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DYNAMICS OF SUCCESSION PLANNING STRATEGIES FOR SUSTAINABILITY OF SMALL TO MEDIUM ENTERPRISES IN KAROI URBAN, ZIMBABWE

AIDHA KAMUPINI¹ COLLEN KAJONGWE² AND NOTHANDO MSIPAH³

Abstract

The major objective of the study is to assess the effectiveness of succession planning strategies for Small and Medium Enterprises (SMEs) sustainability. The study is guided by the Game Theory of Succession Planning. Mixed method approach affixed on Pragmatism research Philosophy anchors this study. The population of the study were all 40 registered furniture manufacturing SMEs in Karoi urban. However, using Raosoft sample size calculator with a 5% margin of error and 95% confidence level, the sample size reached was 37 owner-managers of the SMEs. Quantitative data were uploaded on SPSS Version 21 and analysed using descriptive statistics and correlations. Qualitative data were also analysed thematically and graphically presented in cloud format using NVIVO version 29. Major findings of the study show that succession planning plays a pivotal role in the transfer of relationships and strategic direction, it also ensures the seamless transition of relationships cultivated by key personnel in and organisation. In proactively preparing for transitions, SMEs can avoid the negative impact of unexpected personnel changes on business operations. However, SMEs need to adopt and implement succession planning policies in place to achieve objectives. Leadership vacuums in fostering a culture of growth need to research for SMEs sustainability.

Keywords: succession planning, sustainability

INTRODUCTION

Succession planning is an essential part of doing business, no matter how certain the future of the company appears. According to Suh, Yun-Hee and Park (2018), succession planning prepares the company and the employee

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for future needs. Thus, matching of employees' talents to current needs and training them for future responsibilities creates a cycle of anticipated growth and goals. A good succession plan maps out that employees are ready for new leadership roles as they become available and when one employee leaves or is promoted to the next level, another employee is already trained and ready to step in where they are needed. Managing the transition of a business from one generation to the next is a difficult process to navigate.

BACKGROUND OF THE STUDY

Small and Medium Enterprises constitute 90% of world businesses (Bocatto, Gispert and Rialp, 2022). SMEs significantly contribute to employment generation, creation of wealth, international trade, innovation, foreign direct investment and social-economic wealth (Suh, Yun-Hee and Park, 2018). For instance, literature documents that in the United States of America (USA), SMEs contribute 70% of growth domestic product (GDP) and provide 60% of job creation (Bocatto *et al.*, 2022). A similar pattern is observed in OECD economies where 95% of registered businesses are categorised as SMEs. These SMEs generate 60% to 70% of total employment (Bocatto *et al.*, 2019). The same pattern is observed in the Asian region where 98% of registered businesses are SMEs and those contribute to the GDP approximately 17% to 20% in low-income and 40% to 50% in high-income countries (Branco and Rodrigues, 2018). In Zimbabwe, there are 2,8 million SME owners employing 2,9 million people (Ministry of Women Affairs, Community and SMEs Development, 2022). Muranda *et al.* (2017) reveal that 5,7 million people in Zimbabwe are dependent on the SMEs, sector contributing more than 60% to the GDP). This signifies the importance of the sector to economic development and, therefore, warrants investigation on succession planning for business continuity.

In the last decades, small business conditions have changed drastically (Abdullahi *et al.*, 2021). SMEs are now promoting a culture of learning and development to improve their human resources and to create a competitive edge through succession planning. Management succession planning is critical to ensure that the stock of human abilities can collectively yield a full stream of services which are required over a long period and, therefore, providing income for both the individual and the organisation (Kiwia *et al.*, 2020). Succession planning is a human development technique that can develop future leaders of the organisation and encourage employees to

participate in learning and development opportunities (Breton-Miller, Miller and Steier, 2020).

Most research assumes that businesses, SMEs included, pursue sustainability through carefully planned and executed strategies (Magasi, 2016). A succession planning business strategy concept is researched by various scholars for sustainability of large corporations, yet there remains a lacuna on the small enterprises. Of the studies conducted in various global settings, Magasi's (2016) research findings in Canadian SMEs discovered that the integration of planned succession planning and emergent strategy making can enable small firms to align core business objectives with sustainability goals while building community relationships to access new resources. Abdullah *et al.* (2018) analysed succession planning in Malaysia and found out that there is a positive relationship among succession planning, successor attitudes and succession dilemma. In a study conducted in Asia, Wanjohi and Mugure (2018) note that the willingness of a potential successor to step into the lead management role, or become the new owner, of the family business, could have an effect on the positive business transition. In Africa, Gumbo *et al.* (2017) investigated the role of succession planning on survival of SMEs in Kenya, Egypt, Cameroon after retirement or death of the first-generation entrepreneurs and found out that capability of the successor had the greatest effect on the survival of SMEs

However, according to Klein (2020), a serious problem facing SMEs is working with or hiring family members in their business. Klein (*ibid.*) reports that some SMEs have no clear specifications regarding who oversees daily operations and as a result, potential for conflict is created. At other times, relatives may be hired, but they may not have the necessary job skills. However, the outcomes of the research done by diverse researchers shows that SMEs in Zimbabwe lack experience in business conduct (Chipunza, 2020; Muranda, 2020; Majoni, 2020; Manuere, 2020; Mudavanhu *et al.* 2020; Nyamwanza, 2020;). Results of the studies show that lack of general knowledge on business management is a major source of SMEs failure in Zimbabwe (Mudavanhu *et al.*, 2020). A management void is left in most of the studies on SMEs in the country.

Management practices exhibited by entrepreneurs in the SMEs have a strong influence on the general performance of a firm, concerning improved financial inflows, staff motivation and public relations (Mattare and

Monahan, 2020). Management skills are critical to the success of an enterprise. Poor management skills in SMEs in Zimbabwe are recognised as an acute problem (Mudavanhu *et al.*, 2020). Managerial deficiencies are therefore a key factor in the failure of SMEs internationally (Holston and Kleinner, 2015). The studies reveal that most SMEs do not follow formal succession procedures and practices. It is evident that existing succession planning practices are not systematic and lack consistency as these practices are based on the understanding of owners or managers who have little or no experience in the subject matter (Manuere *et al.*, 2012). In this regard, it, therefore, estimated that the SMEs failure rate in developing nations are between 70% and 80% in the first five years of establishment (Chrisman, Chua and Litz, 2017). This has left a void in literature pertaining to the effectiveness of succession planning strategies to enhance SMEs sustainability that this study is filling in the context of Zimbabwe.

STATEMENT OF THE PROBLEM

The SMEs industry in Zimbabwe is not sustainable and productive as hoped by United Nations Sustainable Development Goals (SDGs) all of which are not easily realised. In Zimbabwe, 60% of SMEs fail in the first year of establishment, while 25% fail within the first three years and the remaining 15% are likely to survive (SEDCO, 2020). A serious problem facing SMEs in Zimbabwe is working with or hiring family members in their business where some SMEs have no clear specifications regarding who is in charge of daily operations and, as a result, potential for conflict is created leading to the demise of the business. In Zimbabwe, 60 % of SMEs suffer a high business mortality rate due to lack of succession planning management (EOI, 2021). The problem of succession planning management is high in Zimbabwe where SMEs owner/managers have an indispensable disposition and key man mentality. Some of them seem to overrate their abilities, thereby making it difficult, if not impossible, for them to plan for effective succession in good time. However, this study seeks to assess the effectiveness of succession planning strategies for SMEs sustainability in Zimbabwe.

THEORETICAL FRAMEWORK

The study was guided by the Game Theory of Succession Planning (Neumann, 1940). The Game Theory is an attractive option for understanding SMEs management succession because it effectively analyses decisions and factors underlying them, when the outcome of the decision processes depend directly on choices made by more than one decision-

maker. The theory accounts for situations in which choices made by different actors are interdependent or when one person's best choices are influenced by the actions/decisions of others. Under such conditions, the theory allows for a more sophisticated and insightful analysis, since the decisions of individuals are properly analysed as interdependent choices, as opposed to choices made in isolation (Davis and Holt, 2018; Kagel and Roth, 2019; Chakravarty *et al.* (2019). Building on this stream of work, the Game Theory views management succession as a set of rational choices made by individuals (e.g., founders/CEOs and potential successors) about a firm's future leadership, with predictable information about their own outcomes resulting from those choices (e.g., choose a particular successor, choose not to be involved with the firm). By identifying the actors directly involved in a firm's succession, estimating their payoff functions and identifying their possible strategies, the theory provides a platform for understanding the intricacies of succession processes and events.

RESEARCH METHODOLOGY

The study is underpinned by the mixed method research approach guided by the Pragmatism Research Philosophy. The study is also guided by the Game Theory of succession planning. Mixed method approach affixed on Pragmatism research Philosophy also anchored this study. The population of the study were all 40 registered furniture manufacturing SMEs in Karoi urban. However, using Raosoft sample size calculator with a 5% margin of error and 95% confidence level, the sample size reached was 37 owner/managers of the SMEs. Quantitative data were uploaded on SPSS Version 21 and analysed using descriptive statistics and correlations. Qualitative data were also analysed thematically and graphically presented in cloud format using NVIVO version 29. Due diligence to ethical considerations for respondents and participants was done where informed consent, no harm for participants and confidentiality was adhered to.

LITERATURE REVIEW

THE EFFECTIVENESS OF SUCCESSION PLANNING STRATEGIES FOR SMEs SUSTAINABILITY

A successful succession planning strategy means acceptance of an agreed-upon process and effective board of governance throughout the lifetime of a company (Hnatek, 2022). The fundamental business strategy is determined through formalisation of mission and vision statements built on strong organisational values and culture. Each phase of the succession planning

model must be completely analysed and debated. Hnatek (*ibid.*) adds that the strategy must be developed alongside suitable business cases and must be balanced with constant organisation-wide planning. Input from independent sources in the form of board advisors or professional business coaches is highly recommended so that family members can gain an in-depth understanding of the qualifications required of a successor candidate. The end result is the mobilisation of all employees to form synergy and organisational continuity mind-set.

While planning the succession or generational management transition, owners or managers often neglect the important aspect of generational transition, the cognition and emotional transition of successor (Gephardt, 2018). One of the inherited parts of succession is the leadership transition (*ibid.*). It takes several years to prepare the next leader to take over but it is realised at the exit of the incumbent from the business (Gonzalez *et al.* 2019). Therefore, anticipation and preparation of emotional and cognitive aspects of the successor are very important (*ibid.*). Lefebvre and Lefebvre (2016) found out that being a leader of the next generation includes preparations, anticipation and management of the hardships that may occur while the transition process.

Researchers examined the role of change management strategy in succession planning and preparation by the incumbent. Hiebl (2022) conducted a study on effective change management techniques and asserted that preparing SMEs members for succession planning is critical for business survival. Some SMEs employees are resistant to change, potentially because of the incumbent's inability to provide inspiration, motivation and mentoring activities. To make improvements for succession planning, the incumbent must communicate effectively with the family member successor.

Researchers have also considered the coaching and mentoring succession planning strategy as an impetus to enhance SMEs sustainability. Klein (2021) conducted a study on leadership training for SMEs in Nigeria and stressed the significance of mentoring and coaching activities to enhance succession planning in small family businesses. Unlike the traditional learning process, coaching and mentoring could enhance employees' skill sets via active learning sessions (*ibid.*). Agwu and Luke (2020) found that coaching and mentoring could enhance relationships and develop better employee performance skills in SMEs in Ghana. Business owners should

pursue this learning process to create potential candidates for leadership, provide longevity for the business and increase competitiveness.

Ali and Mehreen (2018) say that selecting the right person for the job and having a close relationship has the most significant impact on succession planning activities. Klein (2021) confirms a positive correlation between succession planning and performance, which enables the business owner to assess the smoothness of the transition process. Thus, there is a strong empirical basis for arguing the importance of an effective transition of leadership. Researchers have sought to quantify these effects.

Succession planning can help businesses avoid risks (LeCounte, 2020), transfer knowledge which can be a source of competitive advantage (Ali and Mehreen, 2018; Garcia-Almeida, 2021), ensure successors are prepared for their new position (Barach and Ganitsky, 2015; Stavrou, 2018), transfer relationships and strategic direction (Kesner & Sebora, 2016), provide family businesses with the processes, knowledge and structure for identifying internal capacity and provide an opportunity for change (Barnett and Davis, 2018; Berman and Coverly, 2019).

Onyeukwu and Jekelle (2019) investigated leadership succession and sustainability of small family-owned businesses in Anambra, South East Nigeria. The study employed the survey research design, carried out in Onitsha and Nnewi, two commercial and industrial hubs in Anambra State. The findings reveal that mentoring and human capital development have significant influence on sustainability of small family-owned businesses. The study, therefore, recommends that family business owners should identify successors early and adopt mentorship as a process to equip the successors.

Cho, Limungaesowe and Vilardndiisoh (2018) examined the effect of succession planning on family businesses in Cameroon to be able to advice stakeholders involved in family businesses on how to carry out succession planning issues. They found that, even though, family businesses are at the centre of economic wealth and job creation of most economies, including that of Cameroon, unfortunately, most of these businesses always collapse, especially when the founder dies. The study found that succession planning has a significant effect on the sustainability of family businesses in Cameroon and that the readiness of the successors to take over the

businesses from the founders has a significant effect on the succession planning process and subsequently on the sustainability of family businesses.

On the contrary, weak succession planning puts the whole business at some serious risk of either discontinuity or handing over the business to an outsider. Duh (2022) declares that succession failure is a severe backlash for any family business. Poza and Daughter (2022) consider an effective succession plan as key to continuation of the business. It was further discovered that a well-documented organised, unbiased succession plan can help in sustaining the family business over a longer period. Similarly, Stadler (2022) regards effective succession as continuity of the business.

RESULTS

Both descriptive, inferential statistical and themes in cloud format outcomes are unveiled in this section for study results.

RESPONSE RATE

In this study, 20 structured questionnaires were administered for quantitative data, whereas 17 were administered for qualitative data. Of the structured questionnaires administered, only 15 were successfully conducted, translating to 75% response rate for quantitative data. In addition, only 10 interviews were conducted, translating to 59% of qualitative data. Overall, the study response rate was 73% signifying the importance of the matter to respondents.

DESCRIPTIVE STATISTICS

SCALE RELIABILITY TEST

The primary aim of conducting a scale reliability test is to gauge the internal consistency of the scale items. This test assesses the reliability of the measurement items in producing consistent results when administered repeatedly (Rogers, 1995). In this study, various constructs are measured using multiple scales, all of which are subjected to the scale reliability test. If the test is unsuccessful, it suggests confusion or misunderstanding among respondents regarding the items, resulting in inaccurate measurement scales. The scale reliability tests were performed on the independent variable, mediator and four moderators, all measured using 5-point scales. The outcomes of the scale reliability test are presented in the subsequent sections.

SUCCESSION PLANNING STRATEGIES

An extensive assessment of the Succession Planning Strategies (SPS) construct, the initial independent variable, was carried out using a reliability test. The SPS construct consists of six distinct items and their detailed results are documented in Table 1, providing a comprehensive account of the reliability assessment.

Table 1: Reliability results for Succession Planning Strategies

Reliability Statistics					
Cronbach's Alpha		Cronbach's Alpha Based on Standardised Items		N of Items	
0.949		0.949		6	
Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Succession management	19.72364	26.084	0.833	0.708	0.941
Work force planning	19.60364	25.861	0.824	0.697	0.942
Strategic planning	19.61455	25.428	0.850	0.738	0.939
Training and development	19.44000	25.284	0.887	0.802	0.934
Talent management	19.58545	25.988	0.845	0.723	0.939
Reward management	19.59636	25.782	0.823	0.690	0.942

As shown in Table 1, the maintained items resulted in a Cronbach's alpha of 0.949, surpassing the suggested threshold of 0.70, indicating strong internal consistency based on Hair *et al.*'s (2011) guideline. The corrected item-total correlations, ranging from 0.823 to 0.887, comfortably exceeded the acceptable threshold of 0.30, indicating effective measurement of the shared construct in accordance with Pallant's (2016) recommendations. Moreover, squared multiple correlations, spanning from 0.690 to 0.802, further support the construct's validity.

THE EFFECTIVENESS OF SUCCESSION PLANNING STRATEGIES FOR SMES SUSTAINABILITY IN KAROI URBAN ZIMBABWE

Table 2: The effectiveness of succession planning strategies used by furniture manufacturing SMEs

Items	Mean	SD
Organisational improvisation moderates the relationship between succession planning strategic flexibility and sustainable business	1.229	0.052
Mentorship and coaching can help to sustain income and support expenses	1.984	0.033
Capacity building and talent development provides family business with processes and capacity for change and avoid risks	1.228	0.155
Procedural approach can control conflict through stewardship, leading to organisational sustainability	1.414	0.080
Ownership transfer translates to strategic orientation of the organisation	1.977	0.104
Diversification of talent management increases expertise and innovation, leading to a competitive edge in the business arena	1.427	0.060
Investment in internal talent ensure a conducive environment for growth subsequently increases organisational citizenship	1.655	0.067
Succession planning performance review hinges on entity flows and calls for action to rectify, leading to positive output	1.176	0.125
The succession planning system provides strategic insights that drive many talent management strategies within the company.	1.228	0.048

As presented in Table 2, succession planning, a strategic initiative aimed at ensuring seamless transitions in leadership positions, has emerged as a critical consideration for the sustained success and growth of SMEs in various contexts. Within the landscape of SMEs in Karoi urban, the importance of succession planning is vividly underscored by the insights gleaned from Table 2, which highlight a multitude of compelling values associated with this practice. These insights collectively illuminate the far-reaching impact of succession planning on SMEs and provide a nuanced understanding of its multifaceted significance.

One of the pivotal roles that succession planning plays in SMEs is the transfer of relationships and strategic direction. As depicted in Table 2, effective succession planning ensures the seamless transition of relationships cultivated by key personnel. In a small business environment, where personal connections and institutional memory are integral, this aspect becomes particularly crucial. Via thoughtfully transferring relationships and

aligning leadership transitions with the organisation's strategic vision, SMEs can maintain stability and prevent disruptions.

A cornerstone of succession planning is its ability to identify and prepare future leaders, thereby addressing potential leadership gaps. The insights from Table 2 illuminate the fact that a well-structured succession plan aids in the identification of future leadership. This forward-looking approach ensures that a pipeline of skilled individuals is nurtured and ready to assume pivotal roles, reducing the risk of leadership vacuums and fostering a culture of growth and development within the organisation.

Furthermore, the insights shown in Table 2 emphasize that succession planning goes beyond immediate leadership concerns to mitigate risks associated with employee departures or promotions. In proactively preparing for transitions, SMEs can avoid the negative impact of unexpected personnel changes on business operations. This risk mitigation factor is crucial in preserving business continuity and safeguarding the organisation from unforeseen disruptions.

In the context of family businesses, Table 2 underscores that succession planning offers a structured process, knowledge and framework for identifying internal capabilities. This empowerment of family businesses through succession planning ensures that generational transitions are managed smoothly, preserving the legacy of these enterprises while embracing new leadership perspectives and approaches.

A particularly noteworthy aspect highlighted in Table 2 is the role of succession planning in facilitating organisational change. Through intentionally preparing for leadership transitions, SMEs can leverage these opportunities to introduce innovative practices, fresh perspectives and improved strategies. This mechanism for change can invigorate the organisation, fostering growth and adaptability in a dynamic business landscape. The insights from Table 2 also shed light on the financial implications of succession planning. A well-executed succession plan is instrumental in sustaining financial stability within SMEs. Through ensuring that responsibilities are seamlessly transferred, SMEs can maintain operational continuity, manage expenses and optimise financial sustainability, all of which are critical for long-term viability. The relationship between succession planning, strategic flexibility and

sustainable business is further nuanced by the insights depicted in Table 2. The ability of an organisation to improvise in the face of changing circumstances is critical for adapting to evolving market dynamics. A well-crafted succession plan, aligned with strategic objectives, can act as a foundation for sustainable growth and business longevity, fostering a balance between planning and flexibility.

However, according to the qualitative data provided by participants, the effectiveness of succession planning strategies used by SMEs in Karoi urban can be assessed through several key themes. The common themes generated were the individualised approach, mentorship and capacity building, qualifications and experience, strategic orientation awareness and the training role of human resource (Figure 1).



Figure 1: The effectiveness of succession planning strategies used by SMEs

Participant P1 and P2 highlight the significance of mentorship and capacity building for successors, particularly family members. By providing transparency, mentorship and opportunities for personal development, SMEs can effectively prepare successors to lead the business in unforeseen circumstances. Participant P3 underscores the importance of qualifications, interests and experience in determining the suitability of successors. SMEs prioritise building the careers of potential successors to ensure they are equipped with the necessary skills and knowledge to maintain or improve business performance. Participant P5 emphasizes the strategic orientation of succession planning, focusing on capacity building, personal development and strategic decision-making. Maintaining honesty and secrecy and seeking advice during crises are integral to effective succession planning. Participant

P6 highlights the need for awareness campaigns and training initiatives to address the cultural taboo surrounding death and succession planning discussions in Zimbabwe. By offering education and training, SMEs can alleviate fears and facilitate proactive planning for the future. Participant P7 underscores the role of the human resources function in implementing succession plans within SMEs. While not responsible for initiating succession plans, the human resources department is crucial in effectively implementing and managing the process.

DISCUSSION

Inference to literature indicated that dealing effectively with the issue of succession planning is the single lasting gift that one generation can bestow upon the next (Ayres, 2020). Succession planning is a prerequisite for success in all organisations regardless of their size. Thus, failure to plan for succession may lead to an organisation's downfall (Durst and Wilhelm, 2021). Understanding business succession can enhance the understanding of the survival and growth of SMEs (Maalu, 2022). Business owners must consider all relevant factors that may affect the transition's efficiency, including their relationship with the potential candidate for leadership (Joshi *et al.*, 2018). Allcorn (2018) finds that selecting the right person for the job and having a close relationship had the most significant impact on succession planning activities. Dhaenens *et al.* (2019) confirms a positive correlation between succession planning and performance, which enables the business owner to assess smoothness of the transition process. Thus, there is a strong empirical basis for arguing the importance of an effective transition of leadership. Researchers have sought to quantify these effects. Stavrou (2019) conducted a study on conflicts during succession and reveals that business owners who train and mentor employees could help ensure the effectiveness of the succession to the second generation of leadership and possibly the third to attain business sustainability.

CONCLUSION AND RECOMMENDATIONS

In conclusion, the effectiveness of succession planning strategies for SMEs sustainability in Karoi urban hinges on factors such as individualised approaches, mentorship, qualifications, strategic orientation, awareness, training and the involvement of human resources. By adopting comprehensive and tailored approaches, SMEs can enhance their resilience, continuity and long-term success across generations. Participants emphasized the importance of tailoring succession planning to SMEs unique

characteristics and values. They advocate for a personalised approach that considers family traditions, birth right and ownership as central elements in ensuring continuity and survival.

It is, therefore, recommended that SMEs need to have an internal succession structure and being transparent about it, engages employees in the growth and development of the business, making a transition smoother and budget friendlier down the road. SMEs leaders need to have clear communication for succession planning strategy implementation. A succession plan delivers a message of support, signalling the business is invested in the growth of employee skills and careers internally. There is need for a cross-sectional survey on effectiveness of SMEs leadership style on succession planning effectiveness for SMEs in Zimbabwe.

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