

**EFFECTS OF SUCCESSION PLANNING ON THE PERFORMANCE  
OF KINGSWAY TYRES LTD**

**BY**

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## DECLARATION

This research project is my original work and has not been presented for a degree in any other university.



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## **DEDICATION**

This paper is dedicated to my husband Peter and my son Nathan. Your continued support and love encouraged me every step of the way, especially when times were rough, you were my source of strength. May this be a reminder that with each other's support, our dreams are attainable.

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## **ABSTRACT**

The aim of this study was to determine the effect of succession planning on the performance of the family-owned business Kingsway Tyres Company. The study was directed by the resource-based view and human capital theory. The study adopted a case study design and data was collected among eight managing directors who are also shareholders at Kingsway Tyres Company using the interview method. The study found that the company has adopted succession planning and this has contributed to its long-term success. The analysis also confirmed that the firm has adopted a well-structured succession planning model and this has helped it to identify and nurture future leaders within the organization, ensuring a smooth transition when key positions become vacant. The firm's implementation of succession planning positively influenced its overall performance and stability. It allowed the organization to harness the strengths and potential of its employees, who also include family members, resulting in improved operational efficiency, higher employee engagement, and ultimately, enhanced financial performance. The findings emphasized the importance of aligning succession planning with the company's strategic objectives. It was noted that when succession planning is integrated with the broader organizational strategy, it not only identifies successors but also equips them with the necessary expertise to meet the company's goals. The study noted that an effective succession planning process at Kingsway Tyres Company had a good impact on performance, providing a roadmap for sustained success in the ever-changing business landscape. The study recommended the need for family-owned companies to adopt succession planning, especially nurturing their young leaders to promote their success. This is imperative for the overall success and performance of the firms. In addition, the study called upon policy makers and the government to provide tax incentives and grants for training and development programs for employees and owners of family-owned businesses.



# CHAPTER ONE: INTRODUCTION

## 1.1 Background of Study

In the present-time business landscape, organizations often face intricate and unforeseeable disruptions. These challenges demand specific leadership experience and qualities to effectively address them and maintain operational stability (Couch, 2013). Consequently, there is a growing necessity for businesses to embrace succession planning. Succession planning entails the systematic identification and nurturing of internal employees who exhibit the potential to undertake critical leadership roles within the organization. This process takes a proactive approach in meeting an organization's future leadership requirements and ensuring that the right individuals are in the right positions to achieve its objectives. As highlighted by Kariuki and Ochiri (2017), succession planning plays a pivotal role in enhancing the performance of firms. It accomplishes this by ensuring operational continuity and facilitating a seamless leadership transition when key positions become vacant. Additionally, it contributes to talent development, risk mitigation, and cost savings.

Moreover, succession planning fosters strategic alignment, which in turn bolsters long-term performance across various industries. Typically, succession planning involves a purposeful and methodical endeavour by an organization to secure the continuity of leadership in crucial positions, encourage individual professional growth and preserve and cultivate intellectual and knowledge assets for the future (Rothwell, 2010). Couch (2013) underscores that the absence of succession planning can pose significant challenges to businesses, ultimately negatively impacting their long-term performance.

This research was grounded on two fundamental theoretical frameworks: the resource-based view (RBV) and human capital theory. The resource-based theory view serves as a strategic management model that places emphasis on a firm's resources and capabilities as the primary drivers of its competitive advantage. Within the RBV framework, a firm's resources can be broadly categorized into tangible assets, encompassing physical and financial resources, and intangible assets, which encompass intellectual property and the organizational culture. The RBV posits that a firm can attain a sustainable competitive advantage by cultivating and effectively utilizing its distinctive resources and capabilities. On the other hand, human capital theory, a concept rooted in economics, posits that an individual's knowledge, skills, and abilities constitute valuable assets that can be invested in and cultivated over time. This theory asserts that investments in education, training, and development can enhance an individual's productivity, consequently contributing to both economic growth and the enhanced performance of firms.

Transferring leadership within family-owned businesses, especially across generations, presents significant challenges (Royer, Simons, Boyd & Rafferty, 2008). These difficulties are notably pronounced in Kenya, where only a handful of prominent family businesses manage to endure the ever-changing business landscape and transition successfully into the third generation. It is not automatic in family-owned firms that the children will take over the business from their successors and run it profitably; succession planning needs to take a proactive and strategic approach. An argument put forth by Aron (2013) is that the downfall of stock brokerage firms like Nyaga Stock Brokers and Discount Securities may be linked to ineffective succession planning. Furthermore, the challenges faced by companies like Mastermind Tobacco, resulting in market share losses, can be attributed to inadequacies in

their succession planning strategies (KAM, 2021). Another concerning aspect, as highlighted by Karanja (2022), is the occurrence of family members resorting to legal actions to prevent their relatives from assuming control or interfering with the management of the business following the exit of the first generation. This indicates the magnitude of the management succession challenges confronting family-owned businesses, potentially leading to stagnation, increased financial losses, receivership, or even closure. Such scenarios are observable in numerous family-owned enterprises in Kenya, warranting in-depth examination.

The absence of proper succession planning leaves unresolved issues related to ownership and business leadership, ultimately impairing the business's performance and longevity. Consequently, this study aimed to investigate the impact of succession planning on the performance of Kingsway Tyres Company. It determined to find out how succession planning affects the achievements of the family-owned business.

### **1.1.1 Succession Planning**

Succession planning is a comprehensive and cohesive procedure that involves recognizing, choosing, nurturing, and retaining highly skilled and capable employees to address both immediate and long-term organizational requirements (Rothwell, 2005). Hendon et al. (2016) also observed that succession planning encompasses the identification, evaluation, and development of internal individuals who possess the potential to assume critical leadership roles within the company. The ultimate goal of succession planning is to enhance the pool of experienced and qualified employees who are prepared to step into these roles as they become vacant (Armstrong, 2012). In essence, succession planning represents a strategic and

purposeful approach to pinpointing, cultivating, and deploying talent within an organization, ensuring its sustained growth and prosperity in the years to come (Buren, 2019).

The topic of succession planning can be a sensitive matter for family-owned businesses, however, it requires a proactive approach for it to be successful. It is not automatic that the children in the family business will inherit the company and run it successfully. Succession planning plays a crucial role within the framework of individual resource planning, which should align with the broader company strategy. As stated by Davis (1997), the primary objectives of succession planning are the efficient and equitable transfer of assets from older to younger generations, empowering the business for sustainable leadership, fostering family harmony, and facilitating a seamless and effective transition. Succession planning holds significant importance for the longevity and stability of industries, especially in cases where few businesses manage to survive beyond the first generation.

Kellermanns, Eddleston, Barnett, and Pearson (2012) argue that in order for succession planning to be effective, it is essential to concurrently reinforce the company's business influence, organizational culture, and the flexibility of its planning system. In the words of LeCounte, Prieto, and Phipps (2017), succession planning emerges as a critical strategic concern for organizations, especially those with a focus on long-term sustainability and continuity. This stems from its core function, which involves identifying and nurturing internal talent capable of assuming key leadership roles as they become vacant due to retirements, promotions, or other factors. While the primary aim of succession planning is to ensure a seamless transition and mitigate potential disruptions, it also presents strategic challenges that organizations must address.

Kiwia, Bengesi, and Ndyetabula (2019) highlight one of the primary challenges in succession planning: the identification and development of the right talent pool within the organization. This encompasses the identification of high-potential individuals, the assessment of their skills and leadership potential, and the provision of necessary training and development opportunities. To effectively groom potential successors, organizations must establish robust talent assessment and development programs.

Khlif, Uddin and Arouri (2019) noted that building a strong succession pipeline is crucial to address future leadership needs. It requires a proactive approach to identify and develop talent across different levels and functions within the organization. Organizations should have a comprehensive succession plan that includes multiple candidates for each key position, allowing for flexibility and ensuring a range of options for potential successors. Successful succession planning involves not just filling positions but also transferring critical knowledge and expertise from outgoing leaders to successors. Ensuring a smooth transfer of knowledge and preserving institutional memory is essential to maintain continuity and prevent disruptions in organizational operations. Organizations need to establish processes and platforms for effective knowledge sharing and mentoring relationships. A strategic challenge in succession planning is ensuring diversity and inclusion in the leadership pipeline. Organizations need to prioritize diversity, equity, and inclusion in their succession planning efforts to ensure representation of different backgrounds, perspectives, and experiences in leadership roles. This requires proactive measures to identify and address barriers to diversity and create opportunities for underrepresented groups. Succession planning is indeed a process that is continuous and requires ongoing evaluation and adjustment, rather than a one-time endeavour. Organizations need to regularly evaluate the effectiveness of their succession plans, monitor

the progress of potential successors, and make necessary adjustments based on changing business needs and evolving leadership requirements.

### **1.1.2 Organizational Performance**

Van Weele (2016) contends that organizational performance is the ability of a business to achieve objectives such as increased profits, high-quality products, a significant market share, strong financial results, and sustained existence within a predetermined timeframe, all through appropriate strategic approaches. Performance serves as the foundation for organizations to assess their progress toward set goals, identify strengths and weaknesses, and determine how future plans should be executed. It involves measuring a company's performance against predefined expectations and analyzing, evaluating, and documenting these outcomes over time. Regular feedback enables the organization to efficiently take corrective actions and continually improve its target achievement.

The allocation of resources to achieve the firm's established goals relies on expected outcomes from various business units, which collectively shape the overall company performance (Chen & Paulraj, 2014). Different stakeholders may have divergent interpretations of the organizational goals that need to be achieved. Therefore, performance is a concept linked to the specific context under investigation, and corporate performance can be evaluated through various lenses, stemming from diverse definitions of the objectives achieved. Given the wide array of objectives that businesses may adopt, performance management of firms has drawn the attention of researchers from diverse disciplines, appealing not only to accountants and

operations managers but also to business strategists, human resource managers, and marketers (Magutu, 2013).

Kaplan and Norton (2001) have introduced effective performance measurement frameworks for organizational operations, which include metrics and the balanced scorecard (BSC). The BSC is a tool that offers guidance on evaluating a firm's performance by cascading organizational strategic perspectives from the top-level strategy down to operational levels. It encompasses four key areas: customer satisfaction, financial accountability, internal business process efficiency, and innovation, with financial performance as one of the crucial dimensions (Gunasekaran et al., 2011).

### **1.1.3 Family-Owned Businesses in Kenya**

Family-owned enterprises play a substantial role in the Kenyan economic landscape, making vital contributions to employment generation, overall economic expansion, and the advancement of local communities. Extensive scrutiny indicates that family-owned businesses constitute the predominant segment of Kenya's commercial sector. Data from the Kenya National Bureau of Statistics underscores this fact, revealing that over 70% of businesses in Kenya are under the ownership and management of families. It is also true that family-owned businesses vary in size and the family-owned businesses in Kenya range from small and medium-sized enterprises to large corporations, such as Bidco Africa and Chandaria Industries. However, it should be noted that family-owned businesses in Kenya face several challenges, including succession planning, access to finance and competition from larger businesses. This

means that succession planning is crucial since many family-owned businesses in Kenya struggle with succession planning, which can lead to the failure of the business or family conflicts. To address this, some family-owned businesses are adopting professional management practices and investing in leadership development programs. Family-owned businesses often have strong ties to their local communities and are involved in social responsibility initiatives. Good corporate governance is essential for the sustainability and success of family-owned businesses in Kenya. Family-owned businesses that adopt best practices in governance, such as transparent decision-making, board oversight, conflict resolution mechanisms, and succession planning are more likely to succeed in the long run.

#### **1.1.4 Kingsway Tyres Limited**

Kingsway Tyres Limited is a leading tyre retailer and service provider in Kenya, with a history dating back to 1966. It is a family owned business that operates in the tyre industry in Kenya (Kingsway, 2021). The company has a strong presence in the Kenyan market and operates a network of branches and outlets across the country. Kingsway Tyres offers a wide range of services and products related to tyres, including retail sales of new tyres, tyre fitting and balancing, wheel alignment, tyre repair, and maintenance services. The company deals in various brands of tyres, including Dunlop, Goodyear, Michelin, Bridgestone, and Pirelli, among others (Kingsway, 2021).

In addition to its retail activities, Kingsway Tyres also serves as a tyre supplier for various entities in Kenya, including non-governmental organizations (NGOs), private firms, parastatals and government agencies. The company is deeply dedicated to ensuring customer



contentment, and it achieves this by providing exceptional post-purchase support, top-notch product quality, and competitive pricing (Kingsway 2021) In addition to its tyre-related operations, Kingsway Tyres is also involved in other business areas, including the distribution of automotive batteries, lubricants, and other accessories. The company has a team of experienced and well-trained technicians and engineers who provide professional services to customers. Typically, Kingsway Tyres Limited is a reputable and reliable tyre retailer and service provider in Kenya, with a long-standing reputation for quality, reliability, and excellent customer service. It is important to established whether their high performance is linked to any succession planning strategy adopted by the family-owned company

## **1.2 Research Problem**

While more and more organizations are recognizing the vital importance of having succession plans in place before key executives depart, a lack of such plans has frequently led to a decline in organizational performance during these transitions. Family-owned businesses, in particular, are often seen as falling behind in the adoption of succession planning as a strategic approach to managing these transitional challenges. Consequently, they face the risk of losing valuable knowledge, experience, and their unique identity over the long term (Carney & Gedajlovic, 2011). Kenyan firms that adopt strategic succession planning experience improved performance through reduced costs on external training, and increased employee competency. Despite this, few family-owned businesses in Kenya are not adopting succession planning in their major operations; this is a challenge that requires further research to be solved.

Various studies have been done in the past on succession planning on performance. A study by Carney and Gedajlovic (2011) found that family-owned businesses that engaged in succession planning experienced greater longevity and financial performance than those that did not. The research also highlighted the significance of the type of succession planning strategy employed, indicating that businesses with formal plans tend to outperform those relying on informal approaches. However, it's worth noting that this study was conducted in the United States, and there is a notable absence of similar research focusing on family-owned businesses in the Kenyan community. This research targets to bridge this contextual gap. In a separate study conducted in Iran, Ghee, Ibrahim, and Abdul-Halim (2015) aimed to take a look at the factors contributing to the success of family business succession planning and its subsequent impact on business performance. It was conducted in an Asian context, although the specific location or countries involved are not mentioned in the provided information. The researchers examined various factors such as family involvement, successor readiness, strategic planning, and governance structures in family businesses. They collected data through questionnaires from a sample of family businesses and used statistical analysis techniques to analyze the relationships between the variables. The study's findings revealed that effective succession planning positively influenced business performance in family firms. Factors such as clear succession policies, well-defined roles and responsibilities, strategic planning, and family cohesion were identified as significant contributors to successful succession planning. However, this study focused on governance structures and not firm performance; leaving a conceptual gap.

Additionally, a study conducted by Kiwia, Bengesi, and Ndyetabula (2019) examined the connection between succession planning and the performance of family-owned small and

medium enterprises in Arusha City, Tanzania, and discovered an adverse relationship. Meanwhile, Kariuki and Ochiri (2017) conducted research on the impact of strategic succession planning strategies on the productivity of Githunguri Dairy Cooperative Society. However, these studies were done using cross-sectional design rather than a case study leaving methodological gaps.

From the above analysis, it is true that few studies have been carried out to research on the effect of succession planning on the performance of family-owned owned firms. Typically, the few studies done are mainly focusing on Western Literature and focus on the concept of success and not performance, thus leaving a conceptual and contextual gap. In addition, the studies mainly used quantitative methods rather than qualitative methods, thus leaving methodological gaps. It is also true that the above studies provide mixed and inconclusive results, and this study seeks to fill the gaps by providing an answer to the research question: What is the effect of succession planning on the performance of family-owned business Kingsway Tyres Limited?

### **1.3 Research Objective**

The objective of this study was to determine the effect of succession planning on the performance of family-owned business Kingsway Tyres Limited Company.

## **1.4 Value of Study**

The outcomes of this research have the potential to make valuable contributions to theory, policy, and practical applications. In terms of theory, this study enhances our understanding of how succession planning results to the high performance of family-owned businesses and helps fill existing knowledge gaps in this area. Academics and researchers would find the theoretical and literature contributions of this study beneficial, potentially serving as a foundation for future research endeavours exploring the relationship between succession planning and the performance of family-owned enterprises.

This research holds significant practical value for organizational managers, particularly those involved with family-owned businesses. Among the beneficiaries are stakeholders like the management team at Kingsway Tyres Company. Gaining insights into how succession planning influences the company's performance would enable them to enhance their operations and ultimately achieve long-term success. The study also offers recommendations that would guide the management of upcoming and established family-owned firms in their strategy development in relation to succession planning and performance. Information from the study would help identify challenges faced by family-owned firms in succession planning, and how to address these challenges in order to ensure good performance and the sustainability of the business.

On policy, the study provides a basis for policy formulation towards improved organizational performance and successional planning across family-owned firms in Kenya. Policy makers would develop policies associated with management and succession planning of family-owned firms in the country. Through regulatory bodies the government can take on recommendations

from this study and assist in creating an enabling business environment by providing tax incentives or partnering with family-owned businesses in providing training and development programs for employees.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The chapter entails a assesment of literature by various researchers and theoretical frameworks that are relevant to the study. It will also cover past studies associated with the topic of study. A summary of theoretical and empirical findings from authors on the topic is also presented. It also identifies research gaps that will then build up to the research knowledge.

### **2.2 Theoretical Foundation**

This research is grounded in both human capital theory and resource-based view theory. According to resource-based view theory, a company's competitive edge arises from possessing distinct and valuable resources including physical, financial, and human assets. It emphasizes the importance of leveraging these resources strategically to acomplish sustained competitive advantage. On the other hand, human capital theory focuses specifically on the role of human skills, and abilities enhances their productivity and ultimately contributes to organizational success. Human capital theory emphasizes the significance of recruiting, training, and retaining talented individuals to gain market competitive advantage.

#### **2.2.1 Resource-Based View**

This is a performance and also a competitive advantage theory based on the firm's resources, Wernerfelt (1984) developed the Resource-based concept to implement or acquire a product-

market strategy. Barney and Arikan (2005) noted that the primary contribution to resource-based view concept was that an organization has capabilities and unique resources allowing it to be superior in implementing product market strategies. This theory indicates that firms must adopt unique plans, develop rare resources and manage their capability to enjoy success in their sector of operations. Resource-Based Theory assumes that firms possess unique and heterogeneous resources that vary in terms of their nature, quality, and strategic value. It suggests that firms can achieve a sustainable competitive advantage by leveraging these resources to create value and differentiate themselves from competitors. The theory also assumes that resources are not easily transferable between firms, creating barriers to imitation and replication by competitors. Resource-based view theory centers on the resources of the business as a tool of competitive advantage. It suggests that firm-specific resources that are difficult to imitate or substitute can provide a long-term competitive advantage.

While Resource-Based View Theory provides insights into the importance of valuable and rare resources, it offers limited prescriptive guidance on how firms can identify, develop, and exploit such resources effectively. It does not provide clear guidelines on resource selection, allocation, or strategies for achieving and maintaining a sustainable competitive edge. It is vital in this study since it supports the firm that resources can help promote success of firms (Barney & Arikan 2005). According to Barney (2001), firms can benefit from effective succession planning and using it as a valuable resource. In order to implement this approach, firms must use their succession planning and human resource talent development as a resource and this explains why some firms perform well.

### **2.2.2 Human Capital Theory**

Human Capital Theory concept was first formulated in the 1960s by economist Gary Becker. This economic theory views the abilities, skills, and knowledge possessed by individuals as a type of capital that enhances their future income potential and economic productivity. According to this theory, investments made in the development of human capital, training, and education can lead to an individual's increased earning capacity over time. Gary Becker (1960) argued that training and education should be regarded as investments in human capital, improves economic success and yield returns in the form of higher wages. According to Becker, individuals and firms make decisions about how much to invest in human capital based on their expectations of future returns. Human Capital Theory assumes that individuals are rational and make decisions based on maximizing their own utility. It suggests that individuals invest in their own education and training based on a cost-benefit analysis, weighing the expected returns against the costs associated with acquiring human capital. The theory also assumes that education and training programs lead to increased knowledge, skills, and abilities, which in turn enhance an individual's productivity and earnings potential. It posits that individuals who invest in their human capital will be rewarded with higher wages and better career opportunities.

In this study, the theory is influential and it can be used in shaping succession planning and performance as it highlights the importance of investing in human capital development as a means of improving economic outcomes. Human Capital theory focuses on the employees of an organization, suggesting that increasing their capacity through education and skills development has an outcome on how an organization performs. It also emphasizes the



importance of providing equal access to education and training opportunities to individuals, regardless of their background or socioeconomic status, in order to promote social and economic mobility.

### **2.3 Succession Planning and Performance of Kingsway Tyres**

Analysis reveals that Succession planning is a critical aspect of organizational management that has garnered substantial attention in the literature due to its direct influence on the performance and sustainability of firms. Effective succession planning ensures the continuity of leadership and the smooth transition of key personnel within an organization. Research by Bennion and Ferrin (2018) underscores the significance of succession planning, asserting that it directly impacts the long-term success of firms. When firms proactively identify and groom potential successors for key positions, they mitigate the risks associated with leadership vacuums and disruptions in business operations. Moreover, studies such as that by Pellegrini and Scandura (2008) have found a positive association between well-structured succession planning and performance of firms, emphasizing the importance of succession planning in driving organizational effectiveness and competitive advantage.

The relationship between succession planning and firm performance is multifaceted and extends beyond mere leadership continuity. Research by Upton, Teal, and Felan (2001) suggests that succession planning can enhance organizational performance by fostering a culture of employee development and engagement. When employees perceive that opportunities for advancement are available within the organization, they are more likely to exhibit higher levels of commitment and productivity. Additionally, succession planning can

contribute to knowledge retention and transfer, ensuring that critical institutional knowledge is preserved and transmitted to the next generation of leaders (McLagan & Nel, 1995). Consequently, effective succession planning is not solely about identifying successors for top leadership positions but also about cultivating a talent pool that positively impacts the overall performance and resilience of the firm. However, the effectiveness of succession planning in improving firm performance is contingent on several factors. Research by Kim and Holm (2015) highlights the importance of aligning succession planning with the strategic goals of the organization. When succession planning efforts are well-aligned with the firm's strategic objectives, they are more likely to yield positive outcomes and contribute to superior performance. Furthermore, the involvement of top leadership in succession planning, as advocated by Rothwell and Kazanas (2003), can enhance its impact on firm performance. When senior leaders actively champion succession planning initiatives, it sends a clear message about the organization's commitment to talent development and can foster a culture of leadership excellence.

## **2.4 Empirical Studies and Research Gaps**

A number of studies have examined the relationship between planning succession and company performance in various contexts, including India, Spain, Italy, and Kenya. Examination indicates that succession planning encompasses the procedure of recognizing and nurturing potential successors for crucial roles within a company. Its primary aim is to guarantee a seamless transition in leadership and the efficient administration of the organization. Numerous research endeavours have been undertaken to scrutinize the

correlation between succession planning and a company's performance. One such study conducted by the Society for Human Resource Management (SHRM) revealed that organizations implementing effective succession planning systems were more inclined to report reduced turnover rates, elevated levels of employee engagement, and improved overall financial performance when compared with entities lacking such processes.

Sharma and Irving (2005) found that companies with a formal succession planning process in place were more likely to outperform their competitors in terms of revenue growth and profitability. However, Chrisman, Chua, Kellermanns, and Chang (2009) found that companies with strong succession planning processes in place were more probably to have higher levels of innovation and a greater ability to adapt to changing market conditions. A study by the Centre for Creative Leadership found that organizations with effective succession planning processes were more likely to have greater levels of trust and employee satisfaction, as well as a more positive corporate culture. From these studies it can be argued that there is a productive relationship between firm performance and succession planning. Companies that invest in succession planning are likely to have better financial performance, higher employee engagement and retention rates, and greater ability to adapt to changing market conditions.

A study by Chrisman, Chua, Kellermanns, and Chang (2009) found that family-owned businesses that had a strong emphasis on family values and traditions in their succession planning tended to perform better than those that did not. The study suggested that family values can serve as a guiding force for the business and help to build a strong sense of identity and commitment among family members and employees. However, this study was done in India. Once more in India, Singh and Gupta (2019) conducted a study that focused on

succession planning within family-owned businesses, specifically Small and Medium-sized Enterprises (SMEs). This research offers qualitative data shedding light on the practices of succession planning within these businesses. The authors gathered insights through interviews with business owners and discovered that succession planning was often informally managed, heavily influenced by family dynamics. While this study provides a comprehensive understanding of succession planning within small and medium-sized family-owned businesses in India, it did not empirically explore the effect of succession planning on business performance. This highlights the necessity for further research into how formal succession planning affects the performance of family-owned businesses in other emerging economies, such as Kenya.

A research investigation conducted in Spain by Sánchez-Cañizares, López-Guzmán, and Sánchez-Peinado (2019) emphasized the significance of succession planning in family businesses. This study involved data collection from 184 family-owned businesses in Spain and unveiled a positive correlation between formal succession planning and firm performance. Utilizing empirical data, this research delves into the influence of succession planning on the performance of family-owned businesses within the Spanish context. However, the research did not investigate the specific succession planning practices adopted by the businesses in the sample, limiting the generalizability of the findings.

In the Italian context, a study conducted by Campopiano, De Massis, and Cassia (2019) explored succession planning and its effect on the performance of family firms, specifically Small and Medium-sized Enterprises (SMEs). The study involved data collection from a sample of 202 family-owned SMEs in Italy and revealed a positive association between formal

succession planning and the financial performance of organizations. This research empirically investigates the link between succession planning and firm performance within family-owned SMEs in Italy. However, it's important to note that the study did not delve into the influence of different succession planning approaches on firm performance. Additionally, the authors did not investigate the specific succession planning practices adopted by the businesses in the sample.

In a study conducted within the Kenyan context, Muchiri and Oloko (2013) examined the correlation between succession planning and the performance of family-owned businesses. Their research involved a sample of 136 family-owned businesses, revealing a substantial and meaningful influence of succession planning on firm performance. Specifically, the study found that firms that have a formal succession strategy and plan tend to have better financial performance, higher levels of innovation, and greater employee satisfaction compared to firms without a succession plan. However, this study used cross-sectional research design. In a separate research endeavour, Murithi and Mukulu (2017) investigated the link between succession planning and the performance of small and medium-sized enterprises (SMEs) in Kenya. Their study, which involved a sample of 150 SMEs, unveiled a noteworthy impact of succession planning on firm performance. The study found that SMEs with formal succession plans tend to have better financial performance, higher levels of innovation, and greater competitiveness compared to SMEs without a succession plan. This study also used cross-sectional design instead of case study.

Furthermore, Mokamba and Nyanjom (2020) conducted a research study aimed at uncovering the determinants of successful succession planning within family-owned businesses in Kenya.

Employing a qualitative research approach, the mentioned study entailed in-depth interviews with family business proprietors and managers. Their findings indicated that several factors exert influence on the success of succession planning, encompassing aspects such as family dynamics, effective communication, and the availability of resources. The study also found that firms that prioritize succession planning tend to have better financial performance, improved employee morale, and increased innovation. However, this study focused on success rather than performance of family-owned businesses. Performance is basically what you do as a business and the kind of deals and partnerships you create. On the other hand, success can be explained as the public's response to the performance of the business, what the community perceives you have achieved in accordance to what you do. It should also be noted that these studies indicate that in Kenya, succession planning contributes positively to a firm's overall success. All the same the studies highlight the importance of formal succession planning, effective communication, and addressing family dynamics in ensuring the accomplishment of succession planning. Further research is needed to explore the contextual factors that may influence the relationship between succession planning and performance of family-owned firms in Kenya. Overall, the research reviewed suggests that formal succession planning positively impacts firm performance, including financial performance, innovation, employee satisfaction, and competitiveness. Factors such as family dynamics, communication, and resource availability have been identified as influential in the success of succession planning. None the less, there are conceptual, contextual, and methodological gaps in the existing literature that need further exploration.

The conceptual gaps in the literature include the requirement for more research and reviews on the specific succession planning practices adopted by firms and the impact of different types

of succession planning (e.g., internal vs. external) on firm performance. Additionally, there is a need to explore the contextual factors that may influence the relationship between succession planning and firm performance, such as cultural and institutional differences.

The contextual gap lies in the limited geographical coverage of the studies. While research has been conducted in India, Spain, Italy, and Nigeria, there is a lack of studies from other emerging economies, such as Kenya, which may have unique cultural, economic, and institutional characteristics that influence succession planning and its impact on firm performance. Therefore, this calls for further research.

The methodological gaps include the reliance on cross-sectional designs in some studies, limiting the ability to establish causal relationships. Additionally, the need for more longitudinal studies that examine the long-term effects or impacts of succession planning on firm performance is necessary to offer a comprehensive understanding of this relationship. Furthermore, there is a need for more qualitative research that explores deeper into the experiences, perceptions, and challenges faced by family-owned businesses with regards to succession planning.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter described the researcher's approach and methods for data collection and analysis. It offered a comprehensive overview of the chosen research methodology, encompassing research design, data collection methodologies, and data analysis techniques that were applied in the study. Each section explored deeper into various aspects of the research study.

### **3.2 Research Design**

Research design is important as it provides the framework and blueprint for conducting a study. Abbott and McKinney (2013) noted that the research design refers to the system or policy formulated by researchers to collect data consistent with research objectives without deviating from other topics not included in the study. The research design helped to ensure that the research question is answered, and the research objectives are met. As such, a case study research design was applied in this study.

A qualitative research approach involving a case study methodology was employed in this study to thoroughly examine the topic and provide findings. Utilizing a case study facilitated a deeper comprehension of the study's context, specifically focusing on how succession planning impacts the performance of Kingsway Tyres Company.



### **3.3 Data Collection**

Data collection forms the most critical stage of any research. In this study, primary data was utilized and the data was collected using an interview guide to obtain information from respondents. The respondents were eight out of the ten managing directors at Kingsway Tyres, who also happened to be shareholders of the company. The managing directors interviewed were the C.E.O, Finance director, Business Relationship Manager, PR and Marketing Manager, Sales Manager, Project Manager and the Branch Manager at Kingsway Nairobi Head Office.

Data collected was aimed to address the topic area, and the method used was in-person interviews. This helped to gain more insights, provide reliable information, and ensure data gained is honest and consistent. The adoption of face to face helped to reduce bias and promote analysis of the verbal cues from the participants. This was important in getting reliable results.

### **3.4 Data Analysis**

Data analysis is the systematic process through which valuable insights are derived by inspecting, refining, altering, and modelling data. As suggested by Abbott and McKinney (2013), it encompasses activities like extracting and organizing raw data, drawing inferences, and acquiring meaningful information that can inform predictions related to research outcomes. The choice of data analysis method is contingent upon the type and characteristics of the data at hand. Given that this study involved qualitative data, content analysis emerged as the most appropriate approach for effectively analyzing and interpreting this data.

According to Myers, Well, and Lorch (2010), content analysis is a valuable research instrument employed to identify concepts, themes, or specific words present within qualitative data. Through content analysis, researchers can effectively extract or scrutinize meanings and themes relevant to the study's topic. This made it easier to make inferences on how succession planning affects the performance of family-owned business Kingsway Tyres Company.

## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION**

### **4.1 Introduction**

The focus of this chapter is on the analysis, interpretation and discussions of the findings of the study. The findings of this study were obtained from the responses of the respondents interviewed during the in-person interviews. The research aimed to determine the effects of succession planning on the performance of family-owned business Kingsway Tyres Company.

### **4.2 Profile of the Respondents in Kingsway Tyres**

In the 60 years Kingsway Tyres has been in operation, there has been three generations of the family running the management and operations of the business. Unlike in many firms and organizations, in Kingsway Company the stakeholders also play the role of managing directors. Currently the second and third generation of the family are in leadership, the third generation make up the majority of the managing directors. Three of the eight managing directors that were interviewed have been in the family business for over 30 years, this make up the second generation. The remaining five interviewees have been in the leadership of the business over the past 10 years.

### **4.3 Succession Planning Strategy**

The interviewees were asked to give an overview of the existing succession planning strategy in Kingsway Tyres Company. The Relationship Managing Director stated that, "Family is first.

We hold a retreat with the family council once every month, where we bond and also get time to discuss business matters like succession and how it aligns with the objectives of our company.” The analysis revealed that Kingsway Tyres Company's current succession planning strategy is a crucial aspect of its organizational development, and it plays a pivotal role in shaping the performance and sustainability of the business. The family business council is a valuable tool for the family business. It consists of family members who meet regularly to discuss the family business and communicate other pressing matters that concern the family.

The interviewees also noted that Kingsway Tyres has established a formal succession plan that aims to identify and nurture internal talent from the family business council to fill key leadership positions as they become vacant. The managing directors presumed that identifying and developing a pipeline of future leaders from within the organization is essential to ensure a seamless transition of responsibilities and maintain the company's performance. The respondents also explained that the succession planning strategy at Kingsway Tyres is a structured process that involves identifying high-potential family members, who are employees or part of the family business, assessing their readiness for leadership roles, and providing them with the necessary training and development opportunities. This approach is aligned with best practices in succession planning, which emphasize the importance of grooming internal talent for future leadership positions. The respondents agreed that this strategy helps to mitigate the risks associated with sudden leadership gaps and contributes to the overall performance and stability of the company. They argued that having a well-defined succession planning strategy in place not only ensures a continuous supply of skilled and capable leaders but also motivates and retains top talent within the organization.

Moreover, the family-owned firm has a well-developed family charter or family constitution with guiding principles on the governance of the business and the utilization of the family assets and profits. This means that Kingsway Tyres Company's current succession planning strategy is characterized by a systematic approach to identifying, developing, and promoting internal talent, which is perceived by the respondents as a crucial factor in shaping the company's performance and long-term success.

The analysis revealed that a current succession planning strategy involves the deliberate and systematic process of identifying and equipping internal talent to fill key leadership positions once they become vacant. The respondents noted that this strategy typically encompasses activities such as identifying high-potential employees, assessing their readiness for leadership roles, providing them with relevant training and development opportunities, and creating a structured pathway for their career progression within the organization. The value of a well-executed succession planning strategy to firms is significant based on the study findings since it ensures a continuous supply of skilled and capable employees, reducing the risk of sudden leadership gaps that can disrupt business operations. Furthermore, it enhances employee motivation and retention by providing a clear and achievable career path, which, in turn, fosters a positive organizational culture and increases the overall performance and stability of the firm. Some managing directors noted that effective succession planning aligns with long-term strategic goals and helps organizations adapt to changing business environments by ensuring a pool of leaders who are prepared to tackle emerging challenges and opportunities. The discussion below provides some of the major plans of succession planning within the company:

### **4.3.1 Identifying and Developing Internal Talent**

The Finance Director, one of the managers from the second generation indicated, “In the family business we do not retire, we rest. And we always train those following us in preparation for them to take up leadership roles in the family business.” It was evident that identifying and developing internal talent is crucial in promoting succession planning and performance within Kingsway Tyres Company. The managing directors noted that it allows the organization to harness its existing talent pool, providing opportunities for current employees to advance in their careers. This not only motivates and retains talent but also ensures a smooth transition when key positions become vacant, reducing disruption and potential leadership gaps.

Some of the managing directors also argued that it aligns with the principle of continuity, enabling the organization to nurture a dedicated workforce familiar with the company's culture and operations, ultimately contributing to better performance. By recognizing and developing internal talent, Kingsway Tyres was able to tap into the wealth of knowledge and experience already present in the family council and organization. This is invaluable when it comes to driving performance and achieving long-term strategic goals.

### **4.3.2 Creating a Leadership Development Pipeline**

The C.E.O of Kingsway was requested to provide an overview and his remarks were, “The performance and success of Kingsway is not about me but having a great team of people, fully trained, fully aligned, fully responsible to customers and fully committed to the organization’s goals and objectives.” From the managing directors, it was evident that creating a leadership

development pipeline is equally important for succession planning and performance and is part of the firm activities. The managers noted that this establishes a clear and structured pathway for employees to continue within the organization, generating a sense of direction and purpose. This motivates individuals and in addition fosters a positive organizational culture that promotes loyalty and commitment. A leadership development pipeline ensures that family members in the business are groomed for higher responsibilities, which can lead to improved performance as the employees are well-prepared for their roles.

Moreover, they encouraged this approach since it reduces the reliance on external recruitment for leadership positions, which can be costly and less effective in maintaining company culture and values. In addition, this strategy ensures that the business remains in the family, even as it grows. Kingsway Tyres is using this model and has benefited from a strong leadership development pipeline by not only ensuring a pool of capable leaders but also by creating a sustainable mechanism for performance improvement and alignment with the company's strategic objectives.

From the analysis, it was evident that development of potential leaders at Kingsway Tyres Company is a comprehensive process aimed at identifying and nurturing individuals with the potential to take up leadership positions within the organization. The company starts by actively identifying high-potential employees from the family council through regular performance evaluations, assessments, and feedback mechanisms. Once identified, these individuals are provided with targeted training and development opportunities that align with the leadership skills and competencies required within the organization.

### **4.3.3 Knowledge Transfer and Institutional Memory Preservation**

The Marketing Director pointed out, “We have values and programs that guide our activities. We believe in brand loyalty and excellence, and this is why we set our target every year.” The analysis confirmed that these are essential aspects of succession planning and performance within an organization. They facilitate the smooth transition of responsibilities from outgoing leaders to their successors, ensuring that valuable institutional knowledge is preserved. In the case of Kingsway Tyres, where experience and industry-specific expertise are critical, retaining and transferring this knowledge is vital for the company's performance.

By preserving institutional memory, the organization can avoid costly errors, maintain its competitive edge, and adapt to changing market conditions more effectively. It also facilitates a sense of continuity, as new leaders can build upon the successes and lessons of their predecessors, ultimately contributing to sustained high performance. Instituting mechanisms for knowledge transfer and institutional memory preservation should be a priority for Kingsway Tyres, as they play a pivotal role in both short-term and long-term performance and organizational resilience.

### **4.3.4 External Factors**

From the views of the managers, the company is aware of external factors, such as changing customer preferences and industry trends, and actively adapts its succession planning efforts to ensure that future leaders are equipped to address emerging challenges and opportunities. This adaptability is achieved through a combination of ongoing environmental scanning,



collaboration with industry experts, and feedback mechanisms that allow the organization to make informed adjustments to its succession planning programs. The managers noted that the employees are equipped to understand the current business landscape and associated changes in the business environment.

Some managers also argued that the company also maintains a forward-looking approach identifying potential leadership skills and competencies required in the face of external changes and proactively preparing high-potential employees to meet these evolving needs. The managing directors attempt to predict the future by looking at the opportunities and threats it might present to the company. This means that the company recognizes the importance of staying attuned to external factors and being agile in its succession planning to ensure that it remains aligned with the evolving business landscape.

#### **4.3.5 General Performance**

The study revealed that the execution of a succession planning in the organizations has had a notable effect on the firm's performance. The Business Development Manager noted, “The global business environment is fast-paced, and ever-evolving, and for Kingsway Tyres to continue to deliver quality products and services to its clients it needs strong talents in place.” Kingsway's succession planning strategy ensures it has key personnel in place to drive its performance. This allows for a smoother transition of responsibilities when key leadership roles become vacant, reducing the potential disruptions that can occur during leadership changes, and adding great value to the firm. It was also evident that the succession plan has

facilitated the development of leadership skills and competencies in high-potential employees, making them more effective leaders when they assume their roles in the family business. Furthermore, it has increased employee motivation and engagement by providing clear paths for career advancement, leading to higher job satisfaction and productivity. The execution of a succession plan has positively influenced the performance of the family-owned firm by offering the family employees a sense of belonging and ownership, ensuring leadership continuity, developing leadership talent, and enhancing employee satisfaction and engagement.

“There is a correlation between succession planning and financial performance of our family business Kingsway Tyres.” Said the Financial Director. Carrying through with a formal succession plan depicts a picture of a stable company and investors are drawn to this. The reality of the situation is that investors look at the quality of the next generation of management and preparedness to propel the business to new heights. Having a competent and consistent management workforce in place will give investors peace of mind and will give the selling business more negotiating power (Seymour, 2008).

The firm uses various measures and key performance indicators (KPIs) to help grade the success of its succession planning efforts and the performance of the business. These metrics include the time it takes to fill leadership positions from within the organization, the success rate of internal promotions, the retention rate of high-potential employees, their market share, revenue and profits gained, and customer feedback. One of the directors argued that, “Our firm supports KPIs and we set goals that all leaders and workers must achieve, regardless of whether they are family members or not. We provide feedback to all workers on the basis of their

performance. This is done monthly and annually.” The Sales manager and the PR and Marketing manager also noted that the firm uses employees’ feedback, particularly regarding career development and opportunities for advancement, to gauge the effectiveness of its succession planning efforts. By aligning these metrics with the company's overall goals and objectives, Kingsway Tyres ensures that its succession planning process remains focused on contributing to the firm's success.

#### **4.3.6 Alignment with the Company’s Goals and Objectives**

It was evident that the processes of succession planning in the firm is closely aligned with the organization's overarching goals and objectives. The managing directors noted that it is designed to ensure leadership continuity and development, which is critical for achieving the company's long-term strategic objectives. Some argued that by identifying and nurturing internal talent, the organization ensures that it has a pool of leaders who are capable of driving the company's growth and performance. This alignment with the firm's goals extends to creating a diverse and inclusive leadership team that can better understand and serve its diverse customer base. The C.E.O indicated that, “One of our goals as Kingsway Tyres is to have everything under one roof: great team, family oriented, very committed, fully focused on great ambience, look and feel of our tyres and a great customer experience.”

Furthermore, some of the managers noted that the succession planning process supports the company's aim to be adaptable and responsive to external factors by preparing leaders who can effectively address emerging challenges and opportunities. This means that the succession

planning process at the firm is intrinsically tied to the goals and objectives of the organization, ensuring that it contributes to the company's success and sustainability.

#### **4.4 Discussion of the Findings**

The objective of this study was to investigate the influence of succession planning on the performance of Kingsway Tyres Company. The study found out that an effective succession planning strategy significantly contributes to the company's long-term success. It was also evident that the implementation of succession planning positively promoted the success of the firm. This was seen in the firm's improved operational efficiency, higher employee engagement, and ultimately, enhanced financial performance.

##### **4.4.1 Comparison with Past Studies**

The study findings confirmed other views and it was evident that succession planning is important to organizational performance and this is in line with past studies. A study by Cascio and Aguinis (2020) emphasized that effective succession planning is a critical aspect of strategic human resource management, contributing to organizational success. The findings of this study align with such recent research, as they underscore the positive effect of succession planning on performance, ensuring a continuous pipeline of capable leaders who can drive the company's growth. Additionally, a study conducted by Kiwira, Bengesi, and Ndyetabula (2019) examined the connection between succession planning and the performance of family-owned small and medium enterprises in Arusha City, Tanzania, and discovered an adverse

relationship. Meanwhile, Kariuki and Ochiri (2017) conducted research on the impact of strategic succession planning strategies on the productivity of Githunguri Dairy Cooperative Society.

Although the findings of this study aligned with the findings of the above-mentioned past studies, there was no mention of a family council or family charter in the past studies. Failure to entirely professionalize or formalize the operations and activities of family-owned firms is one of the major contributors to their fall in performance or down fall entirely. Most businesses that are family-owned do not have a working succession plan or strategy; and those with a succession plan hardly implement the plan in the long run. The process of succession planning needs to be a proactive exercise and not a reactive response. Furthermore, the study discovered that there is a lot of emphasis on upholding family unity, values and beliefs in the family and business. The family culture in Kingsway company has greatly attributed to ensuring a successful succession plan and high performance of the business. The Kingsway family hold weekly dinners and family retreats or family councils occasionally to enhance their relationship in both aspects of family and business.

#### **4.4.2 Comparison with Theories**

The findings were consistent with the two theories guiding the study; Resource-Based View and Human Capital theory. It showed that effective succession planning enhances human capital by developing leadership talent and fostering employee engagement, ultimately positively impacting the company's performance (Rath & Sunil, 2020). Succession planning, viewed through the lenses of the Resource-Based View (RBV) and Human Capital theory,

underscores the strategic importance of human resources in sustaining a competitive advantage and this was evident in this study. Resource-based view theory emphasizes that an organization's unique resources, including its human capital, contribute to its competitive advantage and long-term success (Kim & Holm, 2015). The human resources or employees of an organization are very key in ensuring high performance of the organization. Consistently investing in the individuals of a company through leadership training and skills development can present a competitive advantage over other companies in the same industry.

Human Capital Theory, on the other hand, suggests that investments in the knowledge, skills, and abilities of individuals within an organization are critical for achieving strategic objectives. When it comes to succession planning, these perspectives advocate for a proactive approach in identifying, developing, and retaining key talent within an organization (Patidar et al., 2016). Succession planning, viewed through the Resource-based View theory and Human Capital theory, recognizes that individuals with unique skills and knowledge are valuable resources that contribute to the firm's sustained competitive advantage, reinforcing the importance of cultivating and preserving human capital to ensure organizational continuity and success. All these are depicted in this study.

# **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

## **5.1 Introduction**

This chapter covers the analysis of data, the summary, the conclusion as well as suggestions based on the findings of the study. The limitations and recommendations based on the findings are also discussed in this chapter. The chapter also provides suggestions for further research, this is important because it adds to the growing body of knowledge.

## **5.2 Summary of the Study Findings**

The study aimed to understand the impact of succession planning on the performance of the family-owned Kingsway Tyres Company and a range of valuable insights were revealed. The study found out that an effective succession planning strategy significantly contributes to the company's long-term success. It was observed that well-structured succession plans assist in identifying and bringing up future leaders within the organization, ensuring a smooth transition when key positions become vacant.

Furthermore, the study demonstrated that the implementation of succession planning positively influenced the overall performance and stability of Kingsway Tyres Company. Succession planning led to a more strategic approach to talent development and retention within the family business. This allowed the organization to harness the strengths and potential of its employees, resulting in improved operational efficiency, higher employee engagement, and ultimately, enhanced financial performance. Family-owned businesses that prioritize succession planning

are better equipped to weather leadership changes and adapt to evolving market conditions, ensuring continuity and growth.

The findings emphasized the importance of aligning succession planning with the company's strategic objectives. When succession planning is integrated with the broader organizational strategy, it not only identifies successors but also equips them with the required skills, knowledge, and experience to meet the company's goals. The study noted that an effective succession planning process at Kingsway Tyres Company had a positive impact on its performance, providing a roadmap for sustained success in the ever-changing business landscape.

### **5.3 Conclusions of the Study**

The study concluded that succession planning has a significant and positive effect on the performance of family-owned business Kingsway Tyres Company. The primary objective of this research was to look into the relationship between succession planning practices and the family-owned company's performance. Through a comprehensive analysis of data and performance metrics, it became evident that a well-structured and executed succession planning strategy led to improved organizational performance. Succession planning helped in identifying and nurturing talent within the company, ensuring a seamless transition of leadership and key roles. As a result, the company was better equipped to face the challenges of leadership changes especially in family businesses and maintain its operational efficiency and competitiveness.



Furthermore, the study found that effective succession planning not only contributed to short-term performance improvements but also played a pivotal role in the long-term sustainability of Kingsway Tyres Company. By fostering a culture of continuous talent development and ensuring a pool of capable leaders, the company was better prepared to adapt to evolving market conditions and achieve strategic goals. Succession planning was not merely a reactive strategy but a proactive approach that reduced the uncertainty and risks associated with leadership transitions. This research underscores the significance of succession planning as a critical component of organizational success and recommends its continued implementation to maintain and enhance performance over time. The study provides compelling evidence that succession planning is integral to the performance and success of Kingsway Tyres Company. It is a strategic practice that not only mitigates the disruption caused by leadership changes in family-owned businesses but also fosters a dynamic and resilient organization. The findings of this study have significant implications for other family firms as they highlight the importance of investing in succession planning and implementation as a means to secure their future growth and sustainability in an ever-changing business environment.

## **5.4 Implications of the Study**

### **5.4.1 Implications for Family-Owned Companies**

Based on the study objective, which aimed to determine the effect of succession planning on the performance of Kingsway Tyres Company, several recommendations can be made to improve the company's succession planning and its implications for family-owned companies

in the region. In order to enhance the process of succession planning, Kingsway Tyres company can reach out to government institutions and partner with them in employee development trainings and programs. It is true that effective succession planning is crucial for the long-term success of family-owned businesses like Kingsway Tyres Company. To enhance their performance, it is also recommended that family-owned companies establish a formal and transparent succession planning process that includes identifying and grooming potential successors from within the family. It is not only enough to identify and train future leaders but to ensure that this is communicated effectively within the organization. Professionalism and formalization in family-owned businesses should be enhanced to ease the processes of succession. For example, by developing a family charter or constitution that governs the business activities.

They should also uphold values that promote family unity and develop programs like the family council that attempt to marry family with the business and at the same time help set healthy boundaries between the family and the business. This tradition has played a main role in Kingsway Tyres Company, giving the employees who are part of the family council, a sense of belonging and ownership in the business. Additionally, family-owned companies should invest in leadership development and training programs to prepare potential successors for their roles. Moreover, it is important to engage external advisors or consultants who can provide objective guidance and ensure the process is fair and in the best interest of the company.

### **5.4.2 Implications for Policy Makers**

Policy makers play an important role in creating an environment conducive to effective succession planning in family-owned companies. To support the performance of such companies, it is recommended that policy makers consider developing and promoting incentives for family-owned businesses to implement succession planning, such as tax incentives or grants for training and development programs. There is also the need for them to encourage the establishment of mentoring and coaching programs that connect experienced entrepreneurs with emerging leaders in family-owned companies.

Policy makers can also offer access to resources and information on best practices for succession planning through government agencies or industry associations. Importantly, government agencies should create programs that facilitate partnerships between family-owned companies and educational institutions to create tailored leadership development programs, which can strengthen the pool of potential successors and improve overall company performance.

### **5.4.3 Implications for Theory**

The study helped advance the understanding of these two theories: resource-based view and human capital theory. The findings of this study aligned with the perspective of resource-based view, as it indicated that Kingsway Tyres leverages succession planning as a valuable resource to ensure leadership continuity and development, ultimately contributing to enhanced organizational performance.

With reference to human capital theory which focuses on the role of human resources in driving firm performance; the study emphasized that the importance of maintaining a balance between the needs of the organization and needs of individuals and pay attention to the aspects of employees in managing resources. In this study the human resource of Kingsway Tyres is relevant in ensuring a successful succession plan which ultimately improves the performance of the family-owned firm. From the above discussions, it can be reckoned that succession planning adds value to the performance and success of the family-owned business Kingsway Tyres Limited.

### **5.5 Limitations of the Study**

While this study offered valuable awareness into the effect of succession planning on Kingsway Tyres Company's performance, it is essential to acknowledge its limitations. The study focused exclusively on one company, limiting its generalizability to a broader context. It would have been interesting to compare the succession plans of different family-owned business in various industries in the country, to discover how they relate and differ.

Secondly, data was collected through interviews, this was time consuming and would have required more time with each respondent. However, this limitation was anticipated and was mitigated by ensuring the related questions were combined so that their answers were given at the same time.

## **5.6 Suggestions for Further Research**

To build on the findings of the study, future research could consider several directions. Firstly, a comparative analysis of succession planning practices in different industries and regions could provide a more comprehensive understanding of its impact on organizational performance. Additionally, longitudinal studies that track the performance of companies over an extended period could offer a more comprehensive view of the lasting effects of succession planning on family-owned businesses.

Finally, investigating the interplay between succession planning and external environmental factors. As earlier mentioned, only 30% of family-owned firms make it past the first generation. This could be a fruitful avenue for research, shedding light on how family-owned firms adapt to changing circumstances through effective succession planning strategies

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## APPENDICES

### Appendix I: Official Letter of Introduction from the University



**UNIVERSITY OF NAIROBI**  
**FACULTY OF BUSINESS AND MANAGEMENT SCIENCES**  
**OFFICE OF THE DEAN**

Telegrams: "Varsity",  
Telephone: 020 491 0000  
VOIP: 9007/9008  
Mobile: 254-724-200311

P.O. Box 30197-00100, G.P.O.  
Nairobi, Kenya  
Email: [fb-graduatestudents@uonbi.ac.ke](mailto:fb-graduatestudents@uonbi.ac.ke)  
Website: [business.uonbi.ac.ke](http://business.uonbi.ac.ke)

Our Ref. **D61/9767/2018**

**OCTOBER 17, 2023**

Kingsway Tyres Limited  
Head Office: Kingsway House, 7 University way  
**NAIROBI**

**RE: INTRODUCTION LETTER: PAULINE DARRIA ODIPO**

The above named is a registered Masters in Business Administration candidate at the University of Nairobi, Faculty of Business and Management Sciences. She is conducting research on "**EFFECTS OF SUCCESSION PLANNING ON PERFORMANCE OF KINGSWAY TYRES LIMITED**".

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the Project.

The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.

A handwritten signature in blue ink, appearing to read 'James Njihia'.



**PROF. JAMES NJIHIA**  
**DEAN, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES**

## **Appendix II: Interview Questions**

The objective of this study is to determine the effect of succession planning on the performance of Kingsway Tyres Company.

1. Can you tell us about Kingsway Tyres Company's current succession planning strategy?
2. Has your company engaged in the following succession planning programs?
  - a) Identifying and developing internal talent
  - b) Creating a leadership development pipeline
  - c) Knowledge transfer and institutional memory preservation
  - d) Regular performance evaluations and feedback
  - e) Succession planning governance and oversight
3. How does the succession planning process at Kingsway Tyres Company align with the company's overall goals and objectives?
4. What impact has the implementation of a succession plan had on the performance of Kingsway Tyres Company?
  - a) Improved performance, Explain how
  - b) Remained the same, Explain why
  - c) Low performance, Explain why
5. How does the company identify and develop potential leaders for future roles within the organization?
6. What steps does Kingsway Tyres Company take to ensure diversity and inclusion in its succession planning efforts?

7. Can you provide an example of how the company's succession planning process has successfully prepared an individual for a leadership role?
8. How does Kingsway Tyres Company ensure that its succession plan is adaptable to changing business needs and circumstances?
9. What role does leadership development play in the company's succession planning process?
10. How does the company measure the success of its succession planning efforts, and what metrics does it use to evaluate progress?
11. How does Kingsway Tyres Company ensure that its succession planning efforts are communicated effectively to employees at all levels of the organization?
12. Can you provide some suggestions on how succession planning can improve the performance of your company?

### Appendix III: Kingsway Tyres Company's Products and Services

**KINGSWAY SAFARI SPECIAL**  
II-→-II TYRES LIMITED

**BEST RANGE OF 4X4 TYRES**

**MICHELIN** **BFGoodrich**

**Special OFFERS**

**GOODYEAR** **apollo** **FULWIND TIRE**

**12 Months Free Tyre Damage Guarantee\***

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