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NYONI, THABANI

University of Zimbabwe

3 January 2019

Online at <https://mpra.ub.uni-muenchen.de/91352/>

MPRA Paper No. 91352, posted 09 Jan 2019 14:02 UTC

FACTORS AFFECTING SUCCESSION PLANNING IN SMALL AND MEDIUM ENTERPRISES (SMEs) IN ZIMBABWE: A CASE STUDY OF HARARE

Nyoni, Thabani

Department of Economics

University of Zimbabwe

Harare, Zimbabwe

Email: nyonithabani35@gmail.com

Abstract

Lack of proper succession planning is one of the major causes of SMEs closure or failure after the death or retirement of founder. Zimbabwean SMEs are not an exception. This study seeks to analyze factors affecting succession planning in SMEs in Zimbabwe. Employing the questionnaire as a data collection instrument and relying on heterogeneous sampling, the study; whose recommendations are 4-fold, basically found out that there is need for proper succession planning if Zimbabwean SMEs are to circumvent the problem of discontinuity after death or retirement of founder.

Key Words: SMEs, Succession Planning, Zimbabwe

JEL Codes: L21, L26

1.0 Introduction

Succession planning is one of the most often used catchwords in management meetings of various organizations, which have taken the globe by storm (Bruce, 2013). In today's globally competitive and modern environments, organizational future plans often fail due to the lack of succession planning (Mahrabani & Mohamad, 2011). Very few organizations survive without proper succession planning (Chima, 2013). Succession planning plays a pivotal role in ensuring that business success will continue when the individuals currently involved in management are no longer there (Shatilwe & Amukugo, 2016). Succession planning is quite important for the continuity and prosperity of business (Christensen, 1953; Ward, 1987; Ward, 2000; Brockhaus, 2004). Succession planning is a means of identifying critical management positions starting at lower level management and extending up to the highest position in an organization (Rothwell,

2001). Dealing effectively with the issue of succession planning is the single lasting gift that one generation can bestow upon the next (Ayres, 1990). Succession planning is a prerequisite for success in all organizations regardless of their size; thus, failure to plan for succession may lead to an organization's downfall (Durst & Wilhelm, 2012). Understanding business succession can enhance the understanding of the survival and growth of SMEs (Maalu *et al*, 2013). The SMEs can survive and live long without losing the family character, akin to the world's oldest family business, Kongo Gumi based in Osaka, Japan which is over ten centuries old – it was begun in the year 578 AD and has employed 39 generations of the Kongo family in the building and repairing of Buddhist temples (Iraki, 2009).

Most businesses in Zimbabwe are started as family businesses and thrive under the guidance of the founding member (Nyamwanza *et al*, 2018). Approximately 80% of the businesses in Zimbabwe are classified as family business and are mainly small to medium sized (Sikomwe *et al*, 2012). Succession planning appears to be left to chance by many family owned firms (Rue & Ibrahim, 1996; Leon-Guerrero *et al*, 1998; Mandl, 2004) due to the emotions generated by the process as incumbents face their mortality and other family members confront the inevitable need for change (Beckhard & Dyer, 1983; Dyer, 1986; Lansberg, 1988; Le Breton-Miller *et al*, 2004; Sten, 2004). By their very nature, most SMEs are family businesses (Esuha & Fletcher, 2000). Succession is a challenge to family businesses particularly the trans-generational handover (Royer *et al*, 2008). In a typical small or medium sized family – owned firm, there is unlikely to be any consensus on when succession is going to take place (Motwani *et al*, 2006). The planning of succession is a very complicated matter and often makes the founder or the predecessor reluctant to do so. This reluctance can be a result of worries that the firm will default, reluctance to handover control on company, fear of losing self-identify, or even jealousy or rivalry towards their successor (Utami, 2017). Only three studies have looked at succession planning in Zimbabwe, for example, Sikomwe *et al* (2012), Nyamwanza *et al* (2018) and Dumbu (2018). However, these studies have not addressed the issue of succession planning in the context of SMEs and yet SMEs in Zimbabwe, as noted by Sikomwe *et al* (2012); play a pivotal role in the economic and social spheres. This study seeks to uncover those factors which affect succession planning in SMEs in Zimbabwe. The paper will go a long way in assisting and encouraging, especially Zimbabwean SMEs owners on the need to have a well organized succession plan, otherwise business continuity after death or retirement of founder or owner may become a perennial problem in SMEs in Zimbabwe.

2.0 LITERATURE REVIEW

2.1 Theoretical Literature Review

Succession planning originated from workforce planning in the 17th century when the concept of division of labour was brought to the fore (Lacerda *et al*, 2013). Unlike workforce planning, succession planning focuses more on advancing the employees' skills in order to achieve the organizational objectives (Reeves, 2010). Succession planning is related to and located within the framework of the theory of planned behaviour which is an expansion of reasoned action and apparently indicates that the desirability of the expected outcome to the initiator, coupled with curiosity and the view that the behaviour will provide desired outcomes, which may affect the intention and future behaviour of employees (Armitage & Conner, 2001). Hence, for succession planning to be a planned behaviour, there should be initiators, which are usually the chief executives who believe that engaging in such behaviour will bring positive outcomes in the

organization (Chrisman *et al*, 2003). The possibility that a behaviour will succeed, depends on the sense of belief and control on the part of the initiator (Mejbrik & Affes, 2012).

Succession planning as a planned behaviour provides the assurance that the succession process will be successful because of the positive attitudes of the management of the organization (Gakure *et al*, 2013). Succession planning is crucial for continuity of every organization's leadership and it insists in instances of disaster where executives or leaders are lost in moments such as the attack on the World Trade Centre in New York city (Dingman & Stone, 2007). Organizations need succession planning in order to identify a pool of imminent candidates when a leadership position becomes vacant (Zepeda *et al*, 2012). Succession planning is fruitful because it boosts the organization's leadership and productivity (Reid, 2005). Furthermore, succession planning acts as a strategy that saves talent and makes people readily available for the future (Hills, 2009; Beheshtifar & Moghadam, 2011). In order to circumvent issues of leadership crises in SMEs as well as discontinuity problems, succession planning is literally compulsory not only for Zimbabwean SMEs but also for all businesses around the world.

2.2 Empirical Literature Review

Motwani *et al* (2006) investigated succession planning in SMEs and found out that regardless of their size, it is important for family-owned businesses to develop a formal plan for succession, communicate the identity of the successor and provide training / mentoring to the incumbent CEO. Abdullah *et al* (2011) analyzed succession planning in Malaysia and found out that there is a positive relationship among succession planning, successor attitudes and succession dilemma. Gumbo *et al* (2012) investigated the role of succession planning on survival of small and medium family enterprises after retirement or death of the first generation entrepreneurs in Kenya and found out that capability of the successor had the greatest effect on the survival of SMFEs after retirement or death of first generation entrepreneur, followed by entrepreneurial orientation, and then mentoring while level of training had the least effect to the survival of SMFEs after retirement or death of first generation entrepreneur.

Obadan & Ohiorenoya (2013) studied succession planning in small business enterprises in Edo State of Nigeria, and found out that most of the small business enterprises have no succession plan in place and the ability and competence of the successors are not considered in succession planning. Maalu *et al* (2013) looked at succession strategy and performance of small and medium family businesses in Nairobi, and found out that firms that went through smooth succession also recorded significant growth post transition. Magasi (2016) looked at factors influencing business succession planning among SMEs in Tanzania and found out that the higher the age of SMEs owners, the higher the possibility of preparing the business successors.

In Zimbabwe, Sikomwe *et al* (2012) looked at critical perspectives on succession planning in the commuter transport sector in Zimbabwe and found out that business failure is caused by failure to plan for succession. Nyamwanza *et al* (2018) analyzed succession planning in Zimbabwean polygamous family businesses and found out that succession planning in polygamous families is haphazard and a source of disputes. In another Zimbabwean study, Dumbu (2018); analyzed succession planning and found out that lack of communication, lack of appropriateness & preparedness of succession candidates, dysfunctional conflicts in families and the monolithic primogeniture were chief among challenges that surround succession planning in family businesses.

3.0 Methodology

This study was carried out in Harare (*the capital city of Zimbabwe*) using heterogeneous sampling technique. A closed ended questionnaire was used to gather data. Structured interviews were also conducted in order to complement questionnaires. A total of 179 questionnaires were distributed to SMEs business owners. Only 150 questionnaires were completed and subsequently analyzed, giving a response rate of approximately 85%, as tabulated below:

Table 1

Action	Total	Percentage
Total distributed	176	100%
Returned	150	85%
Returned but not filled	0	0%
Not returned	26	15%

4.0 Results

Business Association

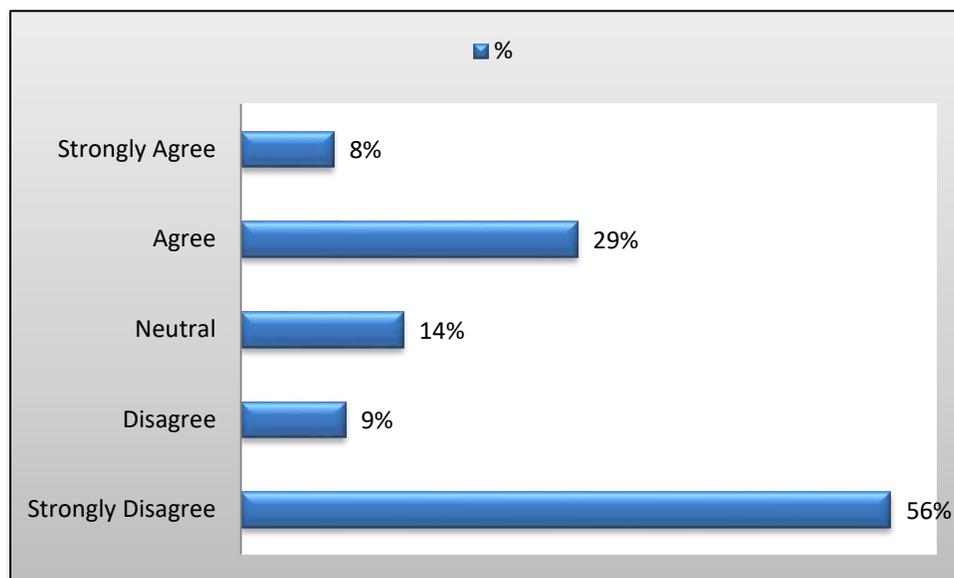


Figure 1

Only 8% of the respondents are proud of being associated with the business of the SMEs. These results are consistent with the argument that most customers do not want to be associated with SMEs precisely due to lack of customers care skills, which in turn play a pivotal role in general business success.

Confidence in Others' Capabilities

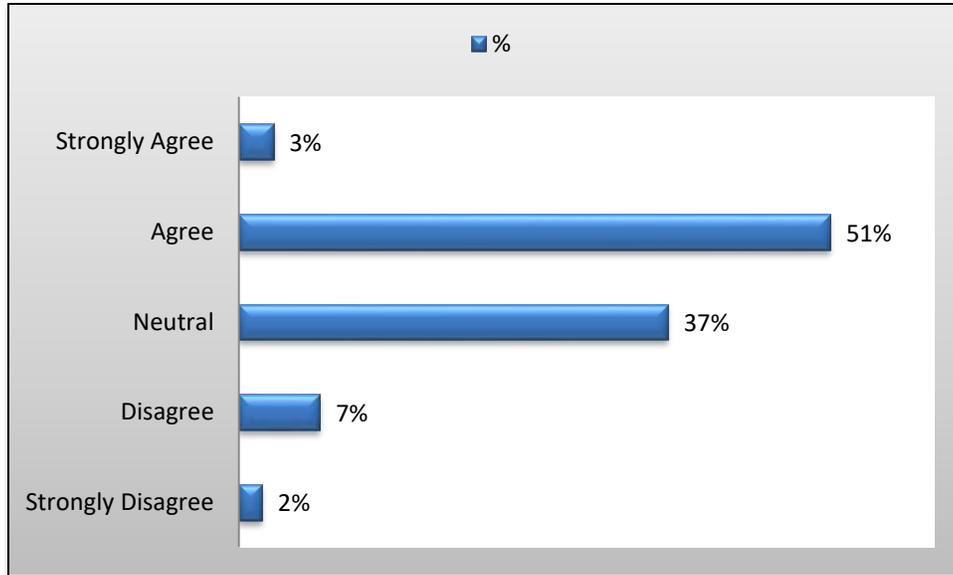


Figure 2

51% of the respondents agree that family members (who own the SMEs) have confidence in each other's business capabilities while only 2% of the respondents strongly disagree.

Preparation to take over

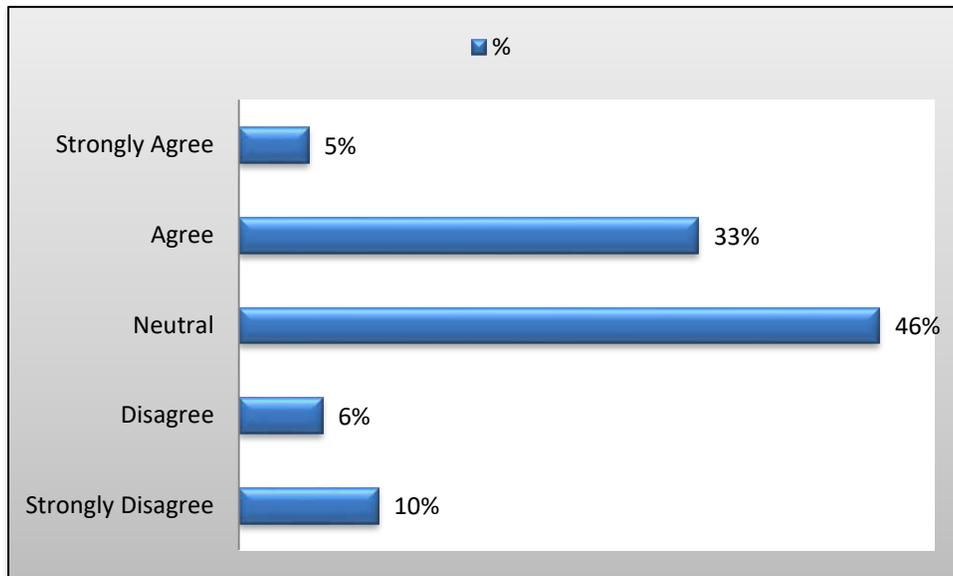


Figure 3

Most of the respondents (46%) were neutral with regards to the preparation of a successor in the event of death or retirement of the founder. This shows that in Zimbabwe, issues to do with succession planning are regarded as highly inflammatory and people do not want to talk about succession in order to avoid potential deadly conflicts. Only 5% of the respondents indicated that they someone was being prepared (groomed or mentored) to take over upon death or retirement

of founder. The Zimbabwean culture generally expects the eldest son of the owner to inherit his father's fortune. Nowadays, a girl child can also inherit her father's fortune. However, as already noted by Volker (1997); the African culture posits that when the daughter gets married, she is no longer part of the family so the founder prefers giving the inheritance to the male child regardless of whether he is able to run the business or not. According to Fiegener *et al* (1996), the success of the family business succession planning is achieved if the children are brought into the business at early stages of life of the business to learn and develop business interest in order to take over the business after the retirement or death of the owner.

Communication channel

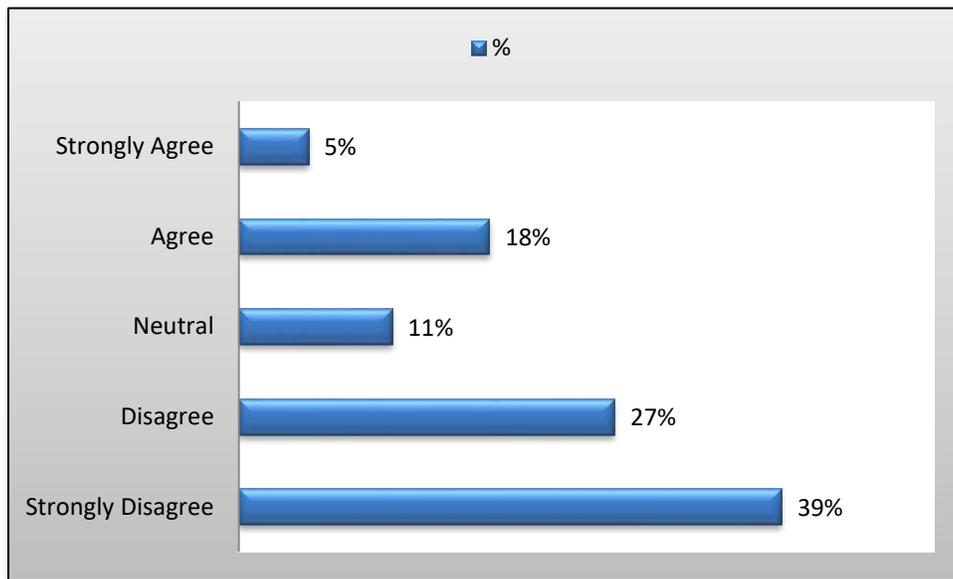


Figure 4

The probability of a smooth and effective transition will be greatly enhanced if the active family members have been holding family business meetings and family council meetings in order to timeously address the succession issues. In this study, most of the respondents (i.e 39%) indicated that the available communication channels such as family meetings are not adequate when it comes to addressing succession issues.

Business Ambitions

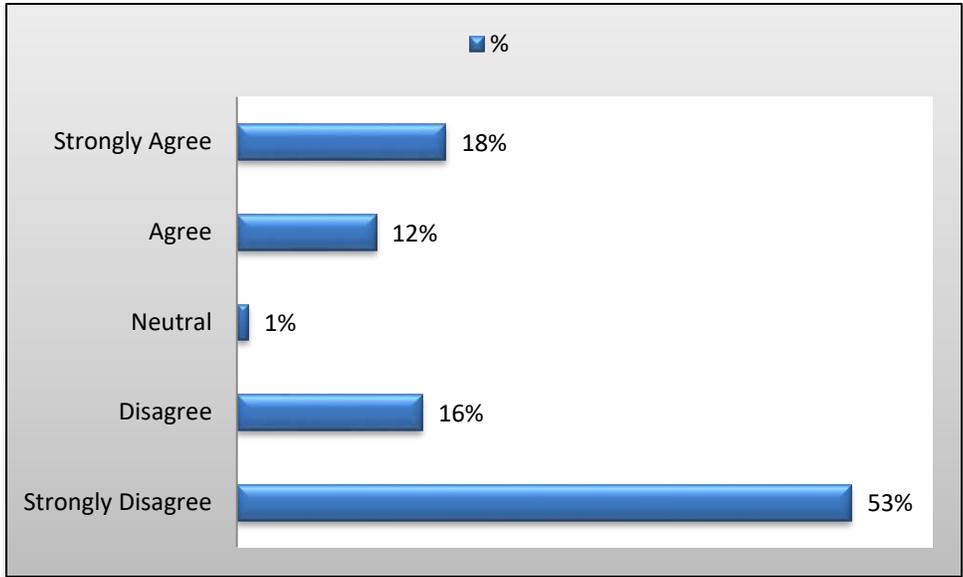


Figure 5

A total of 69% [16% plus 53%] of the respondents indicated that they did not agree that they could achieve their ambitions by being part of the (family owned) SMEs while only 1% of the respondents were indifferent (neutral).

Continue working

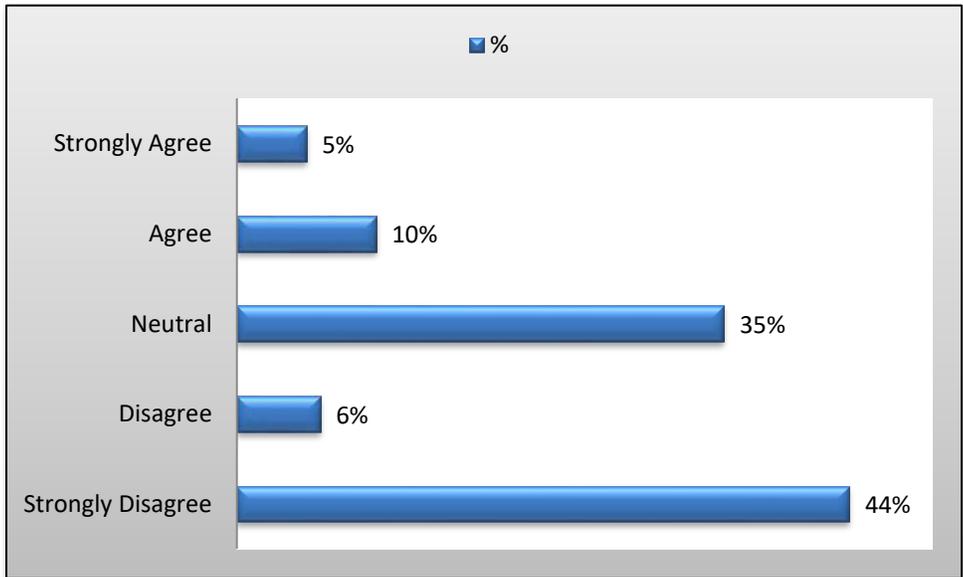


Figure 6

44% of the respondents indicated that they would not continue working for the same SMEs if they were to get a chance to leave.

Rewarding career

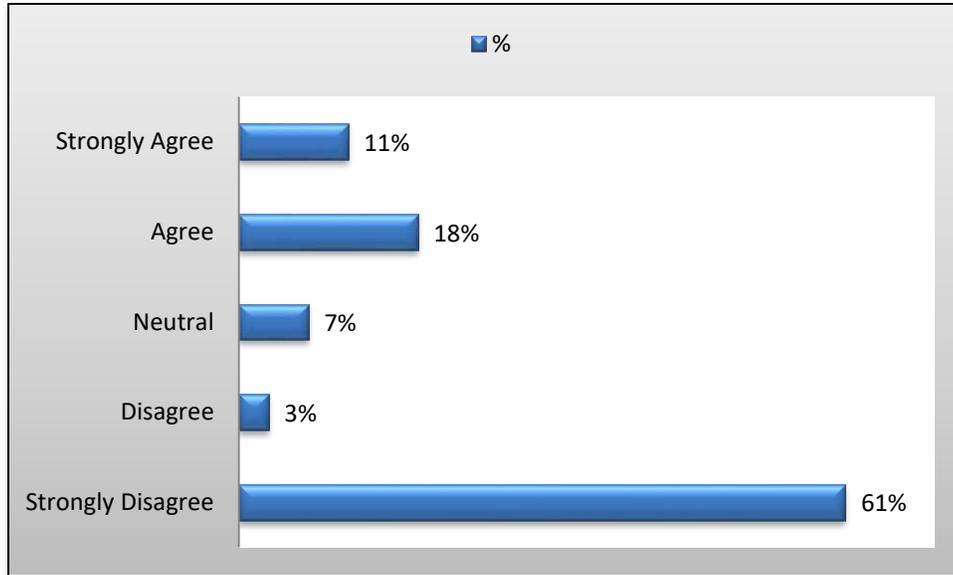


Figure 7

Most respondents (61%) indicate they the type of business they are involved in is actually not a rewarding career and they wouldn't want to do the same thing the future.

Entrepreneurial orientation

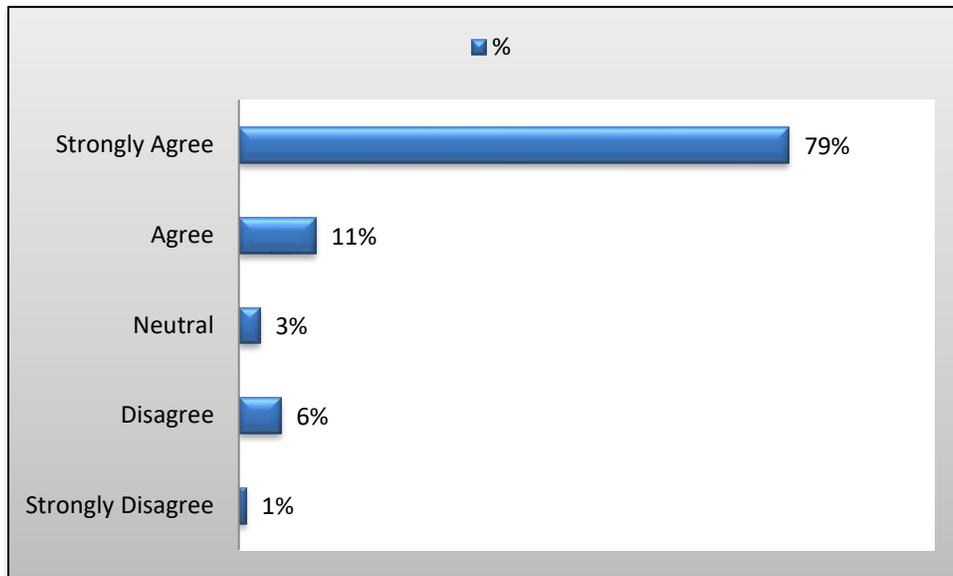


Figure 8

79% of the respondents strongly agree on the relevance of entrepreneurial orientation in SMEs succession planning. This shows that entrepreneurial orientation affects the survival of SMEs after death or retirement of first generation entrepreneur. The general concept of entrepreneurial orientation has been briefly discussed by Nyoni (2018j). Most SMEs in Zimbabwe lack the much needed entrepreneurial orientation and this is a stumbling block to effective succession planning.

Formal training

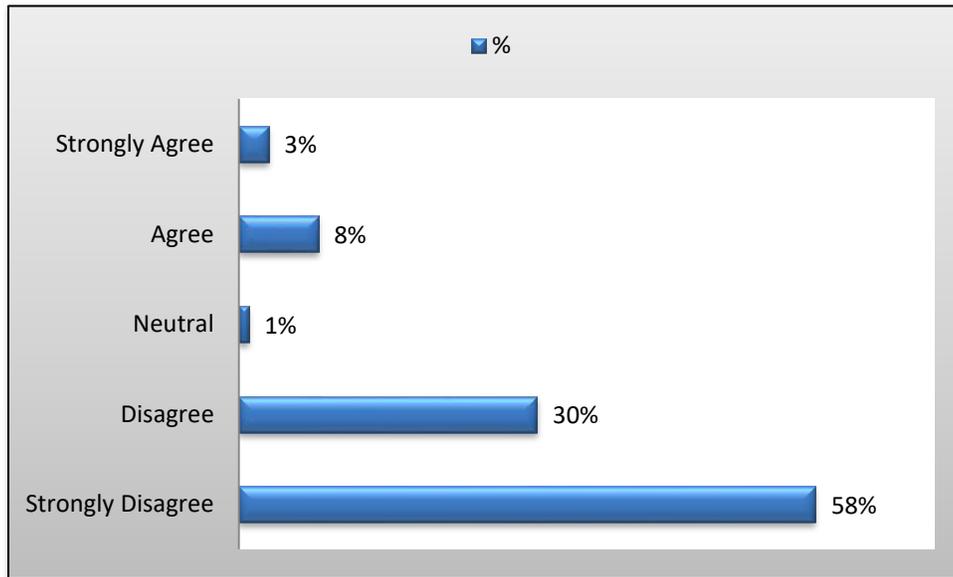


Figure 9

Most of the respondents (58%) indicate that new managers rarely get any formal training prior to assuming their new roles. These results confirm the findings by Nyamwanza *et al* (2018).

Potential successor

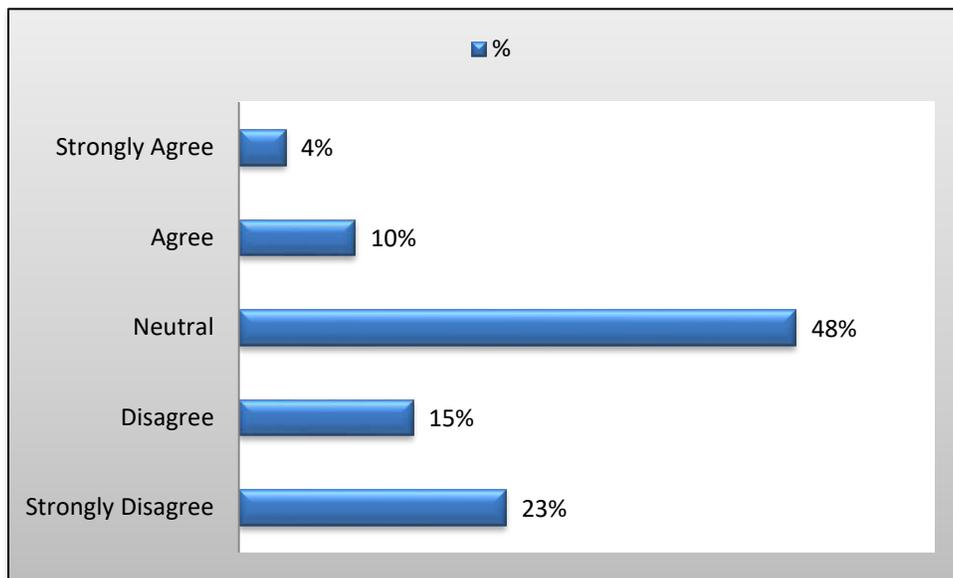


Figure 10

Family successors should gradually be prepared for leadership through lifelong learning experiences which span many years and cover several successive positions that is informal involvement over functional roles of a successor to early and mature succession (Duh & Letonja,

2013). In this study, 38% of the respondents (15% plus 23%) indicate they do not have the requisite management skills to undertake a new job as a potential successor. This is a clear testimony to the fact that a plethora of SMEs employees (usually family members of the owner) in Zimbabwe are not adequately educated or trained to become potential successors, hence making the future of the SMEs to be vulnerable to failure and or closure.

5.0 Policy Recommendations

- i. SME owners or founders in Zimbabwe just like in any other country; should take succession planning more seriously if business continuity is anything to by.
- ii. In light of the above recommendation [i], at least basic business management training or education cannot be avoided! In Zimbabwe such education can be acquired in universities and colleges dotted around the country.
- iii. Business owners need to mentor the future successor otherwise most SMEs will risk closure after their death. It is quite important for entrepreneurs to clearly communicate on their potential successor to avoid unnecessary speculation, conflicts and confusion especially amongst family members and employees.
- iv. In light of the above recommendation [iii], a formal written down and signed succession plan is inevitable.

6.0 Conclusion

The contribution of SMEs to the economy is generally not questionable, especially in developing countries and Zimbabwe is not an exception. SMEs failure or closure after the death or retirement of the founder is quite common in Zimbabwe due to lack of proper succession planning. This study looked at factors affecting succession planning in Zimbabwean SMEs. The results of this endeavor are generally envisaged to help Zimbabwean small business owners in understanding the importance of succession planning in their businesses.

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