



# **THE ROLE STRATEGIC SUCCESSION PLANNING ON FAMILY BUSINESSES (CASE SOME SELECTED COMPANIES IN MOGADISHU – SOMALIA)**

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## **ABSTRACT**

*This study investigated the role of succession planning on family businesses. The objective of this study is to determine building competencies on family businesses, to assess leadership development on Family Businesses, and to evaluate Training and Experience of the Successor on Family Businesses to achieve the objectives of this study. Data was collected from 80 employees of Tamar general trading company, wehliye group and baalgorey companies in Mogadishu – Somalia. For data analysis, researchers managed correlation research design to test the role of succession planning on family businesses and relationship between variables by using SPSS software, also descriptive analysis such as frequency and percentage used to analyze the characteristics of respondents. As a result of the analysis, the study result revealed that all the dimensions of – succession planning (building competencies, training and experience of the successor and leadership development) has a positive correlation with Family businesses.*

*In conclusion, such positive implied that if family organization make planning for their future for building successor competencies, give training and experiences and leadership development will succeed for future and will be improved. In Recommendations the researcher suggested there is need for future research a proportionate stratified random sample is used to compare several public sector institutions using a larger sample. There is a need to establish good succession plan methods that can make easy Somali organizations to maintain generation to generation businesses.*

## **1. INTRODUCTION**

Strategic planning on the other hand is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future (Murangiri, 2011).

Succession planning is a strategy of workforce planning. A family business is a company that two or more members of the same family own or operate together or in succession (Rodrigo, 2013).

### **1.1. Statement of problem**

A study (Baldwin, 2005) on the Strategy of Succession Planning indicates that succession planning plays a major role in the companies' strategic planning. Succession planning is not only for Chief Executive Officers (CEOs) but also for all key positions. Also Alternative study by Mwaniki (2010) on Family ties in entrepreneurs' social networks and new venture success indicated that the mode and the strategies employed to

facilitate the trans-generational transition of ownership and control have been observed to have a significant influence on the survival and performance of family businesses.

The previous studies have not brought out the role of strategic succession planning on family owned businesses. It is in this light that this study sought to understand why most family owned businesses do not survive for very long and if there was any strategic succession planning in these businesses. The study sought to answer the following research question; what is the role of succession planning on family businesses in Mogadishu Somalia?

### **1.2. General Objectives**

The general objective of the study will be the role strategic of succession planning on family businesses in Mogadishu Somalia



### 1.3. Specific Objectives

- 1) To determine building competencies on family businesses
- 2) To assess leadership development on Family Businesses
- 3) To evaluate Training and Experience of the Successor on Family Businesses

### 1.4. Research Questions

- 1) What are building competencies of family businesses?
- 2) How to assess leadership development Family Owned Businesses?
- 3) How evaluate Training and Experience of the Succession Family Businesses?

### 1.5. Justification

The study has great benefit to many individuals, businesses and families in general. The following benefit from the study.

Family owned businesses greatly benefit from information on how strategic succession planning affect the family owned businesses and strategies to adopt to sustain these businesses to the next generation.

The family business investors benefit from the knowledge of the challenges that awaits family owned businesses that do not embrace strategic succession planning for the future generation and be in a better position to make appropriate decisions.

This promote and encourage the growth and development of small and medium family owned enterprises.

### 1.6. Scope

The study focused on the Role of strategic succession planning on family business. The population of the study comprised of the large family owned businesses in Mogadishu, Somalia.

## 2. LITERATURE REVIEW

### 2.1. Leadership Model Succession

Leadership Model Succession Theory proposes that to ensure leadership succession is in place, the company should maintain redundancy in management structure to maximize coverage, plan ahead for retiring executives by appointing a successor before the current leader leaves, groom selected internal candidates by allowing them to shadow the current leaders and finally prevent conflict by making leadership changes swiftly (Ibrahim, A., Soufani, K., & Lam, J., 2001).

Successful businesses have the potential to survive their founders. Businesses structured as corporations, nonprofits or cooperatives have trajectories that are related to, but separate from, the people who found them. Business succession is the process of figuring out how a company will continue to

operate after its founders or leaders are no longer actively involved. Because leadership styles and models differ widely, succession models also vary based on the way an organization has been managed (Bjuggren, P., & Sund, L., 2001).

### 2.2. Building Competencies successor

This is a complicated area involving a number of interconnected issues, including confidence and trust in the ability of others to assume leadership roles and responsibilities, resolution or delegation of conflicting duties, and the ability to make the personal sacrifices required in order to “learn the business” (Kelly, 2008).

they must get involved in corporate policy and strategy as integral members of the Board of Directors or advisory team. In this way, they become highly aware of the business needs and competencies required in the critical positions (Lewis et.al, 2007)

### 2.3. Leadership and Development successor

The identified successor can assess different values and cultures, and new mentors and innovative ideas and finally incorporate those experiences back into the family organization (Besson&Haddadj, 2002).

According Paula Danskin English A programme to foster the personal development of potential successors should be initiated early, enabling evaluation of their abilities and – looking ahead – their suitability for leadership The resulting personal development plan acknowledges the attributes and skills that potential successors already possess

### 2.4. Training and Experience of the Successor

The professionalization of the management in family firms starts with family members themselves. The simple fact of being member of the family should not be sufficient for joining the company. Professionalism is expected to reach higher levels among family members when they increase their training and experience (Aronoff, 1998).

Successor’s limited experience is a predecessor’s most serious concern (Neubauer, 2003). Venter et al. (2005) found that a successor’s significant external preparation has a positive influence on the performance of the family firm.

Successors must also participate in the company as soon as possible to gain experience and commitment to the business because early contact enables them to familiarise themselves with the business, its culture and values, and its employees (Pyromalis and Vozikis, 2009; Le Breton-Miller et al., 2004; Lambrecht, 2005).

### 2.5. Family business

According to Chrisman, Chua and Sharma (2008: 188) family-owned businesses are administered with the intention of



pursuing and shaping the vision of the business which is controlled by members of the same family.

According to Ibrahim and Ellis (2004:5) family-owned business can be defined in terms of the following criteria: at least the business should be managed by two members of the family, a single family should own at least 51% of the business.

### 2.6. Conceptual framework

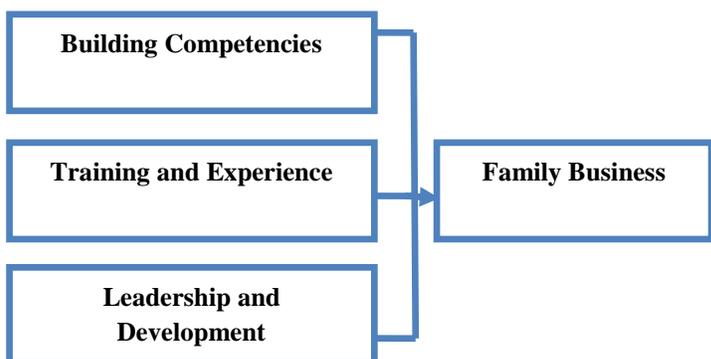


Figure 2.1 Conceptual framework

### 3. METHODOLOGY

The population of the study is 100 consisted of some family owned businesses in Mogadishu Somalia sample size measures number of individuals select 80 respondents from the strata of top management, business owners of these family owned businesses and other relevant middle level managers and low level managers and study used questionnaires as data collection instrument, which solicited primary personal and business data from respondents

There is an equal chance of selection into the sample as the method forms part of probability sampling technique. Slovenes formula

$$n = N / (1 + (N * e^2))$$

Where n= Sample frame,

N= sample size, and

e= margin of error of 5%.

$$n = 130 / (1 + (100 * 0.0025)) = 80.$$

### 4. RESEARCH FINDINGS AND DISCUSSION

This section of the study presents the background information of the research respondents those who participated in the study. From data collected out of 80 questionnaire administered, 80 were filed and returned 100% response rate.

#### 4.1. Descriptive of statistics

The study sought to establish the demographic data of the respondents. The researcher begun by a general analysis on the demographic data obtained from the respondents which

included; the gender, age, education, This research targeted 80 participants in regard to establishing the role strategic succession Plan on family business in Mogadishu and 80 questionnaires were generated

#### 4.1.1. Response of gender distribution

Above (59) 73.8% of the respondents were male, (21) 26.3% of them were female so most of respondents are male.

#### 4.1.2. Response from Age distribution

Respondents were asked questions to indicate their Ages in the questionnaire and the offered choices classified the age into four parts. Part one was intended for those whose below-30 years age , they were 33 which means (41.3%), the second part was for those who are in between 30-40 years, they were 31 which means (38.8%), third part whose 40-49 years, they were 10 which means (12.5%), fourth part whose above 50 years they were 6 which means (7.5%), therefore implies, that majority of the respondents were those who are below 30 years.

#### 4.1.3. Response from education distribution

33.8% of the respondents were master degree, 16.3% were degree, 12.5% diploma and tertiary education 20% and others were 17.6%.

#### 4.1.4. Response from job position

56.3% the of the respondents were Top management, 27.5% of them were middle management level 16.3% the respondent were operational management level

### 4.2. DATA ANALYSIS AND PRESENTATION

#### 4.2.1. Building competencies

first dimension of independent variable of this study. The first question of this dimension is the family business managers encourages successor to differ with the options set related to work.. The respondents' answer was with high mean (3.62). The second question is, there are open channels of communication with managers about ordering work required for successor.. The respondents' answer was with mean (3.66). The third question of this dimension is the successor considers the challenges facing his work as his own challenges. . The respondents' answer was mean of (3.70). The fourth question of this dimension staying at family business means scarifies of some job alternatives. The respondents' answer was the with mean (3.57). And fifth question is successor moral commitment towards his colleagues drives The respondents' answer was the with mean (3.55).The average mean of this dimension was (3.62) meaning that respondent's judgment were agree this table obviously shows that the most participants of that research were positive.



#### 4.2.2. leadership and development

Second dimension of independent variable of this study, the first question of this. more successful process before the transition. The respondents' answer was the mean (3.362). The second question of this dimension. Initiating transition of leadership. The respondents' answer was the mean (3.75). The third question of this dimension. Family participation in leadership transition questions. The respondents' answer was the mean (3.825). The fourth question of this dimension is self-efficiency leadership transition.. The respondents' answer was with the mean (3.63) and fifth question of dimension is ability to assume leadership the respondents' answer was with the mean (2.83) The average mean of this dimension was (3.68) meaning that respondent's judgment were agree this table obviously shows that the most participants of that research were also positive.

#### 4.2.3. Training and Experience

Third dimension of independent variable of this study. The first question of this. successor lead the people and manage them before succession. The respondents' answer was the mean (3.650). The second question of this dimension. sucesor work to understand underlying problems or does react symptoms. The respondents' answer was the mean (3.237). The third question of this dimension. the successor been allowed to make important decisions before succession. The respondents' answer was the mean (3.26). The fourth question of this dimension is the vission and strategy of organization are share to successors.. The respondents' answer was with the mean (3.987) and fifth question of dimension is Education and personal training are to be determine during succession The respondents' answer was with the mean (3.3).The average mean of this dimension was (3.484) meaning that respondent's judgment were agree this table obviously shows that the most participants of that research were positive.

#### 4.2.4. Family Business

fourth dimension and its dependent variable of this study. The first question of this. Family member who has been identified as the next business leader. The respondents' answer was the mean (3.42). The second question of this dimension. Plan to fund the retirement of the senior generation. The respondents' answer was the mean (3.11). The third question of this dimension. strategic plan been communicated to family members, staff and advisers. The respondents' answer was the mean (3.12).

The fourth question of this dimension is plan or process in place to develop the next generation.. The respondents' answer was with the mean (3.025) and fifth question of dimension is formal process to review each person's contribution to the business The respondents' answer was with the mean (3.13).The average mean of this dimension was

(3.156) meaning that respondent's judgment were agree this table obviously shows that the most participants of that research were positive.

#### 4.3. CORRILATION

Correlation analyze among the variable. The first objective of this study was building competencies. The study found positive relationship between building competencies on family businesses at ( $r=.949$  and  $p>0.01$ ). The second objective of this study was to leadership development Family on family businesses. The study indicated positive relationship at ( $r=.960$  and  $p>0.01$ ). The third objective of this study was Training and Experience of the Successor in on family businesses and the result showed positive relationship at ( $r=.984$  and  $p>0.01$ ) Correlation.

#### 5. MAJOR FINDINGS

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The average mean of this dimension was (3.62) meaning that respondent's judgment were agree this table obviously shows that the most participants of that research were positive. leadership development Family and family businesses the second objective of this study was to leadership development Family on family businesses. The study indicated positive relationship at ( $r=.960$  and  $p>0.01$ ).the average mean of this dimension was (3.68) meaning that respondent's judgment were agree Training and Experience of the Successor. the third objective of this study was Training and Experience of the Successor in on family businesses and the result showed positive relationship at ( $r=.984$  and  $p>0.01$ ) Correlation.The average mean of this dimension was (3.484) meaning that respondent's judgment were agree

Finally, the study found has positive relationship with all dimensions of Leadership development Family and family businesses, Building competencies and family businesses and Training and Experience of the Successor and family businesses.

#### 5.1. CONCLUTION

Finally, the study found has positive relationship with all dimensions of Leadership development Family and family businesses, Building competencies and family businesses and Training and Experience of the Successor and family businesses.

#### 5.2. RECOMMENDATION

The limitations have contributed to the lack of arriving at many strongly statistically proven findings and conclusions. For future research the following suggestions should be:



1. There is need for future research a proportionate stratified random sample is used to compare several public sector institutions using a larger sample.
2. There is a need to establish good succession plan methods that can make easy somali organizations to maintain generation to generation businesses.

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