population, survey and sampling methods, data collection instrument, data collection procedure, tools for data processing, and techniques for data analysis.

#### **Research Design**

The research philosophy underpinning this study was post positivism philosophy. The post positivists hold the view that authenticity is steady and can

be detected, described and measured objectively without prying with the spectacles being premeditated (Saunders, Lewis & Thornhill, 2016). In doing so, the positivist school rules out the fact that knowledge and theories can be developed from multiple sources, including personal experiences and beliefs (Rubin & Rubin, 2012). Instead of focusing on these philosophies, with pragmatism, investigators highlighted the study problem and use all tactics available to comprehend the problematic (Creswell & Creswell, 2018). Pragmatists argue for the use of quantitative techniques in studying a phenomenon instead of adhering to just one way (Creswell, 2009; Moon & Blackman, 2014).

A study design agreeing to Plonsky (2017), is the general approach that the researcher uses to answer and elicit responses to the study's research questions. The success of any study would depend on the type of research design adopted, so it is exactly vital to determine the type of data, the method of collection of data and the type of sampling to be used in a study. In an attempt to estimate these sizes in the general population, the researchers adopted a descriptive design to discuss the effect of succession planning on performance of SMEs.

According to Leedy and Ormrod (2010), the decision to use descriptive design can rely on the way descriptive design defines the situation over a more drawn-out period from a fleeting collection of details and further extrapolates. That is, a researcher is able to identify certain aspects of the population with a



descriptive design by using the sample of respondents inquired to partake in the research.

The descriptive design also helps to identify, describe and appreciate the features of a sample of respondents for further study in a given situation. Researchers use descriptive design to organize and more effectively summarize study data by reducing data to a comprehensible form and offering tools to explain compilations of statistical observations. Descriptive design analysis, according to Zikmund (2000), is vulnerable to the introduction of biases in instrument measurement and so on, as well as being a relatively laborious and time-consuming process.

### **Research Approach**

In the conduct of scientific research, one of the critical components to consider is the research approach. This research adopts the approach of quantitative research. According to Bell and Bryman (2007), comparative research involves collecting absolute data, such as numerical data, in order to be examined as unbiased as possible (Mason & Bramble, 1997). Quantitative research eliminates the investigator's bias, thus ensuring that assumptions can be made in relation to the study's conclusions. In addition, because of the way information is collected and analysed, quantitative analysis will be used. Almost all the data that will be used in this study are quantitative hence, the quantitative method is employed.

### **Study Area**

In the district of Obuasi, the theory will be done as a contextual investigation. Based on chief instruments in December 2003 and Legislative Instrument L. I., Obuasi Municipal Assembly was cut out of the old Adansi West District Assembly. The district is situated between scopes 5.35N and 5.65N and 6.36N and 6.80N separately. It possesses a 162.5sqkm territory of land. The region has 53 neighbourhoods that share 30 constituent regions. As per the 2021 Population and Housing Census, the number of inhabitants in the Municipality is 168,641 with 81,015 guys and 87,626 females (GSS, 2021). The municipality of Obuasi is considered to be our essential concentration in this study. This study area was chosen because it is known to be one of the municipalities with numerous small and medium size enterprises in the Eastern Region, Ghana (GSS, 2021). Because of the numerous small and medium size enterprises in the municipality, the municipal is blessed with a lot of economic activities because of the thousands of people these small and medium size enterprises attract. This puts the Obuasi Municipal in the right position to help achieve the aim of this study.

### **Population**

A study population has been described as “including all elements within the reach of this survey and from which the study selects a representative sample (Cooper & Schindler, 2011; Dadi-Klutse, 2016; Kazerooni, 2001). In terms of some combination of geography and demography, a research population is sometimes specified (Babin & Anderson, 2010; Kumar, 2008; Saunders et al, 2007). The population is the community of individuals, activities, or things of

interest for which the researcher wants to draw inferences, according to Sekaran and Bougie (2016). The study population consists of all family-owned SMEs registered under NBSSI and some other known SMEs yet to gain formal registration with the NBSSI: barbing and hair salons, Carpentry, plumbing, artisan etc. in the Obuasi Municipality. This population was chosen because the researcher believes that most of these firms are in the informal area, which constitute a major part of the Ghanaian economy. The total number of registered members of family-owned SMEs with the NBSSI as at November, 2021 was 70.

### **Sampling Procedure**

Leedy and Ormrod (2010) described sampling as a method of selecting a few respondents from a broader population in order to estimate the prevalence of data of interest to oneself. The population size, available resources, degree of homogeneity or heterogeneity, and sampling procedure are all factors that influence the size of a sample. According to Garson (2012), sampling is important since sampling all members of a group is almost difficult in almost all cases. Respondents are picked in such a way that they represent as much of the broader population as feasible, according to Arnold and Randall (2010).

The sampling procedure, according to Merriam et al., (2009), is the method for picking a sample for a study. For this study, the researcher used a convenience sampling strategy, which is a non-probability sampling method. Managers of the selected family-owned SMEs who were willing to be interviewed were contacted for the study using the convenience sampling technique, which is

a sampling procedure in which researchers use the subjects who are closest and available to participate in the study. Because their total number provided by NBSSI, this strategy was adopted in the study because of the time and cost involved in reaching these managers of family-owned SMEs. However, the study contained reasonable strata to reflect even participation of these family-owned SMEs' managers and board of directors. The study included 60 respondents. As a result, Taro Yamane's sample size formula was employed.

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = sample size

N = Population size

e = Allowable errors

Therefore:

$$N = 70$$

$$1 + 70 (0.05)^2 = 1 + 70 (0.0025) = 1 + 0.175$$

$$= 1.175$$

$$n = \frac{70}{1.175} = 59.57 = 60$$

Based on above calculation, the sample size is 60. This implies that the study was based on sixty (60) derived as the research sample size.

### Source of Data

To gather information from respondents, the researcher will follow primary data sources.



### ***Primary Sources of Data***

The primary database is the information that a researcher himself receives using questionnaires or interview guides (Leedy & Ormrod, 2005). Participants who own family businesses would be issued formal questionnaires to fill out extensively.

### **Data Collection Instrument**

According to Frankel and Wallen (2000), data is referred to as scientific facts or data systematically compiled by researchers on the basis of particular protocols or laws. However, to fix research issues, the gathering of data is required by researchers. The methods used by a researcher to gather knowledge from the subject population to solve a research challenge are tools. Structured questionnaires would be used by the researchers to gather information from owners of chosen family enterprises. The systematic questionnaire was structured on the basis of questionnaires used in previous research and from numerous publications on details pertaining to family business succession planning initiatives in Ghana. A questionnaire is a means to collect data from respondents by questioning them instead of watching them function.

The questions were set by researcher but other research works were consulted in the framing of the questions. Miles (2001) also posited that asking people questions to find out what they think or feel about something is typically a questionnaire. The questionnaire would consist of both questions that are open and close-ended.

Four (4) parts make up the questionnaire and they are;



- The demographic features of the respondents are seen in section A. It offers context information on the sort of persons whose views have been pursued. It consists of three (3) questions, including gender, qualifications for education and work experience.
- To examine the succession planning processes of family businesses in Obuasi municipality, Ghana, Section B was organised.
- Section C was also designed to define the variables affecting effective succession planning among Obuasi municipality's family businesses.
- The final parts of Section D describe the challenges faced during family business succession planning in Obuasi municipality, Ghana.

### **Ethical Considerations**

Several steps will be taken to ensure that all ethical considerations (e.g. confidentiality) in research are adhered by the researcher. To ensure confidentiality, the names of respondents will not be collected. This will ensure that information given by respondents cannot be traced back to them. Also, the researcher will clearly indicate the purpose of the research orally and in writing to respondents and respondents will be required to agree or disagree to filling the questionnaire to the researcher section will be created where the intention and purpose of the research will be clearly indicated. In addition, respondents will be asked to sign to indicate their consent to respond to the questionnaire. In other words, they will be given the freedom to decline or withdraw at any time during the research process.

### **Reliability and Validity of the Developed Questionnaire**

Reliability and validity are two key components that are examined when evaluating quality of a research instrument. According to, reliability of a measuring instrument states to the degree that the instrument provides stable, steady results whereas validity exams the extent that an instrument measures what it was planned to measure. To this end, the researcher did a detailed empirical review of the various constructs used in the questionnaire. In addition, the Cronbach's alpha coefficient and Reliability composite index were estimated to ascertain the validity of the measuring instrument. The condition for the Cronbach's alpha coefficient test is that the coefficient must at least be 0.7.

#### **Reliability Test**

The reliability of the measures used for this study was explored using Cronbach's Alpha. The scale is categorized into three measures namely, Succession Planning Process (SPP), Succession Planning Factors (SPF) and Succession Planning Challenges (SPC). The Succession Planning Process Scale was made up of five items while the Succession Planning Factors (SPF) and Succession Planning Challenges (SPC) had six items each. The Succession Planning Process scale reported a reliability of  $\alpha = 0.837$  (M= 20.13, SD= 4.22). The Succession Planning Factors scale reported a reliability of  $\alpha = 0.792$  (M= 22.6, 4.74) and Succession Planning Challenges scale reported a reliability of  $\alpha = 0.724$  (M= 23.22, SD =4.61). Thus, all measures used in this study had strong reliability, implying that the scales correctly measure the variables of interest. The details of the reliability scores are illustrated in the Table 1.

**Table 1: The Reliability Test**

Scale	Items	Means	(SD)	Cronbach's Alpha
SPP	5	20.13	(4.220)	<b>.837</b>
SPF	6	22.65	(4.740)	<b>.792</b>
SPC	6	23.22	(4.614)	<b>.724</b>

Source: Field survey, (2022)

### **Data Collection Procedure**

The questionnaires were taken to the offices of the various family-owned SMEs. The study's intent was clarified to the respondents. Through the use of a self-administered questionnaire to ensure a high response rate, the study's data was collected. There were the same set of questions for all the respondents. In order to fix possible errors and to sort out misconceptions and misunderstandings to ensure the research's credibility, the researcher picked up the filled questionnaires personally. The entire duration for the administration and collection of questionnaires was 14 days. Returned questionnaires were edited in order to arrange information in a way that was suitable and used to perform the necessary analysis.

### **Data Processing and Technique**

Statistical methodology was used to analyse the data. The effect of internal controls and bank performance was evaluated using correlation. To guarantee successful data processing and analysis, data acquired from the field was processed prior to analysis, data was evaluated, and inaccurate data was repaired. The statistical Package for Social Sciences (SPSS) version 24 was used in data

coding, entry, and cleaning for 14 days, following which the researcher continued with the other data management tasks to guarantee that the dependent and independent variables were well recorded and entered accurately.

Data analysis guarantees that data collected over the course of the study was interpreted in a logical order to meet the study's goals. Before moving on to the actual analysis, the study established a high retrieval rate and data cleaning. The researchers took the opportunity to double-check the accuracy of the responses to the questionnaire items. It was used to screen data and elicit results from the field in order to find missing values and outliers. Frequencies percentages, mean, standard deviation and correlation analysis are the estimating strategies employed in this investigation. Descriptive statistic (mean and standard deviation) was used to answer objective one and three. The Spearman Rank correlation analysis was used to answer the second objective of the study. The SPSS statistical software was used to process the data (Version 24.0). This software was chosen because, thanks to its emphasis on analysing statistical data, SPSS is an extremely powerful tool for manipulating and deciphering survey data. The data from any online survey collected using Alchemer can be exported to SPSS for detailed analysis.

### **Measurement of Variables**

#### ***Firm Performance***

As already alluded in the theoretical and empirical review, measures of performance are usually grouped under two broad categorizes, namely; subjective measures and objective measures of performance. However, given the known difficulties in obtaining data on objective measures of performance from small



and medium scale enterprises, subjective measures of performance were used in this study. The subjective measure of performance use in this study was adopted from Kastrati (2015). The study used growth in profit as a proxy for measuring performance.

### **Measuring the Various Dimensions of Succession Planning**

#### ***Succession Planning Process (SPP)***

Small-scale family businesses provide tremendous potential for corporations to extend their period of operation by succeeding in the next decade. According to Astrachan, Allen, and Spinelli (2019), succession planning initiatives in family companies are just one of many aspirations, although research indicates that most owners of family corporations seek to retain family control throughout their tenure. Many scholars appear to confirm that succession planning steps are more of a mechanism than a reassignment of authority and control to a family member (Sharma, Chrisman, & Chua, 2018). In this research, Succession Planning Process was accessed using 5 questions.

These questions were mostly sourced from the work of Hughes et al., (2016) and Calantone et al., (2018) and altered to suit the study. On a Likert-type scale, all items were calculated and it is the prior expectation of this study that Succession Planning Process has a positive impact on company results. A Likert scale has an ordinal distribution, theoretically speaking. However, treating a Likert scale as though the data were distributed on an interval scale is standard practice in academic research. Hence, it is a constant variable. This means that it is possible to apply most statistical techniques (Jamieson, 2019).



### *Succession Planning Challenges (SPC)*

Today, just a small percentage of family-owned businesses have adequate succession plans. Furthermore, there are various causes behind this. These factors are obstacles that must be overcome if succession plans are to be successful. The first difficulty is that succession planning causes people to consider their own mortality. When most people think about succession planning, they think of their own retirement, death, disability, or resignation. People avoid thinking like this since it is not happy. However, disregarding succession is detrimental to the company. Consider this: undercapitalization is the most typical reason for small business failure, followed by a lack of succession planning (Rothwell, 2015). On a Likert-type scale, all items were calculated and it is the prior expectation of this study that Succession Planning Challenges have a negative impact on enterprise performance.

### *Succession Planning Factors (SPF)*

Businesses around the world are still losing their workforce. While managers/owners fill empty positions in the corporation within a short period of time, they lose a significant number of the vital business staff and expertise as well as the memory of the enterprise (Mehrabani & Mohamad, 2011). A critical mechanism that corporations cannot continue to neglect is preparing for succession. Several scholars have devised models that address conditions that shape the succession of family enterprises. Esuh, Mohd & Adebayo (2011), however, reported that there is no single model that provides sufficient and consistent variables that influence family business succession planning (Esuh,

Mohd, & Adebayo, 2011). The a-priori expectation is that firms that proper Succession Planning Factors will have better performance.

### *Deriving the Various Constructs*

On these questions, the Principal Component Analysis (PCA) is then performed to analyze which questions best capture the different indicators. PCA is a technique for variable reduction. It is used when we get data from a wide range of variables (questions) and think that the variables are redundant (questions). Redundancy implies that any of the variables may be associated with one another since the same construct is evaluated.

For each subject or predictor, scores can be determined while conducting a PCA. The scores obtained from the questions will then be optimally weighted and summarized to determine the scores on a given element or variable. Four steps were taken to complete the PCA: In the first step, the extraction of the components to be used for interpretation was concerned; in the second step, the number of meaningful components (questions) to be retained for interpretation was calculated using four parameters, namely the eigen value-one criterion, the screen test, the percentage of variance provided for and the criterion of usability. Rotation to a final solution was involved in the third step, while step four had to do with understanding the rotated solution. The PCA findings were summarized in table form in step five factor score or factor-based scores and finally in step six to provide the composite values for each predictor of the indicators.

**Table 2: List of Variables and Expected Signs**

<i>Variables</i>	<i>Measurement</i>	<i>Expected Sign</i>
PFM	Growth in Profit	N/A
SPP	Succession Planning Process	+
SPC	Succession Planning Challenges	-
SPF	Succession Planning Factors	+
AGEFM	Age of Firm in years	+/-
NUMEMPLY	Number of Employees in the company	+/-
ACCFIN	Access to Finance	+

Source: Field survey, (2022)

### **Chapter Summary**

This section developed and offered the various methods used in the collection and data analysis. The chapter, therefore, discussed key elements of research methods concerning approach, design, population, sampling technique, data gathering mechanism, among others used in the research. The method of convenience sampling was used in the collection of the study sample. This was followed by the measurement of variable and data description.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### **Introduction**

This section showed and discussed the outcomes of the analysis. Beginning with the descriptive statistical outcomes, the chapter presented and discussed further, the results of the mean and standard deviation. The correlation estimation was carried out to explain the connection between succession planning and the performance of family-owned SMEs in Obuasi Municipal. The chapter ends with the summary.

#### **Demographic Characteristics of Respondents**

This section analysed the demographic characteristics of the participants such as gender, age, educational level and tenure of work with their business. A total number of 60 participants took part in this study. The research focused on business owners with the district assembly. The information of the participants that were taken in the course of the research are explained in Table 3.

**Table 3: Demographic Characteristics of Respondents**

<b>Variable</b>	<b>Frequency(n)</b>	<b>Percentage (%)</b>
<b>Age</b>		
30-40	17	28.3
41-50	26	43.3
51+	17	28.3
<b>Total</b>	<b>60</b>	<b>100</b>
<b>Sex</b>		



Male	34	56.7
Female	26	43.3
<b>Total</b>	<b>60</b>	<b>100</b>

**Level of Education**

J.H.S	3	5
S.H.S	14	23.3
Bachelor’s degree	24	40
Masters	7	11.7
Graduate Diploma in Management	1	1.7
Theology	1	1.7
<b>Total</b>	<b>60</b>	<b>100</b>

**Tenure of Work**

Below 5 years	15	25
5 -10 years	23	38.3
Above 10 years	22	36.7
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Field survey, (2022)

Table 3 showed the age distribution of owner-managers of sampled family-owned SMEs in the Obuasi municipal. According to the findings, the bulk of the managers 43.3% (26/60) were between the ages of 30 and 40, while 28.3% (17/60) were between the ages of 41 and 50. The other 12 managers, accounting for 28.3% (17/60) of the total, had more than 51 years of experience. None of the

managers belonged to the other age groups. According to Njage (2012), this means that all SMEs' managers are in their youthful years and have more life and energy to invest in their businesses.

However, males made up 34 (51.8%) of the respondents, while females made up 26 (48.2%), as seen in Table 2. This could indicate that women's employment in the family-owned SMEs studied is still low. The findings show how the two sexes see succession planning and organizational performance in selected family-owned SMEs. This was necessary for the poll to get a balanced representation of the respondents' views.

Table 3 further showed the educational attainment of family-owned SMEs in the municipal's managers. A total number of 3 (5 percent) of the managers in the study's sampled family-owned SMEs attained junior high school certificate. Furthermore, 14 (23.3%) of the managers had completed senior high school, 24 (40%) have completed bachelor's degree, and 7 (11.7%) have completed senior high school. Only 2 managers, or 1.7 percent of the respondents, had completed graduate diploma and theology education. The majority of the respondents had received formal education and could read and write to a considerable extent, as can be observed. When it came to filling out the questionnaire, their level of education was crucial.

The majority of respondents 23 (38.3%) have worked in their present firms for 5-10 years, with 22 (38.7%) having worked for more than 10 years, according to the data. Only 15 (25%) of those surveyed had been working for less than five years. These findings indicated that the respondents had sufficient

experience working in their respective businesses to explain how successive planning affects firm performance.

### **Descriptive Statistics**

Calculating the values of the sample mean of each item identifies the influence levels of financial attitude elements on investment decisions. Similarly, the mean values of the respondents' ratings for each variable are used to evaluate the variables of investment decisions. Only variables that pass the aforementioned factor analysis and Cronbach's alpha test are used to display their scores in this section. Because these factors' impact levels are measured using 5-point scales, the mean values of these variables may be utilised to determine their effect levels on investment decision-making using the following rules:

- Values less than 2 shows that the variables have very low effects
- Values from 2 to 3 shows that the variables have low effects
- Values from 3 to 4 shows that the variables have moderate effects
- Values from 4 to 5 shows that the variables have high effects
- Values more 5 shows that the variables have very high effects

A four Likert scale measurement was used for this study. With 1= strongly disagree, 2= disagree, 3= agree and 4= strongly agree.

### **Factors that influence Succession Planning (SPF)**

This section of the study tackled the first objective of this study. Specific factors were outlined and participants were asked to indicate the degree to which they agreed that these factors could influence succession planning. Table 4 summarizes the responses of participants.

**Table 4: Items Responses on Factors that influence Succession Planning**

Items	SA	A	N	D	SD	Mean	Std. D
Personal need to protect the business' fortune from one generation to another	20 (33.3)	18 (30)	13 (21.7)	8 (13.3)	1 (1.7)	2.39	1.15
Financial security, personal satisfaction, and the enjoyment that come with joining the family business	16 (26.7)	15 (25)	20 (33.3)	7 (11.7)	2 (3.3)	2.32	1.555
The loss of potential successor	13 (21.7)	20 (33.3)	14 (23.3)	9 (15)	4 (6.7)	2.301	0.981



Lack of motivation and dissatisfaction of potential successors	25 (41.7)	16 (26.7)	12 (20)	4 (6.7)	3 (5)	2.24	0.968
The ability of the potential successor and his/her willingness to take over	25 (41.7)	18 (30)	11 (18.3)	4 (6.7)	2 (3.3)	2.50	0.882
The skills, competencies and experiences required of family members	20 (33.3)	20 (33.3)	13 (21.7)	4 (6.7)	3 (5)	2.46	1.19
Overall Mean						<b>2.35</b>	

Source: Field survey, (2022)

Table 4 contains the descriptive statistics on the awareness of factors that influence succession planning in Obuasi Municipal. For the item (Question)

“Personal need to protect the business’ fortune from one generation to another” 33.3% (20/60) responded strongly agree, 30% (18/60) agree, 21.7% (13/60) indifferent, 13.3% (8/60) disagree, and 1.7% (1/60) strongly disagree. The low mean (2.39) for this item further confirms that majority of the sampled SMEs do not think there is a personal need to protect the business’ fortune from one generation to another.

For the item “Financial security, personal satisfaction, and the enjoyment that come with joining the family business”, 26.7% (16/60) responded strongly agree, 25% (15/60) agree, 33.3% (20/60) indifferent, 11.7% (7/60) disagree, and 3.3% (2/60) strongly disagree. In addition, the mean value for this item, which is 2.32, is below the 2.5 threshold thus indicating that majority of the sampled SMEs do not have financial security, personal satisfaction, and the enjoyment that come with joining the family business. For the item “The loss of potential successor”, 21.7% (13/60) responded strongly agree, 33.3% (20/60) agree, 23.3% (14/60) indifferent, 15% (9/60) disagree, and 6.7% (4/60) strongly disagree. The mean for this item is 2.301 and it indicates that less than half of the sampled SMEs in the municipal are concerned about the loss of potential.

For the item “Lack of motivation and dissatisfaction of potential successors”, 41.7% (25/60) responded strongly agree, 26.7% (16/60) agree, 20% (12/60) indifferent, 6.7% (4/60) disagree and 5% (3/60) strongly disagree. For the item “The ability of the potential successor and his/her willingness to take over” (Mean=2.50; SD=0.882) 41.7% (25/60) responded strongly agree, 30% (18/60)

responded agree, 18.3% (11/60) indifferent, 6.7% (4/60) disagree, 3.3% (2/60) strongly disagree.

For the item, “The skills, competencies and experiences required of family members” (Mean=2.46, SD=1.19), 33.3% (20/60) responded strongly agree, 33.3% (20/60) agree, 21.7% (13/60) indifferent, 6.7% (4/60) disagree, and 5% (3/60) strongly disagree. The mean for this item is 2.46, which suggest that about half of the sampled SMEs lacked the skills, competencies and experiences required of family members. The entire disclosure mean for factors that affect succession planning is 2.39, which is below the 2.5 threshold. This suggests that sampled SMEs in Obuasi Municipal were not aware of the factors that affect succession planning in their business.

**Table 5: Succession Planning among Participants**

Items	Frequency	Percent
<b>Have you thought about succession</b>		
Yes	52	86.7
No	8	13.3
<b>Who is likely to succeed you</b>		
Offspring	34	56.7
Siblings	20	33.8
Spouse	3	5.1
<b>Have you prepared your</b>		

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**successor adequately?**

Adequately prepared	50	83.3
Not prepared	7	11.67
In the process	3	5.03

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Source: Field survey, (2022)

According to Table 5, all participants reported that they had family members currently involved in managing their businesses. Out of the sixty participants, a majority of them (86.7%,  $n= 52$ ) had thought about succession. The remaining minority reported that they had not yet thought about succession for their business (13.3%,  $n=8$ ). These findings are contrary with research done by Ngayie (2016) who revealed that, managers of family-owned SMEs in Senegal don not even think about succession. These managers are of the view that, they the managers have their business at heart and a second party would not manage the business in the business' highest interest.

However, when managers were asked who was likely to succeed them, majority of participants indicated that their offspring would succeed them (56.7%,  $n=34$ ). A total number of 33.8% reported that their sibling (brother or sister) ( $n= 20$ ) would succeed them while only 5.1 % ( $n=3$ ) would be succeeded by their spouses. Two participants however indicated individuals who are not related to them as likely successors. These results are in line with a study by Uche (2017) which revealed that, most family-owned SMEs in Nigeria use their kids as their next of kin. These managers were of the believe that, the right people to inherit their properties are their kids.



In terms of preparation of successors for succession, a significant majority (83.3%, n=50) of participants indicated that they had adequately prepared their successors while the remaining 16.7% had either not prepared their successors (11.67%, n=7) or were in the process of preparing them (5.03%, n=3). On a contrary basis, study by Bior (2019) revealed that most family-owned SMEs in Ethiopia do not fully prepare their successors to take over their position when the need be.

### Succession Planning Activities

**Table 6: Items Responses on Succession Planning Activities**

Items	S	D	I	A	S A	Mean	SD
You develop business cases with clear vision that include succession planning	30 (22.7)	53 (40.2)	20 (15.2)	23 (17.4)	6 (4.5)	2.39	1.15
You identify target roles and positions within the business	33 (25.0)	54 (40.9)	23 (17.4)	13 (9.9)	9 (6.8)	2.32	1.155
You provide baseline for determining the core competencies	27 (20.5)	58 (43.9)	29 (22.0)	16 (12.1)	2 (1.5)	2.301	0.981

and skills of your

successor

You identify high- 15 62 22 18 15 2.24 .968  
 potential (11.4) (46.9) (16.7) (13.6) (11.4)

candidates through

the development

and

implementation of

a rigorous

competency-based

performance

management

process.

You do ensure that 16 51 47 18 0 2.50 .883  
 potential (12.2) (38.6) (35.6) (13.6) (0)

successors receive

sufficient career

development by

reviewing the

current and

required training

and development

practices



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Overall Mean	2.35
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Source: Field survey, (2022)

Table 6 contains the descriptive statistics on the awareness of succession planning activities in Obuasi Municipal. For the item “You develop business cases with clear vision that include succession planning’ is considered a positive attribute for people in our business” (Mean=2.39, SD=1.15), 3.3 percent (2/60) responded strongly disagree, 6.7 percent (4/60) disagree, 21.7 percent (13/60) indifferent, 33.3 percent (20/60) agree, and 33.3 percent (20/60) strongly agree.

For the item “You identify target roles and positions within the business”, 5 percent (3/60) responded strongly disagree, 6.7 percent (4/60) disagree, 21.7 percent (13/60) indifferent, 33.3 percent (20/60) agree and 33.3 percent (20/60) strongly agree. For the item “You provide baseline for determining the core competencies and skills of your successor” 1.5 percent (2/60) responded strongly disagree, 11.7 percent (7/60) disagree, 33.3 percent (20/60) indifferent, 25 percent (15/60) agree and 26.5 percent (16/60) strongly agree.

For the item “You identify high-potential candidates through the development and implementation of a rigorous competency-based performance management process”, 41.7% (25/60) responded strongly agree, 26.7% (16/60) agree, 20% (12/60) indifferent, 6.7% (4/60) disagree and 5% (3/60) strongly disagree. For the item “The ability of the potential successor and his/her willingness to take over” (Mean=2.24; SD=0.968) 41.7% (25/60) responded strongly agree, 30% (18/60) responded agree, 18.3% (11/60) indifferent, 6.7% (4/60) disagree, 3.3% (2/60) strongly disagree.

For the item, “You do ensure that potential successors receive sufficient career development by reviewing the current and required training and development practices” (Mean=2.50, SD=0.883), 33.3% (20/60) responded strongly agree, 33.3% (20/60) agree, 21.7% (13/60) indifferent, 6.7% (4/60) disagree, and 5% (3/60) strongly disagree. The mean for this item is 2.46, which suggest that about half of the sampled SMEs do not ensure that potential successors receive sufficient career development by reviewing the current and required training and development practices. The entire disclosure mean for factors that affect succession planning is 2.35, which is below the 2.5 threshold. This suggests that sampled SMEs in Obuasi Municipal were not following the succession planning process in their business.

### Challenges in Succession Planning, SPC

Challenges that arise in success planning were outlined and participants were asked to specify the degree to which they agree that these challenges are present during succession planning. Table 7 summarized the responses of participants. This component of the questionnaire addressed the third objective of this study.

**Table 7: Items Responses on Challenges of Succession Planning**

Items	SA	A	N	D	SD	Mea	Std.
						n	D



The problem of conflicts/rivalries/competition among family members to take over the business	28 (46.7)	14 (23.3)	10 (16.7)	5 (8.3)	3 (5)	2.3	1.15
The problem of negative sentiment or stigmatisation from your family/social context during your succession planning process	28 (46.7)	14 (23.3)	13 (21.7)	2 (3.3)	3 (5)	2.3	1.55
Intra-family communication problem	23 (38.3)	15 (25)	10 (16.7)	7 (11.7)	5 (8.3)	2.3	0.98
Problems with distrust in a successor's ability from family members	19 (31.7)	19 (31.7)	11 (18.3)	5 (8.3)	19 (31.7)	2.2	0.96
Family members	24	17	12	6	1	2.5	0.88

expectations will	(40)	(28.3)	(20)	(10)	(1.7)		
be met regarding							
the role they play							
in the succession							
planning process in							
general							
Family members	21	17	16	4	2	2.4	1.19
are fairly assessed	(35)	(28.3)	(26.7)	(6.7)	(3.3)		
and evaluated for							
succession.							
Overall Mean						<b>2.56</b>	

Source: Field survey, (2022)

Table 7 contains the descriptive statistics on the challenges of succession planning process in Obuasi Municipal. For the item “The problem of conflicts/rivalries/competition among family members to take over the business” is considered a positive attribute for people in our business” (Mean=2.3, SD=1.15), 5 percent (3/60) responded strongly disagree, 8.7 percent (4/60) disagree, 16.7 percent (10/60) indifferent, 23.3 percent (14/60) agree, and 46.7 percent (28/60) strongly agree. The mean for this item was 2.3, which suggest that about half of the sampled family-owned SMEs were faced with conflicts/rivalries/competition among family members.

For the item “The problem of negative sentiment or stigmatisation from your family/social context during your succession planning process”, 5 percent

(3/60) responded strongly disagree, 3.3 percent (2/60) disagree, 21.7 percent (13/60) indifferent, 23.3 percent (14/60) agree and 46.7 percent (28/60) strongly agree. The mean for this item was 2.3, which suggest that about half of the sampled family-owned SMEs share negative sentiment or stigmatisation from your family/social context during their succession planning process.

For the item “Intra-family communication problem”, 38.3% (23/60) responded strongly agree, 25% (15/60) agree, 16.7% (10/60) indifferent, 11.7% (7/60) disagree and 8.3% (5/60) strongly disagree. The mean for this item is 2.3, which suggest that about half of the sampled SMEs were having intra-family communication problem. For the item “Problems with distrust in a successor’s ability from family members” (Mean=2.25; SD=0.96) 31.7% (19/60) responded strongly agree, 31.7% (19/60) responded agree, 18.3% (11/60) indifferent, 8.3% (5/60) disagree, 31.7% (19/60) strongly disagree. The mean for this item is 2.25, which suggest that about half of the sampled SMEs were having intra-family communication problem.

For the item, “Family members expectations will be met regarding the role they play in the succession” (Mean=2.50, SD=0.88), 40% (24/60) responded strongly agree, 28.3% (17/60) agree, 20% (12/60) indifferent, 10% (6/60) disagree, and 1.7% (1/60) strongly disagree. The mean for this item is 2.5, which suggest that about half of the sampled family-owned SMEs family members’ expectations will be met regarding the role they play in the succession. For the item, “Family members are fairly assessed and evaluated for succession.” (Mean=2.40, SD=1.19), 35% (21/60) responded strongly agree, 28.3% (17/60)

agree, 26.7% (4/60) indifferent, 6.7% (4/60) disagree, and 5% (3/60) strongly disagree. The mean for this item is 2.40, which suggest that about half of the sampled SMEs do not ensure family members are fairly assessed and evaluated for succession. The entire disclosure mean for factors that affect succession planning is 2.56, which is above the 2.5 threshold. This suggests that sampled family-owned SMEs in Obuasi Municipal were indeed faced with challenges in their succession planning for their business.

### **Relationship between Succession Planning and Performance of Family-Owned SMEs**

This component of the study examines the relationship between Obuasi sampled family-owned SMEs and their performance. The magnitude and direction of the correlations are determined using the non-parametric statistical method known as Spearman Rank Correlation, as shown in Table 8.

**Table 8: Relationship between Family-Owned SMEs and Performance**

	IKA	ICKA	CIEC	PDT	P/SMEs
Identification of Key Areas (IKA)	1.000				
N	60				
Identification of Capabilities for Key Areas (ICKA)	0.0602	1.000			
N	60	60			
Sig. level	0.3996				
Compare Interested Employees	0.1143	-0.0994	1.000		



against their Capabilities (CIEC)					
N	60	60	60		
Sig. level	0.1090	0.1637			
Provision of Development Training (PDT)	0.1256*	0.1523*	0.1975*	1.000	
N	60	60	60	60	
Sig. level	0.0779	0.0322	0.0322		
<b>Performance of SMEs (P/SMEs)</b>	<b>0.2177*</b>	<b>0.2266*</b>	<b>0.1666*</b>	<b>0.2149*</b>	<b>1.000</b>
N	60	60	60	60	60
Sig. level	0.0021	0.0013	0.0190	0.0024	

**Source:** Field Survey, Ofori-Atta (2021)

**\*, Indicates Significance**

Table 8 shows that, at a statistical significance level of 1%, the identification of key areas and positions among family-owned SMEs is positively associated to the company's performance. With a coefficient of 0.21779, a unit change in the effectiveness of an internal source of e-recruitment can result in a 22.0 percent change in the company's performance. At a statistical significance level of 1%, there is also a positive connection of magnitude 0.2266 between the identification of capabilities for key areas and the company's performance. This means that a 1% increase in the efficacy of identification of capabilities for key areas among family-owned SMEs could result in a 23.0% rise in the company's performance.

Furthermore, at a statistical significance level of 5%, the positive correlation coefficient of 0.1666 indicates that a unit change in the effectiveness of comparing interested employees against their capabilities would result in a 17.0 percent increase in the performance of family-owned SMEs. Finally, a unit increase in the effectiveness of providing development-training programs for new successors might boost the company's performance by around 21.0 percent, according to the positive correlation coefficient of 0.2149 at a statistical significance level of 1%. In a word, any good adjustment in family-owned SMEs varied succession planning could potentially result in an increase in the company's performance. On a contrary basis, study by Biro (2019) revealed that succession planning practices of most family-owned SMEs in Ethiopia do not have any relationship with enterprise performance.

### **Chapter Summary**

This section presented the discussion of the results. It began with the explanation of the features of the sampled family-owned SMEs used in the study, followed by the discussion of objectives 1 and 3 using frequencies, means and standard deviation. The chapter then followed with the presentation and discussion of the Spearman Rank Correlation results to tackle objective 2.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

In this final section, the summary and conclusions of the research were provided. In addition, the chapter proffered to policy makers and managers of family-owned SMEs, some recommendations based on the findings. The chapter finally made submissions for additional researches.

#### Summary of the Study

The research assessed the effect of succession planning on performance of family-owned SMEs in the Obuasi Municipal. To achieve this overall objective, four specific objectives were formulated; the first objective was to determine the key factors of succession planning among sampled family-owned SMEs in the Obuasi Municipal. The remaining three objectives also identified the determinants of succession planning process, the challenges of succession planning and the effect of succession planning on the performance of family-owned SMEs.

In addressing the above objectives, the research reviewed relevant theoretical and empirical literature to the research. The theoretical literature revised in the study included the theory of planned behaviour. The empirical literature also included measures of performance and various empirical educations on the effect of succession planning on business performance. In addition, the study designed the appropriate conceptual framework, which pictured, for further understanding, the connection between succession planning and performance.

The research approved the quantitative research method and using both the descriptive and correlation analysis, the study measured the effect of succession

planning on the performance of SMEs. The study population consisted of all family-owned SMEs in the Obuasi Municipal. In all a sample of 60 family-owned SMEs were used for the study and cross-sectional data was solicited from them using a structured questionnaire. The data collection took place in February 2022 at the various offices of the sampled family owned small and medium size enterprises. The data was subsequently inputted and analysed using the SPSS software. Frequencies percentages, mean, standard deviation and correlation analysis are the estimating strategies employed in this investigation. Descriptive statistic (mean and standard deviation) was used to answer objective one and three. The Spearman Rank correlation analysis was used to answer the second objective of the study.

### **Key Findings**

- Family-owned businesses are organizations that are primarily owned by a family, and members of the family play crucial roles that affect the dynamics of the organization. A significant majority of SME managers sampled reported that they had family members involved in their business, a common feature of family-owned businesses. Literature confirms that family goals are given much priority over business goals in family-owned businesses therefore, for these businesses to be able to push the agenda of the family, there has to be other relatives involved in the business to support management in making decisions in favour of family goals. The entire disclosure mean for factors that affect succession planning is 2.39, which is below the 2.5 threshold. This suggests that sampled SMEs in



Obuasi Municipal were not aware of the factors that affect succession planning in their business.

- Although a significant minority had no succession plan for their business, majority of the SME owners reported that their relatives (either children, sibling or spouse) would take up the leadership role of the business after them. The majority of SME managers also reported that they had adequately prepared their successors for their future roles. Reasons given to be the deciding factor for their choice of successors include continuity, generational legacy and financial benefits.
- In terms of preparation of successors for succession, a significant majority (83.3%, n=50) of participants indicated that they had adequately prepared their successors while the remaining 16.7% had either not prepared their successors (11.67%, n=7) or were in the process of preparing them (5.03%, n=3). On a contrary basis, study by Bior (2019) revealed that most family-owned SMEs in Ethiopia do not fully prepare their successors to take over their position when the need be.
- Every generation must be taken over by the next, and for family-owned SMEs, therefore it can be expected that primary heirs are family members to continue the family legacy. It is cost effective and more feasible for business owners to mentor and prepare their relatives to manage the business, and this would most likely take an informal approach compared to formal training and development of non-family members for crucial positions in the business. Another reason reported to influence the choice

of successors from family is that there are financial benefits for both the business and the family.

- This confirms the assertion that, donations from family members are an untapped area that is available for family businesses. Recruiting members of the family incurs less human resource cost on the business and it is easier for members of the family to make significant financial contributions to the business because they feel a sense of ownership for the business. They are also likely to willingly work efficiently to ensure that the business yields good profits off their investments. The entire disclosure mean for factors that affect succession planning is 2.21, which is below the 2.5 threshold. This suggests that sampled SMEs in Obuasi Municipal were not aware of the factors that affect succession planning in their business.
- Making much profit translates into financial benefits for the family as a whole. The negative implication likely to arise as a result of the management of the business by family is that, recruiting trained and qualified staff as well as adopting new methods and techniques of management may be deterred. However, this may be buffered by the strategic goals of the business being geared towards the benefit of the family more than the business in the competitive global market.
- Succession planning is the systematic process of ensuring that an organization has a steady, reliable talent pool that meets the future needs in leadership and other key roles. This process provides the business an

invaluable potential of extending their period of operation by succeeding in the next decade. To evaluate the priority placed on succession planning in the SMEs, this study explored whether succession planning constituted the core vision of their business. Contrary to previous literature, it was found that a significant majority placed great importance on succession planning among family-owned SMEs in Obuasi.

- Specific roles and positions within the business eligible for succession had already been specified. A baseline for determining the core competencies and skills necessary for successors to possess had been specified also. In relation to how participants identified their potential candidates, they reported that rigorous competency-based performance management processes were used. A significant number of participants reported that they reviewed the current and required training and development practices in the business in order to ensure that the potential successors received sufficient career development. These results can be attributed to the participants being predominantly educated. Educated business owners are likely to better appreciate the need for planning ahead for succession as compared to those with lower levels of education.
- One factor that was reported as the most likely to affect succession planning was the ability of the successor as well as their willingness to take over the business. Lack of motivation and dissatisfaction of elect candidates, skills, competencies and experiences of the successors were also found to be important factors in the succession planning of the

business. The need of the business' management to protect their business' fortune for future generations is also indicated as a salient factor affecting succession planning.

- Succession of family-owned business requires the ability to efficiently balance family goals and personal ambition. The members of the family must therefore elect heirs with the requisite knowledge, inspiration, values, and expertise to drive the family enterprise. Successors may not have the same dedication and drive as the organization's founders, which can negatively impact the growth and progress of the business. It is therefore salient that business owners ensure that successors possess the right motivation, willingness and competencies to inherit and drive the business towards success.
- In situations where there is a loss of potential successors, this study reveals that succession planning is impacted. Events such as death, divorce, departure from geographical location of the enterprise would inhibit the succession of a family member to a managerial position in the business. The factor that least affects the succession planning process is financial security, personal satisfaction and the enjoyment that comes with joining the family business. These findings refute the popular assertion created by previous studies that successors are selected based on relationships rather than competence.
- The problem of conflicts among family members to take over that business as well as the problem of negative sentiments or stigmatization



from family during the succession process were suggested as the most significant challenges in succession planning. The next challenge to succession planning is the pressure to meet expectations of family members to be involved in the succession planning process. These findings affirm that, communication is a major channel for the flow of information in order to prevent distrust and conflicts over the strategies and processes involved in planning succession of the business.

- It is therefore imperative that business owners clearly communicate their strategies for succession planning to the family stakeholders of the business, in order to buffer the breeding of negative sentiments and conflicts during succession planning. A better would be to involve the family in the process rather than an attempt to proceed with succession planning and preparation process without the input of other family stakeholders of the business. Although intra-family communication problems and distrust in the successor's ability from family members are reported as one of the relatively least challenges associated with succession planning, the importance of good communication in any organization cannot be over emphasized.
- Last but not least, the relatively least challenge for succession planning reported in the study is the fair assessment and evaluation for succession. This may be due to the succession planning process adopted by the SMEs in the present study. Per the results of this study, the competency and ability of the eligible successor are appropriately measured and they serve

as factors in determining the eligibility of any family member to be a candidate for succession.

### **Conclusion**

All businesses, including family-owned SMEs, want to continue working into the unforeseen future. However, all other factors being equal, the company's succession planning influence this. As a result, several important conclusions emerged from the research done to determine the effect of succession planning on family-owned SMEs' performance.

- The expertise and unique resource of family businesses and SMEs influence the global market at a significant level. For the sustainability and effectiveness of such businesses in the global market, succession planning cannot be ignored. As this present study suggests, succession planning plays a significant role in the operational continuity of family-owned SMEs. It is therefore imperative that all business organizations, especially family-owned businesses consider critically the steps taken in planning succession for their enterprise. The factors highlighted in this study as well as challenges can serve as a guide for business owners to initiate the succession planning process.
- Furthermore, the study found that both identification of key areas and capabilities for key areas have a favorable impact on performance of family-owned SMEs. If interested successors are assessed against their capabilities and offered training orientation, it will have a positive impact on the company's performance. As a result, any system put in place to

boost the efficiency of succession planning among family-owned SMEs will inevitably boost the company's performance.

### **Recommendations**

Based on the results, it was suggested that managers of family-owned SMEs or entrepreneurs in Obuasi Municipal must always ensure they include succession-planning policies in their business's core vision statement and always identify key areas and position that needs successors before the need arises.

In addition, the managers of SMEs or entrepreneurs should always assess the capabilities of interested successors against the skills required for the key position before selection is made. That is, this will help eliminate any biases in the selection of successors but rather selection would be made on merit. Furthermore, successors must be given development programs to train them and equip them with the requisite knowledge required for the position. Moreover, there should be constant evaluation of effectiveness of the role of the successor on the performance of the business.

Lastly, the issues of negative sentiment or stigmatisation from family/social context during succession planning process, conflicts/rivalries/competition among family members to take over the business, intra-family communication problem and problems with distrust in a successor's ability from family members must be tackled immensely. When these challenges are addressed strategically, the succession planning process will turn out successful which will have a positive impact on firm performance.

### **Limitation of the Study**

This study contributes significantly to the body of literature; however, some limitations have been appropriately identified. Such limitations include the sample size and the type of sampling used (convenience sampling) in the present study. This affects the generalizability of the findings of this study. The study sampled family-owned SMEs in the Obuasi Municipality and thus findings may not apply to all other SMEs in the Ashanti Region or Ghana as a whole. It is therefore recommended that future research explores the use of other types of sampling techniques accompanied with using a larger sample size in order to yield results that can be generalized on a larger scope.

Secondly, the present employed the use of self-reported instruments to measure the variables of interest in this study. This poses some limitations as participants may perceive that their responses may be used to infer their personal attributes and competencies, thus giving socially desirable responses. Distortions in responses cannot be overlooked. However, the present study attempted to mitigate this by assuring respondents of confidentiality and total anonymity.

Thirdly, the personal attributes of the individuals that participated in the present study as well as the kind of business they engage may have contributed to the results of the study.

### **Suggestions of Future Studies**

In terms of potential directions for further analysis, the results of the study offered some hints. First, it is possible to extend and change the research context and hypotheses built for this study to include the impact of potential moderator variables such as firm age, money, size and environmental dynamism.



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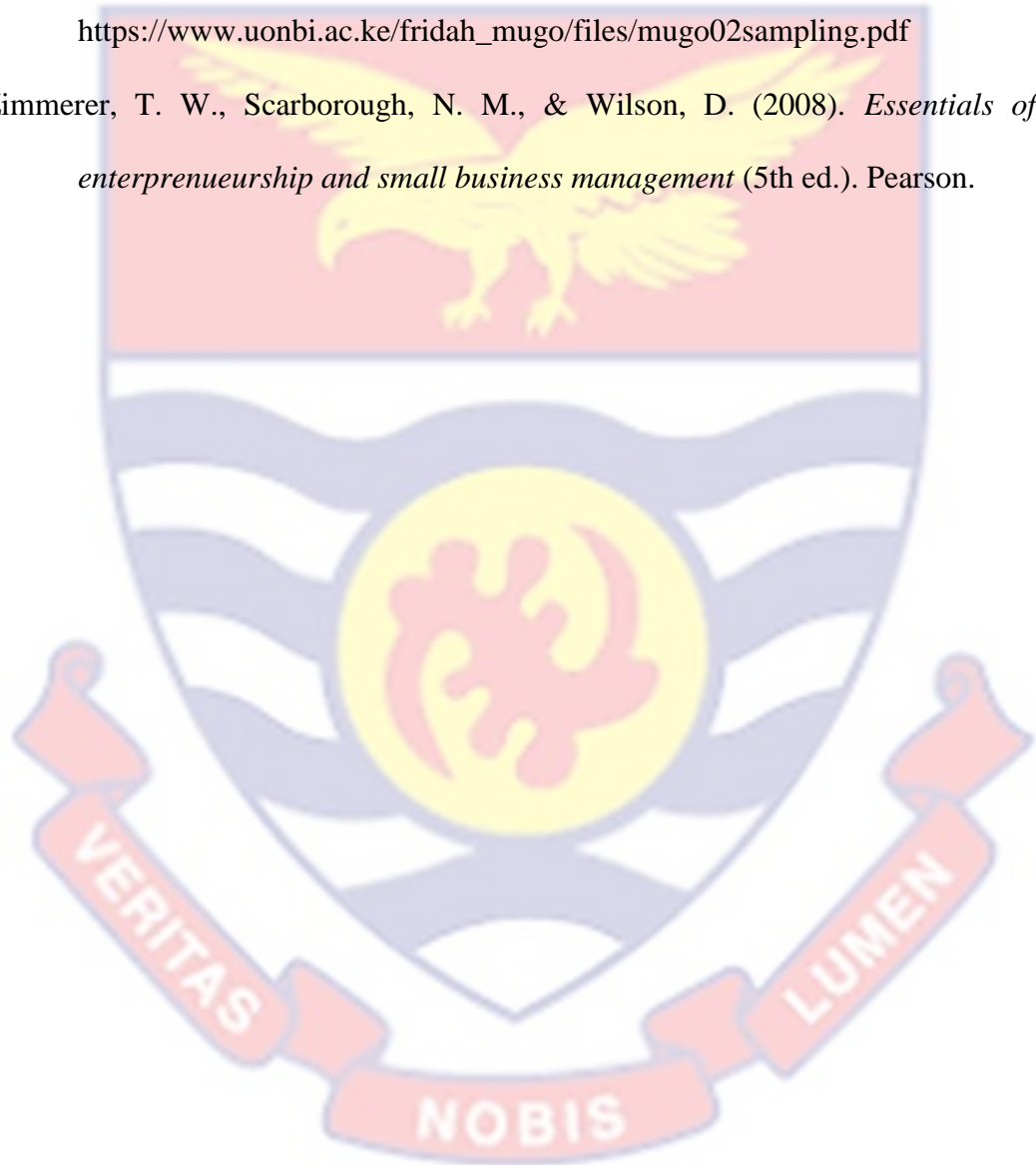


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**APPENDIX A**

**UNIVERSITY OF CAPE COAST**

**SCHOOL OF BUSINESS**

DEPARTMENT OF MANAGEMENT

A SURVEY ON SUCCESSION PLANNING OF SMALL AND MEDIUM  
SCALE ENTERPRISES FAMILY BUSINESS; A CASE STUDY OF  
OBUASI MUNICIPALITY, GHANA.

Dear Sir/Madam,

The following questionnaire is part of a survey being conducted in partial fulfilment of a Master of Science in Public Policy and Management degree from the University of Cape Coast on the topic: *Succession planning on small and medium scale enterprises family business; a case study of Obuasi municipality, Ghana*. This information is purely for academic purpose and therefore its confidentiality is highly guaranteed. You are therefore kindly requested to provide accurate answers to the ensuring questions. Your co-operation and support will be appreciated. Note; please mark (√) in the box (s) provided for your answers where necessary.

**SECTION A**

1. What is your gender?

a) Male  b) Female

2. What is your level of education?

a) J.H.S  b) S.H.S  c) H.N.D  d) Bachelor  e)  
Masters



d) PHD  e) Others (*please specify*)

.....

3. How many years have you been working in the family business?

a) Below 5 years  b) 5-10 years  c) Above 10 years

4. How many family members are currently involved in the management of this business?

**SECTION B:**

5. Have you already thought about succession planning?

a) Yes

b) No

6. If yes, please mention your motive for having your business pass to family on succession?

.....

7. Who is likely to succeed you?

8. Have you adequately prepared such person to succeed you?

Evaluate the followings process of succession planning by stating your level of agreement with these statements.

	S. Agree	Agree	Disagree	S. Disagree
9. You develop business cases with clear vision that include succession planning				
10. You identify target roles and positions within the business				
11. You provide baseline for determining the core competencies and skills of your successor				
12. You identify high-potential candidates through the development and implementation of a rigorous				

competency-based performance management process.				
13. You do ensure that potential successors receive sufficient career development by reviewing the current and required training and development practices				

**SECTION C**

Numerous factors influence succession planning process in family business. I would like to discuss these factors that influence succession planning in family business. Please be candid to indicate by stating your level of agreement with these statements.

	S. Agree	Agree	Disagree	S. Disagree
14. Succession planning process affect your personal need to protect the business' fortune				

<p>from one generation to another</p>				
<p>15. Financial security, personal satisfaction, and the enjoyment that come with joining the family business affects successors' potential to join the business</p>				
<p>16. The loss of potential successor affects your will to seek other successors</p>				
<p>17. Lack of motivation and dissatisfaction of potential successors affect succession planning process</p>				
<p>18. The ability of the potential successor and his/her willingness to take over influence the succession plan of the business.</p>				
<p>19. The business takes into account the skills, competencies and experiences required of family members</p>				



20. Please what other factors in your opinion might influence succession planning in your business?

.....

.....

.....

**SECTION D**

Many family businesses encounter problems during their succession planning. Please indicate by stating your level of agreement on the following challenges during succession planning process.

	S. Agree	Agree	Disagree	S. Disagree
21. You face the problem of conflicts/rivalries/competition among family members to take over the business				
22. You will face the problem				

<p>of negative sentiment or stigmatisation from your family/social context during your succession planning process</p>				
<p>23. There an intra-family communication problem.</p>				
<p>24. There will be problems with distrust in a successor’s ability from family members</p>				
<p>25. Family members expectations will be met regarding the role they play in the succession planning process in general</p>				
<p>26. Family members are fairly assessed and evaluated for succession.</p>				

27. Are family members fairly assessed and evaluated for succession?

.....  
.....  
.....

