

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SUCCESSION PLANNING MEASURES OF SMALL AND MEDIUM  
ENTERPRISE (SME) FAMILY BUSINESSES IN GHANA**

**KNUST**

**By**

**Yakubu Coffie Ahmed**

**MBA. STRATEGIC MANAGEMENT AND MGT CONSULTING**

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## DECLARATION

‘I hereby declare that this submission is my own towards the Masters of Business Administration (Strategic Management and Mgt Consulting option) Degree and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the awards of any other degree of the University, except where due acknowledgement had been made in the text’.

Yakubu Coffie Ahmed

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(PG9548313)

Signature

Date

Certified by:

Dr. Ahmed K. Agyapong

.....

.....

(Supervisor)

Signature

Date

Certified by

Dr. Ahmed Agyapong

.....

.....

(Head of Department)

Signature

Date

## ABSTRACT

Although family businesses play significant role in the new global economy than any other type of organisation, yet many of them fail to survive in the next generation due to poor succession planning measures. This study attempts to make contributions to academia by providing a greater insight into succession planning among family businesses in Ghana. Specifically, the study sought to examine the succession planning process of family businesses, identify the factors affecting succession planning in family businesses, as well as the problems encountered by family businesses during succession planning. The study took a descriptive survey format design using both quantitative and qualitative approach. The sample size for the study was 260 family businesses. A purposive sampling technique was employed for the selection of appropriate samples for the study. Responses from the respondents was analysed by descriptive statistics using the Statistical Package for Social Sciences (SPSS) version 20. It was evident from the study that most of the family businesses in Ghana have succession planning put in place. Although successors are said to help family businesses for longevity in the next generation, some portion of the family businesses in the country did not often train them. However, it was revealed that nearly not all of them have a procedure or process to appoint a successor. Only few of them have a proper laid down process to transfer their business to a successor. The study also concludes that succession planning among most family businesses in Ghana is influenced by the personal need to protect the business and its fortune for the next generation without any consideration for the level of risk, skills, competencies, and experiences required of successors, dissatisfaction and lack of motivation of potential successors, and ability of the potential successor and willingness to take over among others.

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## DEDICATION

This thesis is dedicated to my family

# KNUST





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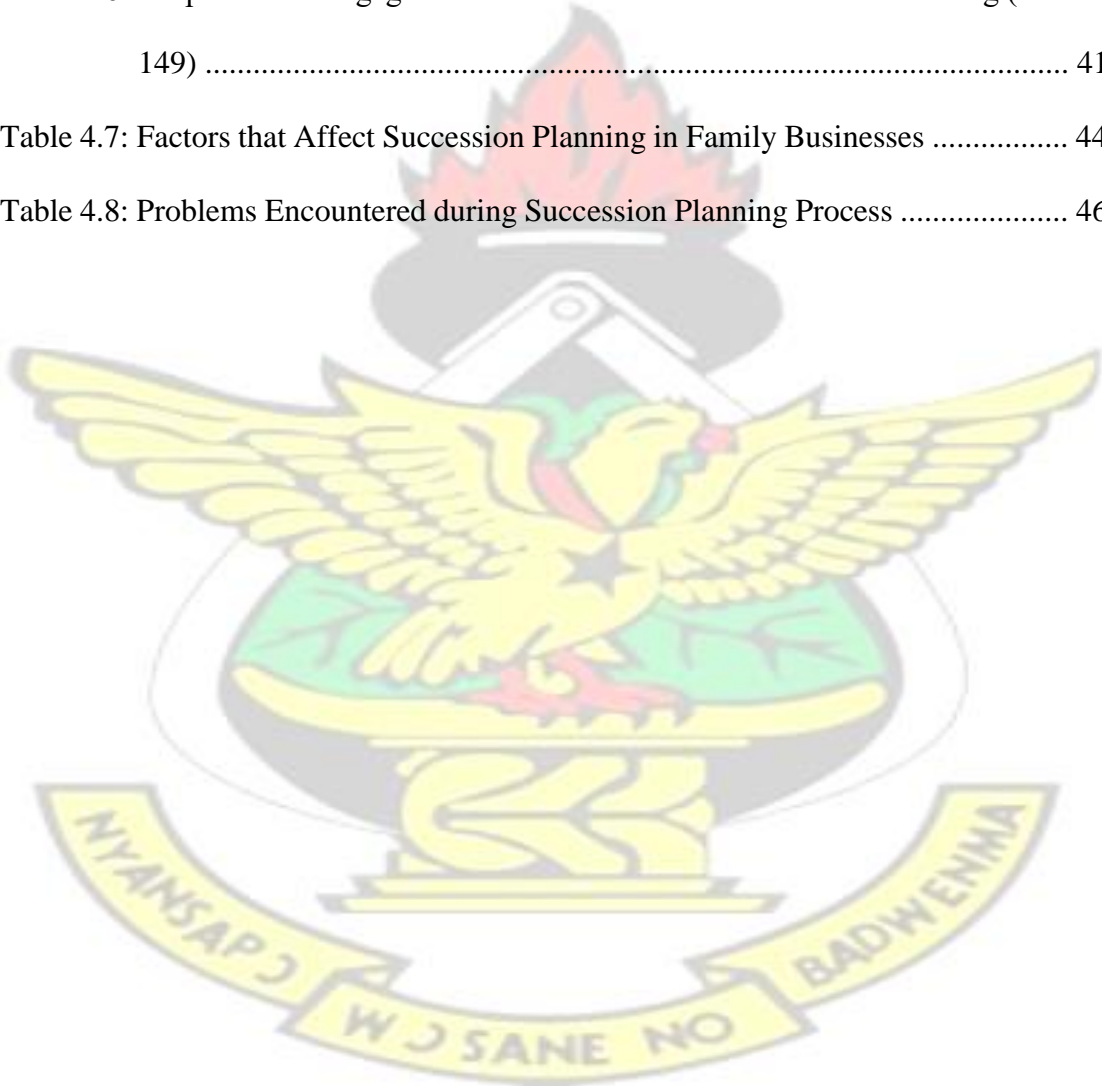
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## **CHAPTER ONE**

### **INTRODUCTION**

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

In the new global economy, family businesses play an important role as compared to other types of business. They are globally considered a social and economic engine. Evidence has shown that family businesses play an important role in developing and developed countries in terms of Gross Domestic Product (GDP) growth and employment. According to Poza (2005), 80 per cent to 90 per cent of businesses in the world are family businesses, employing nearly 85 per cent of the world's working population and generating about 75 per cent of the world Gross Domestic Product (GDP). It is estimated that family businesses account for 38 per cent of private sector turnover, 42% of private sector employment, and 65% of private sector enterprises in the United Kingdom (Bosma and Harding, 2006; Institute for Family Business (IFB), 2008). Importantly, early-stage entrepreneurial activities emerge from existing familyowned firms (22%) than from owner-manager activity (13%) (Bosma and Harding, op cit). Even higher percentages or similar picture is seen from data from most other countries (Kotey, 2005; Smith, 2007).

Small and Medium Enterprise (SME) family business is a discipline that derives from many fields of study, thus, economics, sociology, and strategic management. Many definitions of SME family businesses exist. Nevertheless, there is a lack of concordance to what makes an organisation a family firm. Hence defining a family business is a complex task. Lorna and O'Regan (2011) argue that the European Commission Expert Panel on Family Business Final Report has identified more than

90 definitions of family business. They further depict that several different definitions can be used even within the same country. The definitions identified by the European Commission Report take into consideration many aspects, such as family ownership, business as the source of income for the family and intergenerational transfers, strategic control, and the involvement of family in the management (Lorna and O'Regan op cit.). Ibrahim and Ellis (2003) defined family business as the type of business in which at least 51 per cent of the business is owned by a single family, and at least two members of the family are involved in the operation of the business. In addition, Lorna and O'Regan (op cit.) contended that one-person/self-employed firms (Sole proprietors) are described as family firms in more or less one-third in most European countries.

Family businesses create value for their customers by pursuing a quality strategic product based on their unique resources and exploiting operational excellence (Miller and Le Breton-Miller, 2005). Other evidence postulates that competencies and unique resources of family firms enhance greater leverage in the competitive market (Poza, 2007). According to Bosma and Harding (2006), business existence is more likely to commence their lifespan as family enterprise and the family executes a decisive economic function by enclosing innovation, efficiency, and new competition into the changing market environment. Coutts (2005), on the other hand, depicts that family businesses make investments based on long-term returns and that they tend to draw smaller dividends and salaries allowing more profit to be re-invested.

The owners and the family, consideration of the business, and impacts on strategic direction, inevitably influence decision-making of family business. Generally, it is accepted that family firms are more complex than non-family-owned firms are. This is



particularly the case where two or more generations are involved in the firm as the interplay of family dynamics impact on decision-making (Hess, 2006). As noted by Miller and Le Breton-Miller (op cit.), SME family businesses vary from other businesses with regards to approach to leadership and relationships, social and business philosophies, and ownerships. The inclusion of members of the family in the management of the business is the cardinal issue that distinguishes non-family firms from family business.

Due to the looming global economic crisis, many SME family businesses go out of existence after 10 years and only few of them make it into the second generation. Accordingly, about 12 per cent to 16 per cent of SMEs survive in a third generation and only 3 per cent go far through to the fourth generation and beyond (Zimmerer, Scarborough and Wilson, 2007). The ability of Small and Medium Enterprises (SMEs) family businesses to produce and maintain favourable position in the competitive market environment relies largely on their capacity to acquire and leverage human, financial, and other capabilities and resources for the management of the affairs of the business (Acquaah, 2007). However, the practice of succession planning is virtually one of organisations substantial key ingredient for success and organisational continuation. Family businesses make it into several generations since most of them have succession planning in place. Family business owners can minimize the uncertainties of retirement and the potential negative effects it may have on the economy through business succession planning. Succession planning is critical for the nourishment of SMEs and the overall economy of a country (Gerick et al, 2005). Nevertheless, succession planning poses invariant challenge to family businesses.

According to Schmalzried and Fallon (2007), succession planning is a proactive attempt to ensure that leadership in business will be continuous by identifying how vacant positions, roles and responsibilities will be filled when both unplanned and planned departures occur. Rodrigo (2013) also defined succession planning as the process of identifying and preparing suitable employees using job rotation, training and mentoring, to replace key employees in a business as they leave the organisation for reasons such as attrition, career development and retirement. To Ganu and Agyekum (2013), succession planning is the process whereby the owner of an organisation plans for the transfer of ownership, control, and administration of an organisation to the next generation. They also continued that succession planning deals with the transfer of values, skills, and knowledge in order to ensure the continuation of the organisation. According to Bjursell (2011), succession planning focuses on leadership and other responsibilities that are crucial to the operation of the organisation. Succession planning helps business owners to enlist and train existing staff and new recruits to occupy each key position within the business.

The identification of succession planning issues in family businesses is much needed in developing economies. Several authors have posited that owner's personal decision, retirement, incidents such as illness or divorce, or a changing competitive environment often triggers succession planning. It is suffice to say that some family businesses do not plan succession planning process in due time, although many researchers argue that the process helps to improve the success of a business. It is against these assertions that this current research was carried out to assess the succession planning in family businesses in Ghana.

## 1.1 Problem Statement

Family businesses are a key grid of the economic system in Ghana. In Ghana, family enterprises account for a greater percentage of the total businesses in the various sectors. Family businesses are considered as one of the necessary factors for employment creation, reducing poverty, stimulating economic growth, and sustaining and expanding businesses. The promotion of SMEs has become a great importance to Ghana's economic development strategy since its Structural Adjustment Program (SAP) in 1983 (Barwa, 1995 cited in Ganu and Agyekum, 2013). Arguably, the performance of SME family firms is closely linked to the economic performance of the country. They boost 70 per cent of Ghana's Gross Domestic Product and contribute about 92 per cent of firms, providing nearly 85 per cent of manufacturing employment in the country (Abor and Quartey, 2010).

Despite the importance of SME family businesses, the rate of their survival into the next generation is low as compared to that of non-family firms. According to Lorsuwanrat (2010), the existing knowledge based economy together with the current rapid changes of business world lead firms to face up with rigorous competitive environment in the area of quality production, innovation, time duration, and good pricing. These elements straightaway force family businesses to reorganise their plan of action for the survival of the business. Therefore, it is important for family businesses to focus on the relevance of human resource management (HRM) and organisation capability in order to support the business' competitive edge and to promote higher staff value in the business.

According to Agyapong (2010), succession planning is important in Ghana, especially for family businesses, which constitute the bulk of the country's enterprise. However, one of the leading causes of SME family businesses lack of existence in the second

generation is because there is no succession planning either in mind or in place. Succession failure could cause damage to Ghana's economy concerning businesses continuation, source of living for families of owners in both short and long terms, tax contribution to the economy, and job creation for a large number of unemployed youth. Consequently, looking at the important role SMEs family businesses play in the Ghana's economy, it is relevant to understand their plans for the future. Research works on succession planning problems in SME family business in Ghana are very rare. There is little knowledge about succession planning measures among family business in the country. This current study endeavours to add to existing knowledge by offering more cracking discovery on succession planning measures among SMEs family businesses in Ghana.

## **1.2 Objective of the Study**

The objective of the study has been divided into two categories: the general objective and specific objectives.

### **1.2.1 General Objective**

The general objective of the study is to investigate the succession planning measures of SME family business in Ghana.

### **1.2.2 Specific Objectives**

In order to achieve this aim, the study addresses the following specific objectives, which includes;

1. To examine succession planning processes of family businesses.
2. To identify the factors affecting succession planning in family businesses.
3. To identify problems encountered by family businesses during succession planning.



### **1.3 Research Questions**

The study will be guided by the following research questions:

1. What are the succession planning processes of family businesses?
2. What are the factors affecting succession planning among family businesses?
3. What are the problems encountered by family businesses during succession planning?

### **1.4 Justification for the Study**

Family businesses occupy both modernised and emerging economies globally in terms of the number of firms and employment, nevertheless, their prospective capabilities stays unexploited. Therefore, family businesses must be supported and encouraged by the government to flourish. If family businesses are not independently choosing to plan for succession, there may be a role for public, private, or non-profit organizations to encourage and assist them in planning for their future. Supporting family businesses through effective and appropriate policies that address the unique succession challenges they face will promote continued employment and their ongoing ability to contribute to the economy. The researcher will also make contribution to existing body of knowledge on the succession planning among family business enterprise in Ghana.

### **1.5 Brief Methodology**

There are numerous methods of carrying out research, but the researcher employed descriptive cross-sectional study and exploratory design using quantitative method. Exploratory research design was employed because the researcher sought to define exactly which study was required, what relevant actions needed to be recognized and obtaining insights before conclusion. The source of data collection depended on both primary data and secondary data. The secondary data was gathered from different



published materials such as academic articles, books, reports, documentary searches, research journals, and other internet source-materials. The primary data was gathered using questionnaires with prepared guided questions, which was structured and based on the objectives of the study. All data was analysed using a Statistical Package for Social Sciences (SPSS) version 20.

### **1.6 Scope of the Study**

The study was conducted in the Ashanti Region of Ghana. It included all small and medium family business enterprises in the region. Several dimensions of succession planning of family business called for investigation. Nevertheless, this researcher focused on, among others, the succession planning processes of family businesses, factors that affect succession planning, as well as problems encountered during succession planning process.

### **1.7 Limitations of the Study**

This study has a number of limitations. It was realized that the sample size was not proportional to the total number of family businesses in Ghana. Again, there was a problem of time constraints in the data collection and most of the respondents were reluctant to volunteer information for the study. However, these limitations are unlikely to influence the outcome of the results of our study.

### **1.8 Organisation of the Study**

The study is organised into five (5) main chapters.

Chapter one explains the background information of the research topic, statement of the research problem, general and specific objectives, research questions, limitations,

significance and scope of the study, brief description of the methodology, and how the entire study was organised.

Chapter two also reviews pertinent issues discussed by other researchers on succession planning measures among family businesses.

Chapter three presents the research methodology by discussing the research design, the study population, source of data collection, sample size and sampling procedure, data collection instrument and procedure, ethical consideration, data procession and analysis, and organisation profile.

Chapter four provides data presentation, analysis and analytical discussions of results.

Chapter five presents the summary of the findings, conclusions, and recommendations of the study.

The logo of KNUST (Kenya National University of Science and Technology) is a large, faint watermark in the background. It features a yellow eagle with spread wings perched on a green shield. Above the eagle is a red torch. The shield is set against a white background with a grey border. The text 'KNUST' is written in large, grey, capital letters across the top of the logo.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

Throughout the world, family businesses are becoming an important part of the business economies and they constitute the entrepreneurial sector of many former socialist countries. There has been an emerging academic research interest into SMEs family enterprises. Many authors (Acquaah, 2007; Li and Zhang, 2007; Li, Poppo, and Zhou, 2008) have argued that SMEs family businesses in Africa are experiencing rapid changes in both business and institutional environments which makes it difficult to

acquire the essential resources for their business activities. It is estimated that few of SMEs family businesses survive to the next generation and that many of them fail soon after the second generation takes control. The prosperity of an economy depends on the existence of family firms from generation to generation. This chapter, however, presents a review of related literatures, which offers adequate knowledge on the “succession planning of family businesses in Ghana”.

## **2.1 The Concept of Family Businesses**

As depicted by De'niz-De'niz and Cabrera Sua'rez (2005), there is a developing concordance about the importance of family businesses in the sustainability of many countries. According to Ibrahim, Soufani and Jose (2003), SME family firms play a substantial function in the global economy more than any other type of business in the world. The evolution of family firms relies on three major factors, namely: enterprise system, family, and ownership. Poza (2010) depicted that family businesses comprise 80 per cent to 90 per cent of all the firms in the world's free market economies and yield about 75 per cent of the Gross Domestic Product. It remains the most influential contributor concerning job creation in virtually every country (Ward, 2004). According to the worldwide statistics, merely 30 per cent of family firms survive into the next generation, with a declining rate of 12 per cent into the third and 4 per cent into the fourth generation (Poza, op cit.; Finweek, 2012).

Defining a SME family business is a complicated feat in that family and business dynamics blend in diverse ways. Fundamentally, there is lack of formal understanding on what makes a business, a family enterprise. There are no current unified theories or theoretical frameworks that justify why family businesses exist, and what ascertains their scope and survival. Some authors' definition of family business focuses around

variables such as risk assumption and ownership participation; whereas others cite that it is precisely “family involvement”. As exclaimed by Astrachan et al. (2006),

*“a definition of family is often missing” and “this notable absence poses problems, particularly in an international context where families and cultures differ not only across geographical boundaries, but also over time”* (Astrachan et al. op cit.).

Upton et al. (2002) define family businesses as a business in which family ownership or control have a substantial impact on the decision-making processes of the business. It is a company whereby two or more key players tied by close alliances or kinship have a significant share of board control or full ownership which enable them to take decisions regarding business aspiration and goals as well as strategic management decisions (Gubitta and Gianecchini, 2002). According to Chua et al. (1999):

*“a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families”* (Chua et al., 1999 cited in Lorna and O'Regan, op cit.).

Lorna and O'Regan (op cit.) posited that SMEs family business is “one that will be passed on for the family’s next generation to manage and control”. According to a comprehensive definition offered by Venter Boshoff and Maas (2005):

*“family business is a type of business which is owned by the members of the same family. The family members strive to shape and/or pursue*



*the formal and implicit vision of the business, with the intention of handing the business over to the next generation to a family member to control”.*

The Austrian Institute for Small and Medium Enterprises (SMEs) Research give another definition for a family business in 2008:

*“A firm, of any size, is a family business, if:*

- (1) The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their children or child, parents or spouses’ direct heirs.*
- (2) At least one representative of the family is formally involved in the governance of the firm.*
- (3) The majority of decision-making rights are direct or indirect.*
- (4) Listed companies meet the definition of family enterprise if the person who acquired or established the share capital (firm) of their families or descendants possess 25% of the decision-making rights mandated by their share capital” (Austrian Institute for SMEs Research, op cit.).*

## **2.2 Characteristics of SMEs Family Business**

Research has shown that the sectorial concentration of family firms dwells in the construction and agriculture sectors (DTI, 2006). In the services sector, family businesses are mostly found in the tourism, catering, and distribution industries. This pertains to the type of work and the fact that some occupations (such as home-based businesses, hotels and farming) are “absorptive” of their spouses time, resources, and



labour. In these situations, there is the tendency to be a higher prevalence of family businesses and closer links between enterprise and family relations (DTI, op cit.).

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 leaders (Acquaah, 2012). Establishing networking relationship or social connections may be priceless in developing countries, as the social networking connections family business are able to build make up for “institutional voids” and weak regulatory systems (Khanna and Palepu, 1997 cited in Acquaah, 2012).

According to Miller et al. (2009), these “institutional voids” shackle economic strength and labour market, and product in developing countries. So, the developing social networking relationships with stakeholders enhance social capital and enable them to obtain the critical resources in the form of technology, marketing, human capital, financial capital, knowledge acquisition and exploitation, as well as information opportunities.

Small-scale family enterprises are started using funding options from family and friends. According to Sarbah and Wen (2013), an underutilised or untapped area of finance available for family firms is contributions from friends and family members. According to Bloom and van Reenen (2006), nepotism in family firms can influence performance by deterring the recruitment of newly qualified and skilled workers and embracing new management strategies and technology. A recent research (PricewaterhouseCoopers, 2007) revealed that 22 per cent of family businesses implanted measures as well as standards for the roles and responsibilities of members of the family. These criteria ponder tension between non-commercial objectives and

rational profit seeking behaviour, which means that family business tend to be less growth oriented, less innovative, and more risk averse.

According to Bosma and Harding (2006), 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 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 new competition, efficiency and innovation into the market (Bosma and Harding op cit.).

Hoffman, Hoelscher and Sorensen (2006) 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 minimise human resource cost (Bertrand and Schoar, 2006). Family enterprises possess unparalleled potentials, which breed commitment, motivation, and trust within the employees. Again, there is a strong quest to explicate manifestation of flexibility in decision-making and customer relationships. There is a paternalistic connection among the employees and managers/owners of family business

(Bertrand and Schoar, op cit.). This flexible working atmosphere inspires workers to be loyal, committed, and motivated, and focus on the welfare of customers.

### **2.3 Difference between Non-Family Businesses and Family Businesses**

PricewaterhouseCoopers (op cit.) contend that there is the likelihood for family businesses to keep up existing performance than to grow their business than nonfamily business, and are more concerned about government legislation and policy than non-family business. Chrisman et al. (2005) argues that prime objective of family business is not in profit maximization. Literature has shown that businesses with a low number of managers being members of the family were less likely to indicate that, “family objectives have priority over business objectives” (Westhead and Howorth’s, 2006).

Ibrahim et al. (2004) argue that decision-making process in non-family enterprises differ from family enterprises because of the alignment of both management ownership and the dual identity of these businesses. Family firms often exhibit lack of planning and informal business practices, and they posit that strategy planning and development should be the fundamental component in employee’s training and development (Peters and Buhalis, 2004). According to Kotey (2005), few family businesses had a strategic business plan as compared to non-family businesses. Although some researchers (Allio, Kotey; 2005 2004) have argued that the healthiest family businesses committed to strategy development in a formal and systematic way, they have a propensity to focus on tactics rather than strategy.

The issues of succession planning is an open decision-making process in non-family businesses that is typically influenced by rational consideration, while in a family business, it is one of the important issues in the survival of the business. (Ibrahim et al. (op cit.). The authors further depicted that, the dual identity of family businesses

monitoring and the future performance of successors is not transparent. Yet, the supply and demand of personnel in non-family businesses provide the business with the opportunity to constantly monitor the actual and future performance of its successors.

## **2.4 Overview of Family Businesses in Ghana**

Small and Medium Enterprise (SME) family business started earning recognition in Ghana in 1960s when many small-scale businesses started springing up. Before that period, the agricultural sector dominated the market. There were many agricultural firms before the growth of small and medium scale businesses. The small farmers that comprise mainly family business managed over 70 percent of agricultural holding (Oppong, Owiredue, and Quarmyne, 2014).

In Ghana, the private sector is also considered as the engine of growth of the economy and mostly made up of micro, small and medium size enterprises, generally called the SMEs. The SMEs Sector in Ghana is estimated to be made up of 70% of all industrial establishments (Oppong, Owiredue, and Quarmyne, op cit.). Ghana's informal sector contributes to its economic activities, especially in the area of job creation which constitutes about 70 per cent of the total labour force in the country (World Bank Report in 2006). In the manufacturing section, family businesses also provide about 85 per cent of employment and account for 75 per cent of Gross Domestic Product and contribute about 92 per cent of firms (Abor and Quartey, 2010). Family enterprises are a veritable vehicle for the achievement of national macroeconomic objective.

## **2.5 The Family Business Management Practices**

According to Appiah (2012), family businesses lack the resources to implement quality management. Small-scale Family business members react slowly to environmental changes and use a conservative leadership style. Generally, the objective of the family



enterprise owners is to protect the fortune of the organisation for the next generation without any level of risk. Family owners prefer to centralize all authorities and decisions using informal management practices. El-Chaarani (2012) postulated that the family business owners increase the level of their employees' satisfaction, trust and motivation by using a high level of emotional intelligence in treating them. The employees in the business are regarded as family members that can make family membership important in ways that may be impossible for non-family businesses to copy.

Dyer (1988) studied "paternalistic" leadership style and culture as compared to "professional" style leadership. "Paternalistic" leadership was characterised by distrust of outsiders, close supervision, management control of authority and power, and hierarchical relationships (Yu and Mohamed, 2012). "Professional" leadership involves the involvement of non-family managers in the business. Schein (1983), on the other hand lamented that, professional way of leadership in family enterprise pertains the inclusion of non-family managers in the management of the business. Likewise, many researchers have found that leadership style in newer first-generation family businesses becomes more objective and formal (Yu and Mohamed, 2012).

Distribution of decision-making authority forms part of family firms' behaviour. The decision-making process in first generation family businesses are more centralised as compared to the subsequent generation family business (Dyer, 1998). Aronoff (1998) further improved this assertion to explore the use of autocratic and team management decision-making and the level of decision-making authority. Team management comprises parents, children with all earning equal participation in the decisionmaking process.



## 2.6 Succession Planning

In order to ensure organisational continuance, many studies highlighted the relevance of succession planning. With reference to the purpose of the sustainability of family firms, their successful succession of leadership proves essential. Again, the effectiveness of succession closely concerns the sustaining of firm competitiveness and satisfaction of its stakeholders. Succession planning has been widely researched on and various scholars have defined it as per their understandings. According to Edwards (2008),

*“Succession planning is systematic approach to ensuring that an organization has a steady, reliable pipeline of talent that will meet its future needs in leadership and other linchpin roles”.*

Succession planning measures is a thoughtful and orderly approach by a business to insure management continuity in key roles, intellectual capital for the next generation, and inspire career development. Succession planning measures is the management planning piece of puzzle, which emphasizes on key leadership positions at every level of the business. Succession planning embraces the broader concept of “workforce planning,” providing a “framework for making staffing decisions and related investments based on an organization’s mission, strategic plan, budgetary resources, and desired workforce competencies”.

Although many authors posit that succession planning measures are anticipated to improve the success of the succession planning, owners of family firms do not plan the successions in due time (Sharma et al., 2003). Mentoring is seen as one of the critical variables of the succession process. According to Roddy (2004), the effect of mentoring as a variable of the succession process relies partly on the mentoring skills of the

mentors. Avanes (2011) stated that good succession planning process is not just looking at who is next in line, rather looking at people early in their careers and determining what kind of training they need to become leaders.

The succession planning measures requires the in-depth investigation from a holistic view of ownership, family, and management systems in order to get a clear picture of the interests of stakeholders (Brochhaus, 2004). To remain as a family business, each generation must be taken over by the next, which is the ultimate managerial challenge for owners, successors, family members and other stakeholders. Succession has undergone numerous forms of considerable changes over the present family business such as the enduring structure of governance, the traditional managerial initiative, and current family relationship. Successful business succession planning consists of two significant implications such as the satisfaction of its stakeholders and the performance of the business relevant to the context of succession planning.

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

Small-scale family enterprises exhibit a great chance for firms to broaden their length of service by succeeding into the next generation. According Astrachan, Allen, and Spinelli (2002), succession-planning measures in family firm are only one among several expectations; although research depicts that the most family businesses owners want to keep on family control past their tenure. Many authors tend to attest to the fact that succession-planning measures are more of a process than an event of reassigning leadership and power to a family member (Sharma et al., 2003). Nevertheless, it is evident in research into succession planning in family enterprises that planning a succession must be planned in due time, and should be anchored by a team (Ting, 2009).

Succession requires a balancing of family goals and personal ambition to be effective. To survive as a family enterprise, the members of the family must bring forth heirs with the necessary knowledge, motivation, values, and skill. Successors often do not have the same commitment and drive as the owners of the organisation, which in turn have a negative impact on the transition of business concerning its growth and development. In family businesses, the succession occurs accidentally despite the presence of a succession planning process. The possibility of events such as death of successors, divorce, departure or inheritance of a prominent worker may inhibit the entry of a child into a managerial role in the family enterprise.

Researchers (Bjuggren and Sund, 2001; EC, 2002) have also suggested that succession is often sparked by the termination of contract of the owner-manager's, incidents (illness or divorce), changing competitive environment (new products or changing markets), or personal decisions (change in the family situation, interests, change of profession, or early retirement). Saan, Boateng, and Kamwine (2013) contend that succession planning is borne out of the family enterprise's quest to step up the chance of a successful family business succession.

## **2.8 Factors Affecting Succession Planning in Family Business**

Businesses around the world lose labour force all the time. Although, managers/owners replace vacant position in the business within a short period, however, they lose a great number of the business essential work force and skills as well as the organisation's memory (Mehrabani and Mohamad, 2011). Planning for succession is a vital process that businesses cannot afford to ignore. The continuity of small-scale family enterprises is one of the major reasons for succession (Lorna (2011). Several researchers have formulated models which discuss factors that affect family business succession.

However, Ossai-Igwe, Mohd, and Adebayo (2011) posited that there is no single model that offers adequate and clear factors that influence succession planning in family business.

One of the factors discussed by Sardeshmukh and Corbett (2011) is the external and internal development of the successor concerning the opportunity recognition. They further stated that variables such as work experience, education, perception on entrepreneurial opportunities, and self-efficacy hinder the succession planning process. Another researcher (Castillo, 2009) identified that preparing for a successor, creating a team to look for a successor, and managing of relationships within the business are outlined factors that do not inhibit successful succession among family firms. Meharabani and Mohamed (2011) identified having a strong organisational culture, creation of positive vision, clarifying career path, management support, and training as factors that influence succession-planning process. They contended that acquiring organizational culture provides employs with paradigms, standards, beliefs, and values. They also depicted that when employees create positive vision of their work helps remove from them, which in turn enables them to have a good insight towards succession planning. Furthermore, they edged businesses to clarify the career path of its workers; to better understand the career objectives that help to implement a successful succession. According to Meharabani and Mohamed (op cit.), in order to implement a good succession, managers need to train employees to learn new knowledge and skills and also to support them.

A study was carried out to assess the effects of pre-performance in the nomination of non-family and family members on succession planning among firms in Spain using stepwise logistic regression with a bootstrap procedure, resource-based view and



agency theories (Bocatto, Gispert, and Rialp, 2010). They concluded that directive experiences affect nominations, while performance prior to succession does not. Results from their study also showed that negative performance would not lead to the selection of potential successor, while positive performance would indicate otherwise.

Another study was conducted to determine the factors that affect family business succession planning using an integrative model of multiple stakeholder implications on successions (Lorna, 2011). Lorna (op cit.) observed that factors such as; environment, family, business, and individual influence the succession planning process. Lam (2007) also carried out a similar study to examine the factors that influence small-scale family enterprise succession planning. Lam (op cit.) found that the son and father are major factors that hinder the success of succession planning among many family businesses.

Though both son and father are important in determining the success of succession planning, one limitation of this study was the exclusion of external factors such as technology and environment. However, findings from this study could not have provided complete empirical evidence on factors that affect succession planning among family businesses.

Haveman, Russo & Meyer (2001) in the role of governmental regulations in the business environment stated that regulations can alter institutional and technical features of business environments such as rising and lowering barriers of entry, set price controls or eliminate them that eventually affects the profitability of an organization. It is believed that when management are unable to navigate their business through these new regulations and competition, the business will have no option but to search for new talent. Technological advancements also affect the approach of developing employees for new roles and responsibilities. Additionally, advancement in technology makes it more comfortable for workers to find other jobs. Flat structure is also a factor which



influences succession planning since it allows good inter-personal relationship and sharing in the business, help in development of a successful succession planning. Financial conditions of the organization also affect implementation of effective succession plans.

## **2.9 Problems encountered during Succession Planning Process**

Many researchers are also of the view that family businesses faces problem of conflicts, competitions, or rivalries among family members to take over the business. According to Zahra (2005), conflicts arise when incumbents use their authority to inhibit management activity, if they are in dissonance with the growth expectations of the business. According to Venter et al. (2005), a succession planning cannot be effective without the support of the other members of the family. Venter et al. (op cit.) research on the problems in succession planning process found that successors bare significant influence on the succession planning process. They continued that, succession planning might become a problem if there is a sense of distrust from other family members in the ability of the successor to lead.

According to Ward (2005), in many South Arabia family businesses, relationship is a principal problem in family business succession. Atwood (2007) stated that two-thirds of family business owners report a good understanding of the amount of estate taxes due upon their deaths, while one in five have no estate planning at all. Venter et al. (op cit.), stated that succession planning in family firms is more of a process, hence the inclusion of members of the family is needed. Therefore, any negative relationship within the family becomes a problem to the succession planning process.

Another problem many family businesses encounter during the succession planning is effective communication between other family members and potential candidate. Dyck

et al. (2002) examined the succession planning process and came out with four (4) major elements for an effective succession planning, which include, technique, timing, sequence and communication. Sharma et al. (2004) argued that effective communication between incumbents, family members and potential successors is crucial in effective facilitation of the succession planning process and strategic decision-making. Therefore, any intra-family communication problem may affect succession planning.

The logo of Kwame Nkrumah University of Science and Technology (KNUST) is a large, faint watermark in the background. It features a yellow eagle with its wings spread, perched on a green shield. Above the eagle is a red flame. The entire emblem is set against a white background with a yellow border.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

Research methodology lays out the overall approach of an organised process for assembling valid and reliable information for the purpose of investigations. It is the systematic pattern of obtaining information from a population to understand a phenomenon and to generalise facts gathered from the population. It also describes the method and techniques used in the collection and analysis of the data. The purpose of this was to explore the succession planning measures of SME family in Ghana.

However, this chapter describes the research design, sources of data, population, sample and sampling techniques, data collection instrument, and data analysis techniques.

### **3.1 Research Design**

Research design describes what a researcher is writing on, thus, the hypotheses and their operational implications to the final analyses of the data (Akubia, 2011). The descriptive survey design using quantitative and qualitative approach was used for the study. Descriptive survey research design pertains to gathering of data to test hypothesis or finding answers to research question concerning the current status of the subject matter (Gay, 1992; cited in Amedahe, 2006). Thus, the descriptive survey can be used to accomplish a wide variety of research objectives. It is used to describe the characteristics of certain groups, and also to determine the proportion of people who behave in a certain way. It can also be used to make specific predictions and determine relationships between variables.

According to Asare (2010), a descriptive survey is appropriate when a researcher tries to describe things the way they are, in their natural state, or to describe some aspects of a population by selecting unbiased samples of participants to complete questionnaires or orally give responses to interview guides. A survey is the best research design for obtaining facts, beliefs and attitudes. This means that all members of a defined target population have a known non-zero chance of selection into the sample (International Institute for Educational Planning/UNESCO, 2005). With the descriptive research design, the researcher tried to describe the succession planning measures of SME family in Ghana. However, few ethical difficulties exist when using this study type. Temporal associations between causes and effects might be unclear. In the case of small sample size, generalisation of results can be a problem, resulting in incorrect representation of

the entire population. However, this study design was used since its advantages surpass the disadvantages.

There are two types of descriptive studies; cross-sectional study and longitudinal study. The cross-sectional study is often referred to as observational studies. It involves drawing a sample of elements from the larger population of interest at one point in time to make inferences, whereas the longitudinal study involves observing the same population repeatedly over a prolonged period by means of follow up examinations. For the purpose of this current study, the cross-sectional study was used to describe the succession planning measures of SME family in Ghana. Mann (2003) argued that cross-sectional studies are quick and cheap since information are gathered only once and multiple outcomes can be studied, hence, less resources are required to conduct the study.

A descriptive study may also be either quantitative or qualitative approach (Asare, 2010). Quantitative approach is concerned with the generation of information in quantitative form which can be analysed in a quantitative form. Qualitative approach, on the other hand, involves subjective assessment of behaviour, cognition, opinions, and attitudes of a given sample. It focuses on in-depth interviews, projective techniques and focus group interviews. Nevertheless, the study adopted both approaches to analyse the data.

### **3.2 Population**

According to Mugo (2008), a population is defined as a group of individuals, persons, objects, or items from which samples are obtained for measurement. Study population is a population from which the sample actually was drawn and about which a conclusion can be made (Degu and Yigzaw, 2006). The target population included all family



businesses in Ashanti Region as a case study to explore the succession planning measures of SME family businesses in Ghana.

### **3.3 Sample and Sampling Technique**

Saunders et al. (2007) define a sample as a representative or sub-group of a larger population that is examined to acquire statistical information about the population. Borden and Abbott (2002) also posited that sample consists of a small number or a subset of a larger group. According to Ross (2005), sampling is generally conducted in order to permit the detailed study of part, rather than the whole, of a population. It involves the selection of a number of study units from a defined study population (Degu and Yigzaw, 2006). The data obtained from the resulting sample is basically used to develop useful generalizations about the population.

The sample size for the study was 260 family businesses. This number was chosen because it reflects the characteristics of interest to the researcher in which inferences can be drawn to make generalisation on the succession planning measures of SME family businesses in Ghana. This number was also adopted due to financial and time constraint. A purposive sampling technique was employed for the selection of appropriate sample for the study. According to Babbie (2008), a purposive sampling method is used by a researcher to select samples that are likely to be informative and knowledgeable about a phenomenon under study.

### **3.4 Source of Data**

The researcher adopted both primary and secondary data sources to collect information from the respondents.



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

The primary source of data is the information, which is collected by a researcher himself/herself using questionnaire or interview guides (Leedy and Ormrod, 2005).

Structured questionnaires will be given to owners of family business.

### ***3.4.2 Secondary Sources of Data***

Secondary data is the information collected by a researcher who is not one of the original data creators for a purpose that may be different from that of the original purpose (Leedy and Ormrod, 2005). It was obtained from documentary sources such as articles, journals, reports, books, newspapers, and other research related to this study which served as both theoretical and empirical framework needed for the analysis of the data collected.

## **3.5 Data Collection Instrument**

Data, according to Frankel and Wallen (2000), is referred as the empirical evidence or data that researchers carefully assemble based on specific procedures or rules.

Collection of data, however, is needed by researchers to address research problems.

Tools are the instruments used by a researcher to collect information from the target population to address a research problem. All data collected occurred from 10<sup>th</sup> to 14<sup>th</sup> July 2015. The researcher employed structured questionnaires to collect information from owners of selected family businesses. The standardized questionnaire was structured based on questionnaires that had been employed in previous studies and from various articles on information related to the succession planning measures of family businesses in Ghana. Questionnaire is a way of obtaining information about respondents by asking them rather than watching them behave. Miles (2001) also posited that a questionnaire is usually about asking people questions to find out what they think or

know about something. The questionnaire will consist of both open and close-ended questions.

The questionnaire is made up of four (4) sections consisting.

**Section A** shows the demographic characteristics of the respondents. It presents the background information about the kind of people whose opinions were sought. It consists of three (3) questions, which includes gender, educational qualification, and working experience.

**Section B** was structured to assess the succession planning processes of family businesses in Ghana.

**Section C** was also structured to identify the factors that affect successful succession planning among family businesses in Ghana.

**Section D**, the final sections, identifies the problems encountered during succession planning of family business in Ghana.

### **3.6 Data Analysis Techniques**

Responses from the respondents was analysed by descriptive statistics using the Statistical Package for Social Sciences (SPSS) version 20. Responses from open ended were analysed using content analysis to identify key themes. The descriptive statistical tools were used to analyse the demographic characteristics of the respondents and responses on succession planning measures among family businesses. The results are illustrated into tables.

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## **CHAPTER FOUR**

### **DATA PRESENTATION ANALYSIS AND DISCUSSION OF FINDINGS**

#### **4.0 Introduction**

This chapter presents that data analysis and discussions of findings gathered from the survey. Issues discussed in this chapter include respondents' demographic characteristics, succession planning processes in family business, factors affecting succession planning, as well as problems family businesses encounter during succession planning process. Data were discussed in relation to the literature review and compared to the data collected from the field. The study achieved a response rate of 89%, thus 232 out of the distributed 260 questionnaires were responded and returned

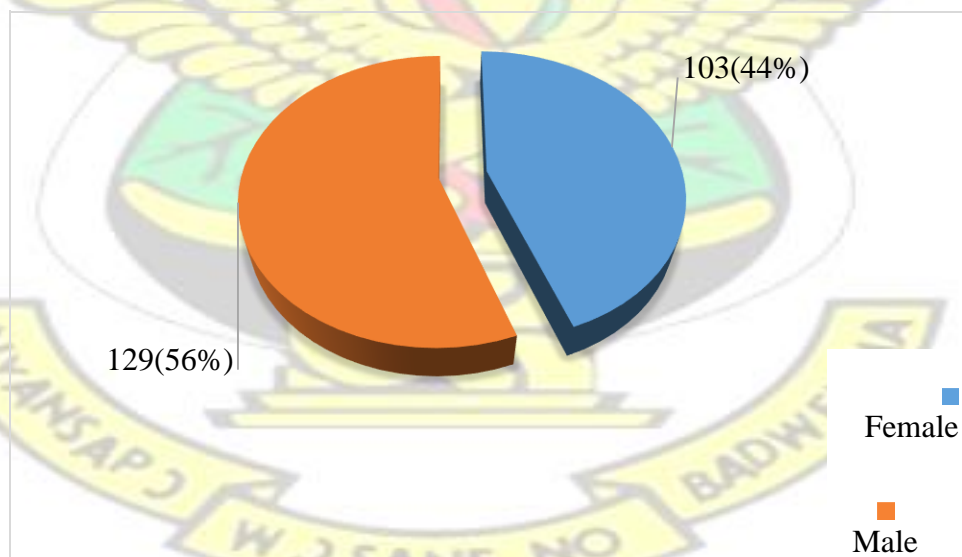
by the respondents. However, for the purpose of discussion, the sample of 232 was used.

#### 4.1 Background Characteristics of Respondents

The analysis of the demographic characteristics of the respondents looked at four (4) demographic details; gender, educational qualification, working experiences, and number of family members in the business.

##### 4.1.1 Gender of Respondents

Figure 4.1 below presents gender distribution of the respondents. It was revealed that out of the total sample 103 (44%) were females whereas 129 (56%) were males. As evidenced by the pie chart (Figure 4.1), the results on gender of respondents show a sample relatively skewed in favour of male test participants. It is a clear indication that males owned the majority of SME family businesses in the region.



**Figure 4.1: Gender of Respondents**

Source: Researcher's Field Survey (2015)



#### 4.1.2 Educational Qualification of Respondents

The results from Table 4.1 captured seven (7) categories of educational background of respondents; namely no formal education, basic education, secondary education, university, diploma in education (BDE), polytechnic HND, and Ghana Commercial Examination (GCE) level. From Table 4.1, it could be observed that majority of the respondents (85%) had formal educations as compared to those with no formal education (15%). It was evidenced that about 42% of the respondents had basic education. Those with secondary education (18%) followed this. Polytechnic (HND) holders formed 8%, whereas diploma in education holders also constituted 7%. There were 13 (6%) of respondents GCE, while 10 (4%) of respondents with university education.

The proportion of respondents with basic education, secondary education, polytechnic education, diploma in education, GCE, and university education was approximately 10:4:2:2:1:1. In the opinion of the researcher, there is baseline qualification for respondents to owe a business. Nevertheless, the educational background of the respondents covered a wide spectrum of the educational ladder. This result implies that most of the responses that were sought with reference to the succession planning measures of SME family business will be tapped into the knowledge based of respondents with educational background.

**Table 4.1: Educational Qualification of Respondents**

<b>Variables</b>	<b>Frequency</b>	<b>Percentage (%)</b>
No formal education	34	14.7%
Basic Education	98	42.2%
Secondary education	42	18.1%
Diploma in Education (BDE)	17	7.3%



Polytechnic (HND)	18	7.8%
University	10	4.3%
Ghana Commercial Examination (GCE)	13	5.6%
<b>Total Response</b>	<b>232</b>	<b>100%</b>

Source: Researcher's Field Survey (2015)

#### 4.1.3 Working Experience of Respondents

The study revealed in Table 4.2 that more than half of the respondents (56%) had spent more than 10 years in their respective family business. About 31% of respondents also indicated that they had spent 5 – 10 years in their businesses, whereas 24 (10%) had also spent less than 5 years in their respective businesses. There were 7 (3%) respondents who did not respond to this question as shown in Table 4.2.

It is important to postulate that the number of years the majority of respondents had being in operation in the businesses would factor into the information they had contributed to this study. The length of years respondents had served the business is a good indicator to suggest the possibility of them providing the requisite knowledge and expertise on issues concerning the succession planning measures in their respective family businesses. This was also good to make inference about the succession planning measures among family businesses in Ghana.

**Table 4.2: Working Experience of Respondents**

<b>Length of Service</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Below 5 years	24	10.4%
5 – 10 years	72	31%
Above 10 years	129	55.6%
No response	7	3%
<b>Total Response</b>	<b>232</b>	<b>100%</b>

Source: Researcher's Field Survey (2015)

#### 4.1.4 Number of Family Members in Business

Table 4.3 shows that 116 (50%) respondents had 1 to 2 family members in the business, 56 (24%) had 3 to 4 members, 32 (14%) had more than 4 members, whilst 28 (12%) had no family member in their respective businesses. As evidenced in Table 4.3 below, a cumulative of 88% of the respondents had at least 1 family member involved in the management of the organisation. In the opinion of the researcher, the involvement of family members makes it easier to pave way for better succession planning in that such persons are familiar with the operations of the business.

**Table 4.3: Number of Family Members involved in Business**

Variables	Frequency	Percentage (%)
None	28	12.1%
1 – 2 members	116	50%
3 – 4 members	56	24.1%
≥ 5 members	32	13.8%
<b>Total Response</b>	<b>232</b>	<b>100%</b>

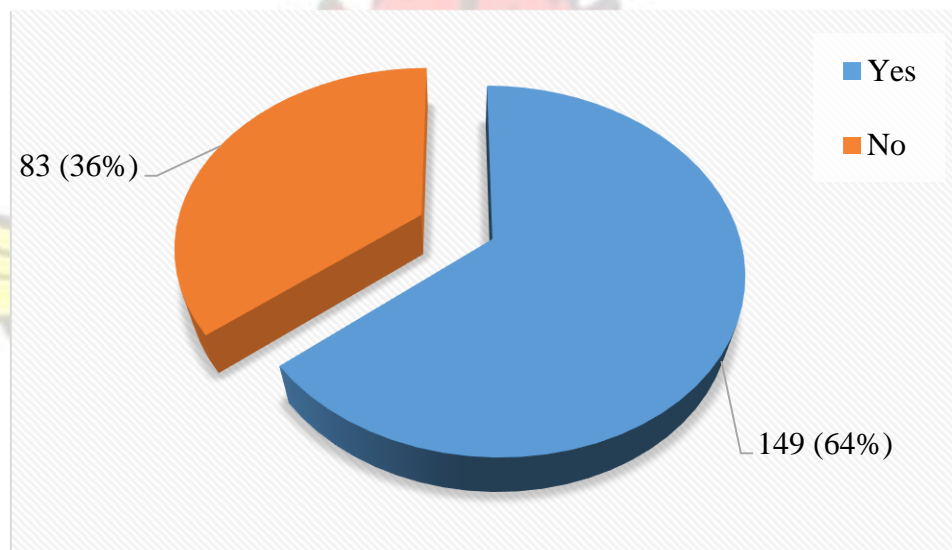
Source: Researcher's Field Survey (2015)

#### 4.2 Succession Planning Processes of Family Businesses

The first research objective was to determine the succession planning process of family businesses in Ghana. Figure 4.2 presents the percentage of respondents who had succession planning in place. It was shown from the figure that majority of the respondents (64%) had succession planning in place, whereas only 83 (36%) did not have succession planning in place. As depicted by Poza (2010), family businesses comprise 80% to 90% of firms in the world and they boost the world's Gross Domestic Product by an average of 75%. It remains the most influential contributor concerning job creation in virtually every country (Ward, 2004). Since many family firms have a substantial role to play than any other type of business in the world, it has become

essential for these organisations to put in place succession planning in order to survive in the next generation.

Figure 4.2 gives a clear indication that the family business under study had the notion of transferring the operations of the business. On the contrary, the finding that most of the family businesses in this current study have succession planning in place does not reconcile with Sharma et al. (2003) assertion that whilst most researchers agree that succession planning measures improve the success of a business, several family members often do not it in mind.



**Figure 4.2: Percentage of Respondents who had Succession Planning in Place**

Source: Researcher's Field Survey (2015)

Table 4.4 below presents respondents' motive for engaging in succession planning process. Five (5) major themes were captured by the study regarding respondents' motives for succession planning. These include growth and benefit for the next generation (10%), retaining of family control over the business (19%), business continuity and stability in the next generation (34%), maintaining of family legacy (15%), and creation of employment for family members (5%). As noted in the table, it

is affirmative to conclude that succession planning is the main tool family businesses uses for business continuity and stability as indicated by most of the respondents. Succession in family business is a thoughtful approach employed by the business leaders to ensure the longevity of management in key positions, and acquire knowledge capital for the future.

These findings reconcile with Astrachan, Allen, and Spinelli (2002) research output that claims that small-scale family firms present the chance for firms to extend their lifespan. They also posited that succession-planning measures in family firm are only one among several expectations; although research depicts that the most family businesses owners want to keep on family control past their tenure. Saan, Boateng and Kamwine (2013), on the other hand, contend that succession planning is borne out of the family firm's intention to increase and preserve the involvement of family members. Domfeh (2011) posited that small and medium scale businesses need succession plan to sustain their operations. Further, retirement seems not to be part of their business plan, let alone sell it. Successful succession planning measures in family business is advantageous for business owners.

**Table 4.4: Respondents' Motives for Succession Planning**

<b>Variable</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Growth and benefit for the next generation	15	10.1
Retaining of family control of the business	28	18.8
Business continuity and stability	50	33.5
Maintaining of family legacy	22	14.8
Creation of employment for family members	8	5.4
No response	26	17.4
<b>Total Response</b>	<b>149</b>	<b>100%</b>

Source: Researcher's Field Survey (2015)



Results from Table 4.5 indicate that sons are highly preferred as successors by family business owners. Daughter (26%), brother (13%), wife (6%), uncle (5%), husband (3%), and sister (3%) followed this preference.

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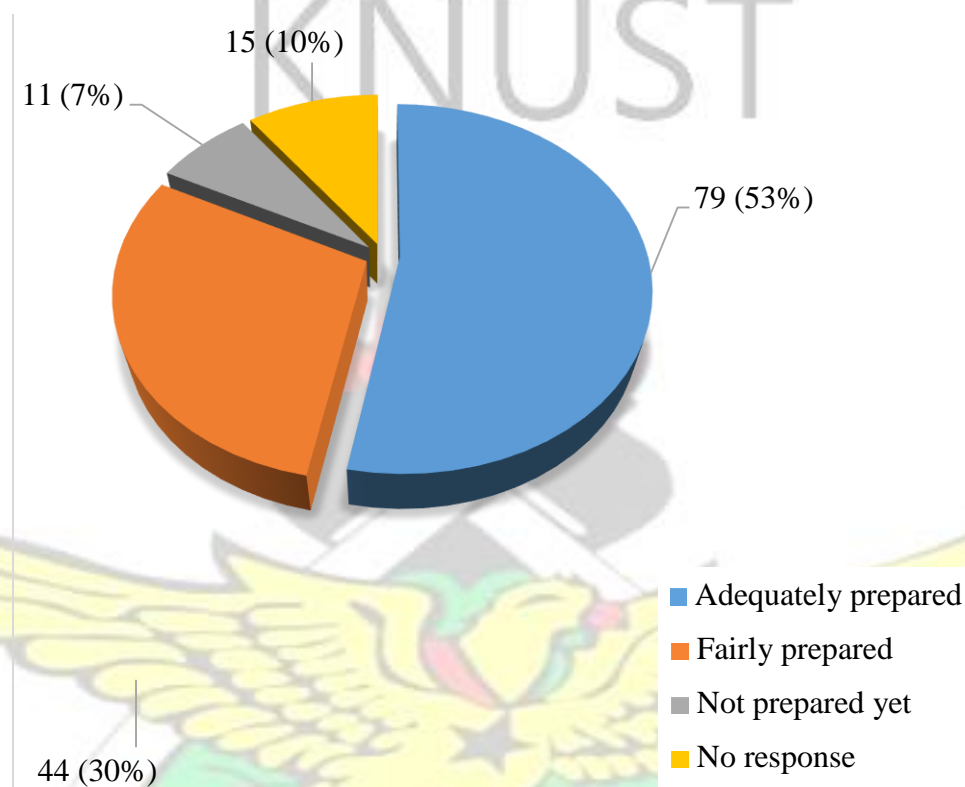
**Table 4.5: Member of Family to Succeed**

<b>Family Member</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Brother	20	13.4
Sister	4	2.7
Son	49	32.9
Daughter	38	25.5
Uncle	7	4.7
Husband	5	3.4
Wife	9	6
Not Applicable	17	11.4
<b>Total Response</b>	<b>149</b>	<b>100%</b>

Source: Researcher's Field Survey (2015)

Figure 4.3 shows that 79 (53%) respondents indicated that they had adequately prepared their successor to take over the family business. Forty-four (44) respondents representing 30% also indicated that they had fairly prepared their succession, while only 11 (7%) had not yet prepared their successor at the time of the study. There were no responses from 15 (10%) respondents. Preparing a successor is important in carrying out an effective succession planning. It also gives the successor a clear view of the family goals. It also gives the successor the aspirations to be part of the firm as posited by Bjuggren and Sund (2001). Similarly, a study carried out by several researchers

agrees with the finding that most of the family businesses in this current study prepare their successors very well. Ting (2009) for instance examined succession planning in family business. The author argued the team responsible for the development and training of successors should plan the succession in due time.



**Figure 4.3: Preparing of Successor**

Source: Researcher's Field Survey (2015)

Table 4.6 presents responses on respondents' engagement in the processes of succession planning. A 5-point Likert scale was used to measure this construct. For the purpose of discussions, the responses on the succession planning processes were collapsed into two categories; lesser extent and longer extent. The succession planning process was adopted from Burke (2003) to guide the study. These include business case for proactive succession planning, identification of target position and roles, core skills and competencies, assessment of the abilities of candidates, and leadership developmental programs. Firstly, Table 4.6 shows that almost 87 (60%) of the respondents indicated

that they develop a business case with clear vision that include succession on a regular basis, whereas 45 (31%) least engaged in this process of succession planning. It was also found that more than half of the respondents (57%) opined that they often identify the target roles and positions that have to be filled within the business, which serves as a yardstick to succession planning. On the contrary, about 31 (23%) of the respondents rarely identified target roles and positions within the business in their succession planning process.

Table 4.6 further found that majority of the respondents (62%) provided a baseline for determining core competencies and skills of successor to a lesser extent. Only 41 (29%) of them determined core competencies and skills of successor in their succession planning process to a longer extent. Again, the study revealed that 76 (51%) of respondents rarely developed and implemented a competency-based performance management process to determine potential successors, whilst only 20% of them often engaged in this process. Lastly, it was found that about 64% of the respondents rarely ensured that potential candidates are receiving sufficient development opportunities by reviewing the current and required training and development practise.

As evidenced from Table 4.6, only two (2) out of the five (5) succession planning process were practiced by nearly most of the respondents. These include the development of business case with clear vision that include succession planning and the identification of target roles and positions within the business. There was a deficit in the remaining three succession planning process. Majority of the respondents rarely engaged in the determination of core competencies and skills of successors, identifying high-potential successor by developing and implementing a competencybased performance management process, as well as ensuring that potential candidates receive

enough development opportunities through a review of required training and development practices. This finding on the succession process implies that many family firms do not have a proper laid down procedure or process in their quest to pass the business into the next generation. In the researcher's opinion, these family businesses were focused on only developing a succession plan and identifying the roles and positions within the business that have to be filled. Adequate education on succession planning process is however important to help family business to effectively pass their business into the next generation.

**Table 4.6: Respondents' Engagement in the Processes of Succession Planning (n = 149)**

Processes	Lesser Extent	Neutral	Longer Extent	Total Response
Developing of business case with clear vision that include succession planning	45(31.3)*	12(8.3)	87(60.4)	144**(100)
Identify target roles and positions within the business	31(22.5)	28(20.3)	79(57.2)	138(100)
Provide a baseline for determining core competencies and skills of successor	87(62.1)	12(8.6)	41(29.3)	140(100)
Identifying high-potential successor by developing and implementing a competency-based performance management process	76(51)	43(28.9)	30(20.1)	149(100)
Ensure that potential candidates receive enough development opportunities through a review of required training and development practices	96(64.4)	11(7.4)	42(28.2)	149(100)

\*Percentages are in parenthesis

\*\*There were missing values;  $N = 149$

Source: Researcher's Field Survey (2015)



### 4.3 Factors that Affect Succession Planning

Table 4.7 below has information on the factors that affect succession planning in family business. Six (6) items were used to measure opinions of respondents on the factors that hinder their succession planning. It was observed that majority of the respondents (67%) agreed that succession planning process is affected by their personal need to protect the business's fortune, whereas only 40 (37%) disagreed to this. According to Le-Breton-Miller et al. (2004), the success of the succession process depends on the attributes of incumbent. It is suffice to say that the culture and legacy that incumbents build in the business, may outlast him/her. Le- Haverman and Khaire (2004), on the other hand, found that incumbents who had disillusioned perspective of the future role and are reluctant to give up on the leadership of the family business hinder the succession planning process.

Also those who struggled to let go of the management of the business and who had a disillusioned perspective of their future roles within the business, were inhibitor to the succession process.

The study also found that more than half of the respondents (59%) disagreed that succession planning is affected by the financial security, satisfaction, and enjoyment that come because of joining the family's business. On the contrary, a little 28% of the respondents agreed that was the case. Similarly, 63% of the respondents disagreed that succession planning is affected by the unexpected loss of potential successor(s), whereas only 11 (9%) agreed to this assertion. This result disagrees with assertions made from other several studies. Levenburg et al. (2003), for instance, found in their research how the unexpected loss of a candidate affects the succession planning process. Levenburg et al. (op cit.) further contended that sale of family firm becomes an option

when there is a loss of a potential successor, since incumbents lose their will to seek other potential successors.

Furthermore, Table 4.7 below shows that most of the respondents (69%) opined that succession planning is influenced by the skills, competencies, and experiences required of the successor. Again, the study found that nearly more than half of the respondents (59%) opined that lack of motivation and dissatisfaction of candidates affect succession. Similarly, De Massis et al. (2008) found in their study that there is a relationship between the lack of focus of successors to continue family involvement and lack of motivation/dissatisfaction of candidates. There is a clear indication that the success of family business depend largely on inclusion, commitment and involvement of the next generation.

Additionally, roughly 52% of the respondents were of the view that the success of their succession planning is affected by the ability of the potential successor and his/her willingness to take over. This finding agrees with Venter et al. (2005) research output that claims that the willingness of a successor to take over affects his/her ability to succeed. The general perception is that family members most often determine the ability of the potential successor. Nevertheless, successful succession planning process is unlikely to occur if there is little faith in candidates. Griffeth, Allen and Barrett (2006), on the other hand, developed a model to determine numerous factors that influenced the willingness of successors to take over family businesses. They concluded that the success of preparing the successor determines accordingly to three stages of development, namely, 'getting in', 'breaking in', and 'settling in'. Thus, if a successor is unable to successfully enter the business, gain experience and acceptance they may fail as potential leaders of the family business.

**Table 4.7: Factors that Affect Succession Planning in Family Businesses**

<b>Factors</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Total Response</b>
Succession planning process is affected by personal need to protect the business and its fortune	100(67.1)*	9(6)	40(26.9)	149(100)
Succession planning is affected by the financial security, satisfaction, and the enjoyment that come with joining the family business	41(27.5)	20(13.4)	88(59.1)	149(100)
Succession planning is affected by the unexpected loss of potential candidate	11(8.7)	36(28.3)	80(63)	127**(100)
Lack of motivation and Dissatisfaction of candidates affect succession planning process	83(59.3)	25(17.9)	32(22.8)	140(100)
The ability of the potential successor and his/her willingness to take over influence the succession planning	78(52.4)	44(29.5)	27(18.1)	149(100)
Succession planning is influenced by the skills, competencies and experiences required of family member	96(69.1)	7(5)	36(25.9)	139(100)

\*Percentages are in parenthesis

\*\*There were missing values;  $N = 149$

Source: Researcher's Field Survey (2015)

#### **4.4 Problems Encountered during Succession Planning Process**

The third research objective was to identify the problems family businesses in Ghana face during the succession planning process. Table 4.8 presents the responses on the problems respondents encounter during succession planning. As shown in the table, nearly all the respondents disagreed with the statements on problems encountered during succession planning. Thus, none of the index on the problems encountered during succession planning process was problematic to majority of the respondents.

Only few of the respondents indicated that conflict/rivalries/competition among family members (14%), stigma or negative sentiment presented from social/family context (19%), and intra-family communications (10%) were problems faced during the succession process. Others also indicated that sense of distrust in the successor's ability from other family members (7%), family members feeling their expectations were not met (8%), and family members not fairly assessed and evaluated (15%) were the problems they encountered during the succession process. This result from this study is not in accordance with similar studies (Kelley et al., 2000; Brockhaus, 2004; Le Breton Miller et al., 2004; Bruce and Picard, 2006; Wards, 2005; Atwood, 2007).

Many researchers have explored the problem rivalries, conflicts, and competition in the parent-child relationship has succession planning process. Venter et al. (op cit.), for instance, stated that family business succession is more of a process than an event, and the continued family members involvement is essential to its success. Therefore, any negative relationship within the family becomes a problem to the succession planning process. According to Ward (2005), in many South Arabian family businesses, relationship is a principal problem in family business succession. Atwood (2007) stated that two-thirds of family business owners report a good understanding of the amount of estate taxes due upon their deaths, while one in five have no estate planning at all. The



family in general determines the institutional values of family firms and when key managers are from the same family, their traditions, values and both verbal and non-verbal communications are established from a common source. Family relationships among the owners and key employees influence the business as a whole. These statements imply that bad relationship among members in the family business could be one of the problems encountered during succession planning.

**Table 4.8: Problems Encountered during Succession Planning Process**

<b>Problems Encountered</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Total Response</b>
Conflicts/rivalries/competition among family members	19(13.5)*	4(2.8)	118(83.7)	141**(100)
Negative sentiments and stigmatisation from family/social context during the process	28(18.8)	11(7.4)	110(73.8)	149(100)
Intra-family communication problems	13(10.4)	9(7.2)	103(82.4)	125(100)
Sense of distrust from members of the family in candidates' ability to succeed	9(6.6)	13(9.5)	115(83.9)	137(100)
Family members feel their expectations were unfulfilled regarding their role in the succession process	11(7.7)	19(13.3)	113(79)	143(100)
Family members are not fairly assessed and evaluated for succession	22(14.8)	16(10.7)	111(76)	149(100)

\*Percentages are in parenthesis

\*\*There were missing values;  $N = 149$

Source: Researcher's Field Survey (2015)

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATION**

#### **5.1 Introduction**

The aim of this current research study was to determine the succession planning measures among SME family businesses in Ghana. This chapter is divided into three (3) sections. The first section presents the summary of results of the research study. The second section gives the conclusions and whereas the last section suggest recommendations and areas for further research.

#### **5.2 Summary of Findings**

##### **5.2.1 Family Business Succession Planning Processes**

Results from the study showed that majority of the respondents (64%) interviewed had succession planning in place. Only 83 (36%) did not have succession planning in place. It was found that respondents' main motive for succession planning include business continuity and stability in the next generation (34%), maintaining of family legacy (15%), retaining of family control over the business (19%), growth and benefit for the next generation (10%), and creation of employment for family members (5%).

About 53% of the respondents had adequately prepared their potential candidates. Preparing a successor is important in carrying out an effective succession planning, which in turn gives the successor a clear view of the family goals and aspiration. It is comparative to conclude that succession planning is the main tool family businesses uses for business continuity and stability as indicated by most of the respondents.

A look into the succession planning process of family business revealed that only two (2) out of the five (5) succession planning process were practiced by majority of the respondents. These include the development of business case with clear vision that include succession planning (60%) and the identification of target roles and positions within the business (57%). There was a deficit in the remaining three succession planning process. Majority of the respondents (62%) rarely engaged in the determination of core competencies and skills of successors, developing and implementing a competency-based performance management process to determine potential successors (51%), as well as ensuring that those potential candidates are receiving sufficient development opportunities by reviewing the current and required training and development practise (64%). This finding on the succession planning process implies that many family businesses do not have a proper laid down procedure or process in their quest to pass the business into the next generation. In the researcher's opinion, these family businesses were focused on only developing a succession plan and identifying the roles and positions within the business that have to be filled. Adequate education on succession planning process is however important to help family businesses to effectively pass their businesses into the next generation.

### **5.2.2 Factors that Affect Succession Planning Process**

A descriptive analysis of the factors that affect succession planning in family business captured four (4) major factors that were indicated by the majority of respondents. It was observed that majority of the respondents (67%) agreed that succession planning process is affected by their personal need to protect the business' fortune from one generation to another. The attributes of the incumbent are essential to the successful

succession process. It is suffice to say that the culture and legacy that incumbents establish may outlast him/her.

Another factor captured by the study is the skills, competencies, and experiences required of the successor (69%), and lack of motivation and dissatisfaction of successors (59%). Other studies agree that there is a relationship between the lack of focus of successors to continue family involvement and the lack of motivation and dissatisfaction of successors. There is a clear indication that the success and longevity of SME family businesses relies largely on the inclusion, commitment and involvement of the next generation. Additionally, roughly 52% of the respondents were of the view that the success of their succession is affected by the ability of the potential successor and his/her willingness to take over. The general perception is that family members most often determine the ability of the potential successor. Nevertheless, if there is little faith in potential successors, a successful succession planning is unlikely to occur.

### **5.2.3 Problems Encountered during Succession Planning Process**

Outcome of the study revealed that none of the index on the problems encountered during succession planning process was problematic to majority of the respondents. Nearly all the respondents disagreed with the statements on problems encountered during succession planning. Nevertheless, only few of the respondents indicated that conflict/rivalries/competition among family members (14%), negative sentiment or stigma from family/social context (19%), and intra-family communications (10%) were problems faced during the succession process. Others also indicated that family members' sense of distrust in the successor's ability (7%), family members feeling their expectations were not fulfilled (8%), and family members not fairly assessed and evaluated (15%) were the problems they encountered during the succession process.



### **5.3 Conclusion**

Theoretically, this study has provided some empirical evidence on the succession planning measures of SME family business in Ghana. It is evident that majority of the SME family enterprises in Ghana have succession planning in places. Although successors are said to help family business for longevity in the next generation, some portion of the family business in the country did not often train them. However, it was revealed that nearly not all of them have devised a procedure or process to appoint a successor. Only few of them had a proper laid process to transfer their business to a successor. The study also concludes that succession planning among most family businesses in Ghana is influenced by the personal need to protect the business' fortune, skills, competencies, and experiences required of successors, lack of motivation and dissatisfaction of successors, and ability of the potential successor and willingness to take over among others.

### **5.4 Recommendations**

The researcher has made several recommendations that are aimed at improving the succession planning measures of family businesses in Ghana. This would be achieved through the following measures:

1. Since there was no rigorous succession process laid down the family business, it is therefore recommended that small-scale family enterprises should adhere to the model of succession planning process in order to survive in the next generation.
2. Small and medium family business should provide a baseline for determining core competencies and skills of their prospective successor. This is because the study has revealed that determining core competencies and skills in the

succession planning process appear to be least practiced by most of the family businesses interviewed.

3. The study also found that most of the respondents did not adequately prepare their successors. This could hinder the success of the succession planning, which as a result affects the business' future. The study recommends that incumbents should ensure that potential successors are receiving sufficient career development by reviewing the current and required training and development practices. This will prepare the successor to be well abreast with the goal and aspiration of the business.
4. It suffices to say that small and medium enterprise (SME) family businesses in Ghana play a substantial role in the sustainability of the country. Therefore, their existence into the next generation should be a concern to the government. Public education programme for family firms on succession planning measures by governmental agencies and the ministries can come in handy.
5. One of the limitations of this study was its scope. It was limited to only a small portion of Ghana (Ashanti Region). The study recommends that the government as well as non-governmental agencies and other researchers to carry out nation-wide study on this subject matter to help understand the importance of succession planning.

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## APPENDIX

### KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY QUESTIONNAIRE FOR RESPONDENTS

Dear Respondents,



I wish to introduce myself to you as a Master of Business Administration (MBA) student of the School of Business, Kwame Nkrumah University of Science and Technology. As part of the programme, I am required to write a thesis whose title is ‘Succession Planning Measures of SME Family Business in Ghana’. I would be most grateful if you could please spare some few minutes of your precious time to answer all the questions before you. You are assured that all the data/information you provide would be treated with utmost confidentiality. I thank you in advance for your cooperation.

**Date:** .....

**Instruction: Please tick in the most appropriate box (✓) or write briefly where necessary**

#### **Section A: Socio-Demographic Characteristics of Respondents**

1. What is your gender?  
(a) Female [ ] (a) Male [ ]
2. What is your educational qualification?  
(a) Basic education [ ] (d) No formal education [ ]  
(b) Secondary education [ ] (e) Other (specify) .....  
(c) Tertiary education [ ]
3. How many years have you been working in the family business?  
(a) Below 5 years [ ] (c) Above 10 years [ ]  
(b) 5-10 years [ ]
4. How many family members are currently involved in the management of this business?

#### **Section B: Succession Planning Processes of Family Business**

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?

9. To what extent would you rate your engagement in the following process of succession planning?

- (a) To what extent do you develop a business case with clear vision that include succession planning

Lesser Extent

Longer Extent

1 2 3 4 5

- (b) To what extent do you identify target roles and positions within the business

Lesser Extent

Longer Extent

1 2 3 4 5

- (c) To what extent do you provide a baseline for determining the core competencies and skills of your successor

Lesser Extent

Longer Extent

1 2 3 4 5

- (d) To what extent do you identify high-potential candidates through the development and implementation of a rigorous competency-based performance management process

Lesser Extent

Longer Extent

1 2 3 4 5

(e) To what extent do you ensure that potential successors are receiving sufficient career development by reviewing the current and required training and development practices

Lesser Extent

Longer Extent

1

2

3

4

5

### Section C: Factors that Affect Succession Planning in Family Businesses

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 if you agree or disagree with the statements.

10. Is your succession planning process affected by your personal need to protect the business' fortune from one generation to another?

.....  
 .....

11. Do the financial security, personal satisfaction, and the enjoyment that come with joining the family business affects successors' potential to join the business?

.....  
 .....

12. Does the loss of potential successor affect your will to seek other successors?

.....  
 .....

13. Does lack of motivation and dissatisfaction of potential successors affect succession planning process?

.....  
 .....

14. How does the ability of the potential successor and his/her willingness to take over influence the succession planning of the business?

.....  
.....

15. Does the business take into account the skills, competencies and experiences required of family members?

.....  
.....

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

.....  
.....

**Section D: Problems Encountered During Succession Planning Process** Many family businesses encounter problems during their succession planning. Please indicate whether you encounter the following challenges during your succession planning process.

17. Do you face the problem of conflicts/rivalries/competition among family members to take over the business?

.....  
.....

18. Do you face the problem of negative sentiment or stigmatisation from you family/social context during your succession planning process?

.....  
.....

19. Is there an intra-family communication problem? Is communication within family members reliable as communication between strangers?



.....  
.....  
20. Do you face a problem posed by other family members with regard to their sense of distrust in the successor's ability?

.....  
.....  
21. Do family members feel their expectations were not fulfilled regarding the role they play in the succession planning process in general?

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

.....  
.....  
23. Please what other problems apart from aforementioned do you encountered during your business succession planning?

.....  
.....

**Thank you for your time!**

