

**ATTRIBUTES FOR SUCCESSORS' PERFORMANCE IN FAMILY- OWNED
SMALL AND MEDIUM ENTERPRISES IN ARUSHA CITY, TANZANIA**

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**A THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE
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EXTENDED ABSTRACT

High failure rate has been documented to affect family-owned small and medium enterprises all over the world. In response to this situation, initiatives such as formulation of SME Policy, developing financial and non-financial services, establishing SMEs supportive organizations and infrastructures have been implemented in Tanzania. Despite several government and private sector interventions, high failure rate is still a challenge to family-owned businesses. Although various scholars have carried out studies on different facets of family-owned businesses, attributes for successors performance in family-owned SMEs has not been exhaustively discussed. This led to a knowledge gap in the area of the attributes for successors performance in family-owned SMEs. Therefore, the study on which this thesis is based is meant to address the existing knowledge gap. Specifically, the study assessed the following aspects: (i) succession planning and performance of family-owned SMEs, (ii) influence of successors' socio-demographic characteristics on the performance in family-owned SMEs, and (iii) the influence of successors' entrepreneurial competencies on the performance in family-owned SMEs. The data was collected through a survey whereby a structured questionnaire was administered to a randomly selected sample of 219 successors of family-owned SMEs. The questionnaire data were analysed through SPSS Version 21. This software was used in order to compute descriptive and inferential statistics which included frequency distribution, percentages, independent samples t-tests, and hierarchical multiple regression. The results showed that most of family-owned SMEs in the study area had mechanisms of succession plan in their businesses. Moreover, there was a difference in performance in terms of the business net profit between the successors selected and prepared by business founders and those selected and prepared by other family members. Those selected and prepared by family business founders generated higher net profit. Furthermore, it was found that education and business experience influenced performance in terms of profit in

family-owned SMEs. Additionally, the results have shown that there was no significant difference in performance in terms of profit between male and female successors of family-owned SMEs. These results suggest that when male and female successors are equally prepared to manage family businesses, there will be no difference in their performance in terms of profit. Successors' risk-taking propensity and ability to exploit business opportunity showed significant results in predicting performance of family-owned SMEs. It is considered that risk taking behaviour gives successors the courage to invest more in the family business, and competence in exploiting business opportunities gives successors the ability to expand the boundaries of the family business. Therefore, this study concludes that, business founders are highly aware of the importance of succession planning in family-owned SMEs in the study area. There is high performance of family-owned SMEs if business founder selects and prepare the business successor, and sex should not be a factor for consideration in selecting successors of family-owned SMEs. For good performance of family-owned SMEs, successors' education and business experience should be given the highest priority in succession plan. Family-owned SMEs managed by successors who are able to take calculated risks and able to exploit business opportunities are in a good position to realize better performance in terms of net profit. This study recommends that, founders of family-owned SMEs should select and prepare their successors before they depart from their businesses, both male and female family members should be equally considered in the selection of family-owned SMEs successors. Moreover, founders should invest in the education of their successors and build their successors' business experiences, risk taking behaviour and competence in exploiting business opportunities to improve the performance of their family-owned SMEs.

DECLARATION

I, **ROSE HAYNES KIWIA**, hereby declare to the Senate of Sokoine University of Agriculture, that this thesis is my own original work done within the period of registration, and that it has neither been submitted nor being concurrently submitted to any other institution.

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DEDICATION

This work is dedicated to my late father Mr. Haynes Wilfred Kiwia, and my late mother Levina Francis Kashaija. I will always be proud of you as my parents and treasure; your unreserved efforts brought me this far. May your souls rest in eternal peace till we meet again!

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LIST OF ABBREVIATIONS

BEST	Business Environment Strengthening for Tanzania
CAMARTEC	Center for Agricultural Mechanization and Rural Technology
CF	Conceptual Framework
CSSH	College of Social Sciences and Humanities
GDP	Gross Domestic Product
HCT	Human Capital Theory
ILO	International Labor Organization
RBV	Resource Based View
REPOA	Research on Poverty Alleviation
SELF	Small Entrepreneurs Loan Facility
SIDO	Small Industries Development Organization
SMEs	Small and Medium Enterprises
TICD	Tengeru Institute of Community Development
TIRDO	Tanzania Industrial Research and Development Organization
URT	United Republic of Tanzania
VIF	Variance Inflation Factor

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

Family business constitutes a large proportion of Small and Medium Enterprises (SMEs) in the world (Daspit *et al.*, 2015) and accounts for a significant contribution to the global economy (Mullens, 2018; Ramadani *et al.*, 2015). Ayyagari *et al.* (2011) reported that more than 95% of enterprises across the world are SMEs providing approximately 60% of private sector employment. Family Firm Institute (2017) echoed similar views that family business contributes between 70% and 90% of the global economy, with the majority being SMEs (Alderson, 2015), and creates over 50% of jobs to the majority of economies. About 90% of the world's businesses can be defined as family businesses (Joshi *et al.*, 2018). In Tanzania, over 80% of all enterprises are family-owned SMEs (Olomi, 2009), and estimated to contribute close to 27% of the GDP (REPOA, 2008; URT, 2012). Given the potential for the family businesses to contribute to the economy, there have been several initiatives to support them, since their failure has enormous impact on loss of employment, assets, family security and decline of productivity and trade (Daspit *et al.*, 2015).

As family businesses continue to dominate most economies of the world through wealth and employment creation (Osunde, 2017; Rexhepi *et al.*, 2018), statistics show that they suffer from a high failure rate (De Massis *et al.*, 2014). Mokhber *et al.* (2017), Shafieyoon and Mansouri (2014) and Hamilton (2011) point that there are 50% chances of successful succession from the first business owner to the first successor, and this declines to 15% of the second successor and further to 3% of the subsequent successors.

Different scholars define family business differently. This is due to the differences in the business environment, the level of technology, the size and capital of the business. For example, Wilson *et al.* (2013) define family business as a business whose management and/or ownership is controlled by at least two members of the family. Benito *et al.* (2014) define family business as a business to which family members contribute capital, and are engaged in its management. In this study, family business is considered as a business whose ownership as well as control is within the founder's family members, one of the family members (successor) or the family members (successors) are directly involved in the daily activities of the businesses, and the business will be transferred to subsequent generations.

Moreover, the successor of family-owned SMEs is considered as a person who takes the business after retirement or death of the business founder/preceding successor. For that case, they are directly involved in the performance and continuity of the business. They are expected to be sensitive to founder's vision, patient and understanding of the firm's culture. Major distinguishing features of family and non-family businesses dwell in their ownership, management and control of the firm (Charles, 2015). For example, cooperatives and non-family companies are owned by members, and managed by hiring employees who are not necessarily members of the cooperative or company.

It is frequently reported in the literature that family conflicts (Karanja, 2012), SMEs founders not granting successors a chance to acquire knowledge and experience (Massis *et al.*, 2008), incompetent successors (Magasi, 2020), lack of motivation and willingness of successors to take part in family business (Lockamy *et al.*, 2016), and lack of entrepreneurial competencies (Volery *et al.*, 2015) contribute to failure of family businesses. Also, succession planning, which entails transfer of management and

ownership from the business founder to the successor, is mentioned as one of the challenges in family businesses (Mori, 2014; Neubauer and Lank, 2016); and probably, if not done properly, is one of the reasons contributing to high failure rate of family businesses. Literature emphasizes that succession planning in family-owned SMEs is a planned activity which happens in phases. For instance, Bowman-Upton (1991) outlined popular phases of succession planning which have been used in most studies of succession planning. The phases are initiation stage, selection stage, development stage and lastly transition stage.

During the initiation stage, founders of family business discuss with family members about the business; and emphasizing the positive sides of being part of the family business. In the selection stage, business founders select their successors; this stage shows the direction of who will be the leader, and/or the owner of the business. In the preparation/development stage, selected successors are exposed to their daily responsibilities, and imparted with knowledge and skills appropriate for management of the business. Lastly, it is the transition stage whereby more power in decision making and control of the entire business are vested to the successor.

Previous studies show that there are few family businesses which have succession plans (Westhead, 2003; Zahrani *et al.*, 2014). This problem is reported to be associated with the fact that many family business founders neglect the issue of succession planning (Josh and Srivastava, 2014). According to Larcker and Saslow (2015), family-owned SMEs which planned for their succession might perform better than those which did not plan. Therefore, Poza and Daugherty (2014) suggested that to alleviate the challenge of high failure rate, founders should select their successors, and impart them with knowledge and skills appropriate to their business before they depart from the business.

Successors of family business should be selected early for them to get enough time to familiarize themselves with operations of family business while business founders are still active in managing activities of family business. Successors should be sensitive to founder's needs, patient and understanding the culture of family businesses. Pyromalis *et al.* (2006) list three factors for a successful successor planning namely successor's willingness to take the business (Dawson, 2015), positive family relation and communication, and lastly successor's appropriateness and preparedness (Bracci and Vagnoni, 2011; Hasliza *et al.*, 2015). According to Hasliza *et al.* (2015) and Letonja and Duh (2015), mutual relationships between the family business founder and the successor usually lead to successful succession process and transfer of business knowledge.

Succession planning is important in building successors' entrepreneurial competencies and profitability of family business (Morris *et al.*, 1997; Sharma *et al.*, 2003; Rothwel, 2005). Formal education can be used for developing essential entrepreneurial competencies, but some of the entrepreneurial competencies are based on tacit knowledge that depends on individuals' characteristics built during the entrepreneur's life and experience (Brownell, 2006). Nonaka and Takeuchi (1995) define tacit knowledge as personal knowledge embedded in individual experience and involve intangible factors such as personal beliefs, perspectives and value system. Tacit knowledge is highly personal (held within the holder), subjective, difficult to formalize, articulate and communicate fully, experience based, contextualized, job specific, transferred through conversation or narrative, not captured by formal education or training. It is argued that some of the entrepreneurial competencies can be obtained in the interaction process between the founder and the successor (Kuratko, 2005).

Entrepreneurial competencies enable successors to operate in a professional way by formulating different business strategies and identifying new business opportunities hence increase performance of family business (Jaskiewicz *et al.*, 2014). Entrepreneurs with entrepreneurial competencies can easily manage their business environment to improve performance of their businesses (Covin and Miles, 1999), and this is likely to reduce failure rate in family business.

High failure rate is still reported in family businesses (Alembumamah, 2015). At the same time, the literature acknowledges family business as a new research area (Letonja *et al.*, 2016; Machek, 2016). This draws attention of different scholars to the area of family business (Andrea, 2012; Maryam *et al.*, 2014; Hossein and Alireza, 2015; Magasi, 2016; Mori and Charles, 2018). However, despite their importance, there is limited literature on the performance of successors of family-owned SMEs (Chrisman *et al.*, 2012; Basco, 2018). This study is of the view that performance of successors of family-owned SMEs contributes to the continuity of family business. Similarly, the performance of family business largely depends on the presence of prepared and competent successors (Ghee *et al.*, 2015; Mahto and Khanin, 2015). Besides, this study considers that succession planning, socio-demographic characteristics and entrepreneurial competencies are important attributes for successors' performance in family-owned SMEs. These attributes are considered relevant in addressing the problem of high failure rate in family-owned SMEs. Therefore, considering the significance of family businesses to Tanzania's economic development, it was significant to conduct this study to assess attributes for successors performance in family-owned small and medium enterprises in Arusha City, Tanzania.

1.2 Problem Statement

The contribution of SMEs to global economy is well acknowledged. However, most of family businesses, which constitute about 90% of SMEs worldwide, suffer from discontinuity (Alderson, 2015). Literature shows that family businesses are reported to record high failure rate at the tune of only 3% survival rate beyond third succession (Schimke and Brenner, 2011; Gupta *et al.*, 2013; Shafieyoon and Mansouri, 2014; Alembummah, 2015). Failure of family business affects the growth of countries' economies in general. In Tanzania, it also constrains the socio-economic development.

Worldwide several interventions have been made to address the challenges confronting family businesses with the efforts to foster business success and reduce the reported failure rate. For example, in Europe under European Commission there is SMEs policy and SMEs strategy which were formed to support the growth of SMEs in European countries and simplifying regulations and removing barriers for SMEs growth. In South Africa, the National Policy Framework on the Support and Development of Small and Medium Agro-Processing Enterprises was formed to support growth of the sector. Also, in Uganda micro, small and medium enterprise policy was formed on 2015 and the Ministry of Trade, Industry and Cooperatives is responsible for policy implementation. In Kenya, under the Ministry of Industrialization, Trade and Enterprise Development, Micro and Small Enterprise Act of 2012, Micro and Small Enterprise Development Fund were formed with the aim of supporting growth of SMEs.

The Government of Tanzania is also trying to address problems facing SMEs and creating enabling business environment. The Government has established different initiatives such as the formulation of SMEs policy which focuses on creation of enabling business environment, developing financial and non-financial services and establishing

supportive institutions and infrastructures such as Sustainable Industrial Development Policy (1996-2020), National Microfinance Policy (2000 and 2017). There are also organizations which have been formed to support entrepreneurs such as Small Industries Development Organization (SIDO), Tanzania Industrial Research and Development Organization (TIRDO), Center for Agricultural Mechanization and Rural Technology (CAMARTEC), Business Environment Strengthening for Tanzania (BEST), and Small Entrepreneurs Loan Facility (SELF). It is anticipated that these initiatives will reduce the reported failure rate.

Despite various interventions established in different countries and Tanzania in particular to promote SMEs, there is evidence of high failure rate of family-owned SMEs (Gupta *et al.*, 2013). Studies have been conducted on family businesses, but the subject of attributes for successors performance in family-owned small and medium enterprises has received little scholarly attention despite their importance in family businesses. For example, Charles (2015) focused on conflicts in family business, and found that nepotism and family conflicts have no effect on the performance of family-owned firms. Charles (2011) examined competitiveness of family and nonfamily business and found that, in terms of financial indicators, family SMEs are more competitive than non-family SMEs. In terms of market indicators, the difference between family and non-family SMEs is insignificant. Mori and Charles (2018) examined role of board of directors of family-owned microfinance institutions and found that life cycle of the firm and the nature of the industry influence selection of board of directors. Moreover, Magasi (2016) studied factors influencing succession planning in Tanzania, and found that the higher the age of SMEs owners, the higher the possibility of preparing business successors. Also, the level of education of SME owners and the size of the business have a positive influence on business succession planning. Rukundo and Cyeze (2015) focused on the

factors influencing the intention to family business succession and found that succession is effective when founders focus much on empowering the successors. Musa and Semasinghe (2014) studied leadership succession problems in small family businesses and found that small family businesses lack proper planning for succession. Moreover, Alderson (2015) studied conflicts management and resolution in family-owned businesses and found that conflict is a common problem in family businesses and has significant consequences on family and business. This study postulates that, the reported high failure rate in family businesses is an outcome of business founders of family-owned SMEs not giving priority to attributes for successors performance in family-owned small and medium enterprises. Specifically, family business founders ignore the roles of succession planning (Zahrani *et al.*, 2014).

Studies by Barbera *et al.* (2015), Daspit *et al.* (2015), Isaga, (2015), Mothibi (2015) Akeem and Adekanmbi (2016), Man *et al.* (2016), Bozer *et al.* (2017), examined SMEs without specifically focusing on socio-demographic characteristics of successors of family-owned SMEs. Moreover, studies by Gwadabe and Amirah (2017); Hashim *et al.* (2018); Lubem and Richard (2018), focused on performance of businesses without specifically focusing on successors' entrepreneurial competencies in performance of family-owned SMEs. This suggests that the variables have not been adequately examined on successors of family-owned SMEs, and it points to scarcity of studies on performance of successors in family-owned SMEs. Thus, to fill the knowledge gap this suggests assessment of attributes for successors performance in family-owned SMEs.

1.3 Justification of the Study

Family-owned SMEs largely contribute to economies of different countries, although they are still affected by the challenge of high failure rate (Nkwe, 2012; Batsakis, 2014;

Family Firm Institute, 2017). For that case, an assessment of the attributes for successors performance in family-owned SMEs currently is important because it adds knowledge on relevance of performance of successors in family-owned SMEs and it provides awareness to family business founders and successors about the importance of succession planning, successors' socio-demographic characteristics, and also entrepreneurial competencies on performance of family-owned SMEs to alleviate the challenge of high failure rate. This information is important as it will inform family business founders to plan appropriately who owns and manages their businesses in their absence. This is done in order to ensure performance, and hence continuity of family-owned SMEs.

Literature shows that, in Tanzania and in some other developing countries, there is scarce literature on the attributes for successors performance in family-owned SMEs despite the relevance of performance of successors for continuity of the family-owned SMEs. Therefore, this study enhances our understanding of the scenario at hand and provides background information for researchers who may wish to carry out further research on the area of family-owned SMEs. The importance of this position is that this research domain is asserted to be at its infancy.

Since family businesses have a significant contribution to Tanzania's economy, the findings of this study will help in the formulation of different strategies which will provide a conducive environment for business performance; hence continuity of family-owned SMEs in Tanzania.

Since previous studies focused on other facets of family businesses other than performance of successors of family-owned SMEs, the findings of this study will help in

bridging the knowledge gap on the differences in performance in terms of profit between successors selected and prepared by business founders, and those selected and prepared by other family members, influence of successors' socio-demographic characteristics on the performance of family-owned SMEs and influence of entrepreneurial competencies on the performance of family-owned SMEs. Information from the above-mentioned knowledge gaps contributes to bridging the knowledge gap of this study which is inadequate studies on attributes for successors performance in family-owned SMEs in developing countries specifically in Tanzania. It is anticipated that the results of this study will benefit different stakeholders of family business, such as business founders, successors of family business and government in general in making decisions, developing and strengthening different strategies for performance of family-owned SMEs.

1.4 Overall Objective

The overall objective of the study was to determine the attributes for successors performance in family-owned SMEs in Arusha City, Tanzania.

1.4.1 Specific objectives

The specific objectives of the study were,

- i) To assess succession planning and performance of family-owned SMEs in Arusha City;
- ii) To examine the influence of successors' socio-demographic characteristics on performance in family-owned SMEs in Arusha City; and
- iii) To ascertain the influence of successors' entrepreneurial competencies on performance in family-owned SMEs in Arusha City.

1.4.2 Research hypotheses

- i) There is no difference in performance in terms of profit in family-owned SMEs between succession planning done by business founders and that done by other family members.
- ii) Successors' socio-demographic characteristics have no influence on the performance of family-owned SMEs.
- iii) Successors' entrepreneurial competencies have no influence on performance of family-owned SMEs.

1.5 Theoretical Framework

The framing of papers in this thesis was guided by the Leadership Succession Model, the Human Capital Theory (HCT), and the Resource Based View (RBV). The model, the theory and the view are considered most relevant to this study because they cover a wide range of components which corresponded well in explaining the study specific objective(s). For example, the Leadership Succession Model was used in addressing specific objective one, which focused on succession planning. The relevance of this model lies in its ability to show how succession planning should take place in family businesses since most of businesses face the challenge of lack of succession planning.

Furthermore, the Human Capital Theory was used in the second specific objective because it features elements which are considered relevant in the performance of family-owned SMEs, which this study considers as successors' socio-demographic characteristics. The Resource Based View (RBV) was employed in addressing the third objective. It was used to frame the assessment of family-owned SMEs successors' entrepreneurial competencies and how the competencies influence performance. Subsequent sections explain in detail the above model, theory and view.

1.5.1 Leadership succession model

This model focused mostly on two important areas in assessing succession planning in family-owned businesses. First, the model emphasized the selection of successors before business founders depart from the business; and secondly, the model emphasized the preparation of successors in terms of knowledge and skills, and features needed for successors to manage well their businesses (Boyd *et al.*, 2015).

This model holds that, if the proposed steps are implemented, shift in the ownership and management of family businesses from one generation to the subsequent ones will take place smoothly and in a way which will contribute to performance of family-owned SMEs.

1.5.2 Human Capital Theory (HCT)

The Human Capital Theory (HCT) assess relationship between education, economic growth and social wellbeing. HCT emphasizes education, on-the-job training, and experience (Crocker, 2006). This theory asserts that employees in an organisation with education and job experience are expected to perform better in their assigned responsibilities (Becker, 1993; Wang and Poutziouris, 2010). Human capital theory assumes that formal education is highly instrumental and necessary to improve the productive capacity of a population and educated population is a productive. Also, it assumes that experience is translated into knowledge and skills. One of the weaknesses in this theory is that it cannot explain how education increases productivity. In this study, elements of human capital, such as education and work experience, are stocks of knowledge and skills that are expected to improve business performance. This implies that good family business performance reduces the challenge of high failure rate which faces most of the family businesses.

1.5.3 Resource Based View (RBV)

The Resource Based View (RBV) emphasizes the importance of a firm to distinguish itself from its competitors. The RBV holds that, a firm can excel and distinguish itself from competitors when it possesses a unique set of resources which are inimitable, valuable, rare and non-substitutable (Barney, 2001) and all the resources of the organization should be heterogeneous and immobile. Lack of attention for the process of resource comparison and the process of how resources generate sustained competitive advantage is mentioned as one of the weakness of RBV. On the basis of the RBV, this study postulates that, entrepreneurial competencies such as risk taking propensity, innovation, ability to exploit business opportunities and commitment, are rare and valuable aspects because not all successors are entrepreneurs and they are valuable because when possessed by successor they are expected to contribute to performance in terms of profit. They enable successors of family-owned SMEs to venture into new markets, utilize different business opportunities which emerge in the market, introduce new products in the market, and dedicate their resources for the continuity of the business. Family-owned SMEs successors who can do that are expected to contribute to the performance of the family business in terms of profit.

1.6 The Conceptual Framework

The Conceptual Framework (CF) guiding this study shows the relationship between succession planning, successors' socio-demographic characteristics and successors' entrepreneurial competencies and the performance of family-owned SMEs. This study considers succession planning process as successors' selection and successors' preparation. It is assumed that there are differences in performance in terms of the net profit between successors selected and prepared by family business founders, and the ones selected by other family members. Moreover, family-owned SMEs successors'

socio-demographic characteristics (age, sex, education and business experience) are assumed to influence the performance of family-owned SMEs. In addition, in managing family-owned SMEs, entrepreneurial competencies are among the factors which are considered to contribute to performance of business in terms of profit. Entrepreneurial competencies of family-owned SMEs successors are predicted by different variables which in this study are risk taking, innovation, opportunity exploitation ability and commitment. Financial measure which is net profit was used to measure family-owned SMEs performance in terms of net profit. It is assumed that family-owned SMEs which are managed by successors who have been selected and prepared by business founders, are educated, have business experience, are mature in terms of age, be male or female, and have entrepreneurial competencies (risk taking propensity, opportunity exploitation ability, innovation and commitment) have high chances of performing well and overcoming the problem of business failure from first generation to subsequent generations.

The Leadership Succession Model, the Human Capital Theory and the Resource Based View were used in the development of the study's conceptual framework. The Leadership Succession Model was used to show how the succession planning process should take place in family-owned SMEs. Successors' selection and preparation were considered important in the succession planning process. Therefore, in this conceptual framework, it is assumed that the performance of successors selected and prepared by family business founders will perform better compared to successors selected and prepared by other family members. Similarly, the Human Capital Theory asserts employees of an organization with education and job experience, are expected to perform better in their assigned responsibilities. Therefore, the theory was used in the study's conceptual framework to show the relationship between components of the HC Theory which are

education, experience and performance of family-owned SMEs. The Resource Based View, in the conceptual framework was used to explain the successors' entrepreneurial competencies (risk taking propensity, innovation, and opportunity exploitation ability and commitment). In this study, the entrepreneurial competencies mentioned above are considered to be valuable and rare, and have influence on performance of family-owned SMEs. They are rare because not all successors are entrepreneurs; and they are valuable because when possessed by a successor they are expected to contribute to performance in terms of profit. Likewise, controlled variables such as business location, business capital, business experience and number of employees which in Fig. 1 are indicated by a dotted line are likely to influence performance of family-owned SMEs. Thus, the performance of family-owned SMEs in terms of net profit (dependent variable) is assumed to be influenced by succession planning, successors' socio-demographic characteristics and successors' entrepreneurial competencies (independent variables), while controlling the effect of extraneous variables (control variables).

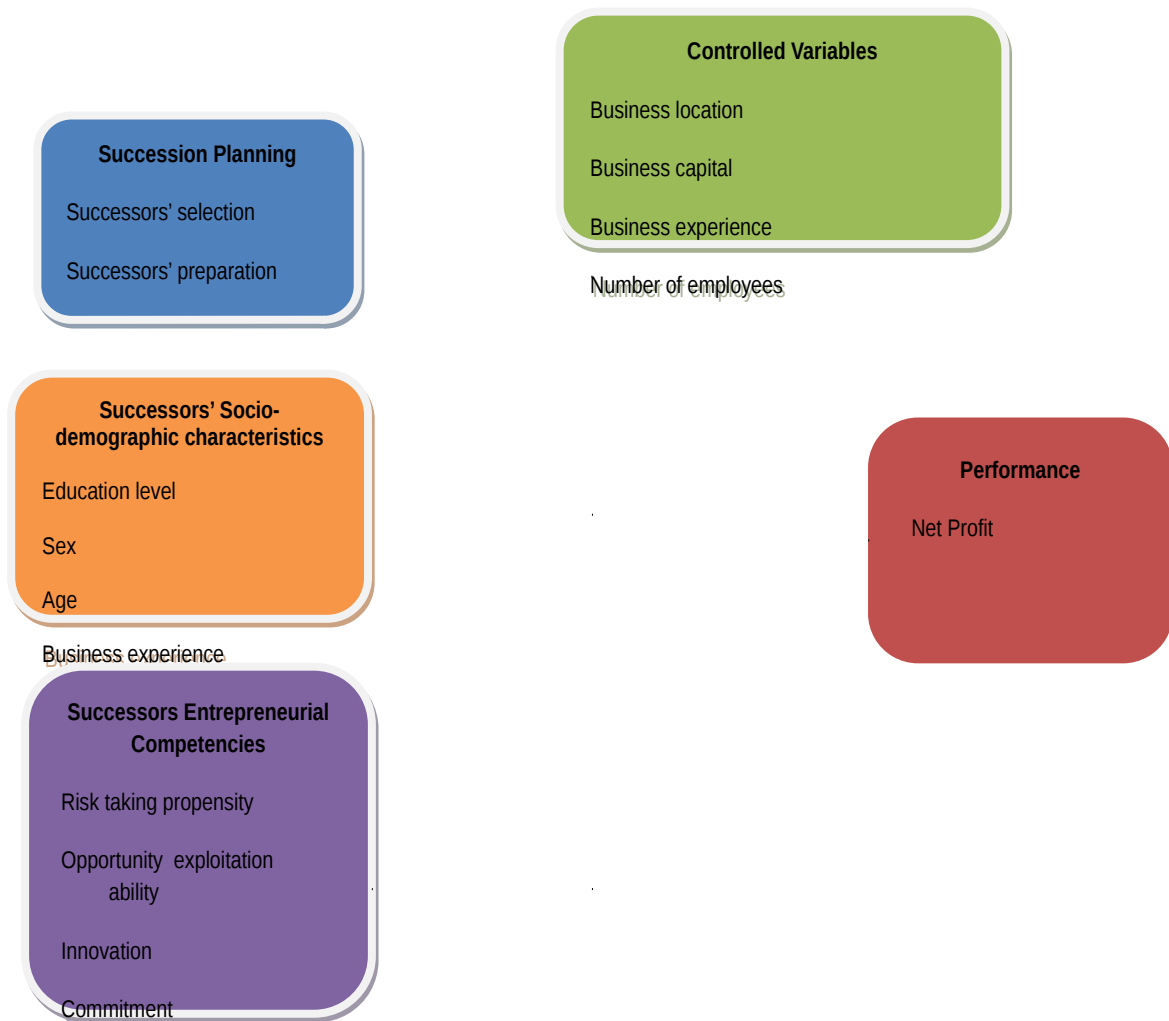


Figure 1.1: Study conceptual framework

1.7 Methodology

1.7.1 Description of the study area

The study was conducted in wards of Arusha City (Fig. 1.2). The study area was selected because it is among the fast-growing cities in Tanzania with a relatively big number of SMEs (URT, 2016). There are also scant studies of family business which have been conducted in Arusha City compared to other regions of Tanzania. For example, Magasi *et al.* (2020) conducted a study in Dar es Salaam on the factors for selecting incompetent successors in family-owned manufacturing firms. Ngaga and Jeckoniah (2019) conducted a study in Morogoro on gender dynamics and success of small and medium family

businesses in Morogoro. Mori and Charles (2018) carried out a study in Dar es Salaam on the role of board of directors of family-owned microfinance institutions. Based on the above explanations, Arusha City was considered to have features that best fitted for the study.

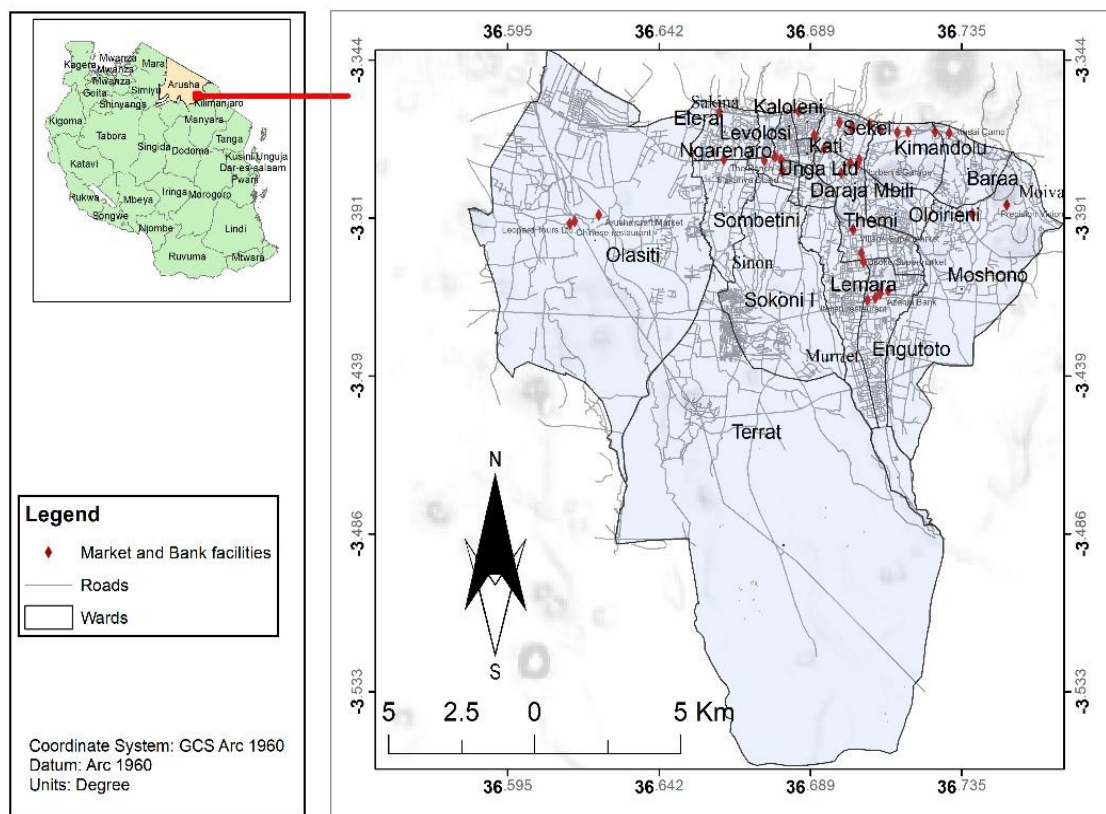


Figure 1.2: Map of study area

1.7.2 Research design

The study used a quantitative research paradigm and employed survey method where by Cross-sectional design was employed. Cross-sectional research design was preferred to other designs to cope with the limited time and resources, also independent samples t-tests which was one of the method of data analysis in this study is considered appropriate when cross sectional design applied. Through this design data were collected at one specific point in time.

1.7.3 Study population

The study population was successors of family-owned SMEs from different categories of business such as trade, service and manufacturing with different socio-demographic characteristics such as sex, age, education, and business experience in Arusha City. Sampling frame was successors of family-owned SMEs in Arusha City and unity of analysis was successors of family-owned SMEs in Arusha City.

1.7.4 Sample and sampling procedure

Since in Tanzania, specifically in Arusha City, there is no official database for successors of family-owned SMEs, City trade officers, ward executive officers, and business persons were engaged in the process of preparation of the study sampling frame. The definition of family business and the definition of business successor applied in this study were used to identify appropriate businesses (family-owned SMEs) for inclusion in the study. City trade officers, ward executive officers, and business persons assisted the process of identification of a list of 485 successors of family-owned SMEs in the study area. The identified successors were used for preparation of a sampling frame from which the sample was drawn. Homogeneity of successors based on the fact that they all manage businesses which they are not the founders. The formula for calculating the sample size proposed by Yamane (1973) was used, whereby a 95% confidence level and a 0.05 sampling error were applied.

The equation is:

$$n = \frac{N}{1 + N(e)^2} \dots\dots\dots(1)$$

Where n = Sample size

N = Population (successors)

e = error term (5%)

Thus,

$$n = \frac{485}{1 + 485(0.05)^2} = 219$$

$$n = 219$$

A sample size of 219 respondents was randomly drawn from the sampling frame using simple random sampling technique (lottery). A total of 115 were from trade category, 85 respondents from service category and 19 respondents from manufacturing category. Respondents from each category were determined by the following formula

$$\text{Sample per business category} = \frac{(\text{Total sample size}) (\text{Identified successors in business category})}{\text{Total number of identified successors}} \dots\dots\dots(2)$$

The technique allows the use of inferential statistics in data analysis, and is a bias-free technique which gives equal chances of every individual in a sampling frame to be included in a sample (Bernard, 2013). Every successor in the sampling frame was assigned a number, from there numbers were selected at random.

1.7.5 Methods of data collection

Data were collected from successors of family-owned SMEs in Arusha City. The survey method was used, through which a copy of a structured questionnaire was administered to the study respondents who were randomly selected among successors of family-owned SMEs in the study area. A questionnaire was used because it is a simple way to gather quantitative data and allows gathering information from a large sample size (Field, 2009). The questionnaire contained different facets that addressed succession planning process, successors' socio-demographic characteristics, successors' entrepreneurial competencies and family-owned SMEs performance in terms of profit.

1.7.6 Measurement of study variables

In this study, the variables measured included family-owned SMEs performance (net profit), succession planning, successors' selection, successors' preparation, successors' socio-demographic characteristics, and successors' entrepreneurial competencies.

1.7.6.1 Performance

The performance of SMEs is considered as an achievement in running the business (Hasan and Almubarak, 2016). Moreover, Wood (2006) defined performance as how well a firm achieved its objectives. In measuring the performance of SMEs there is no single recommended measure (Simpson *et al.*, 2012; Bengesi, 2013; Bengesi and Le Roux, 2014; Gerba and Viswanadham, 2016). In SMEs, performance can be measured using financial or non-financial measures depending on the purpose of the study. Therefore, the choice of the measure depends on whether it meets the objectives of the study (Richard *et al.*, 2009). For example, Tefera *et al.* (2013) used the number of employees as a measure of performance.

This study employed financial measure in measuring performance of family-owned SMEs. Financial measures are mostly used in studies assessing SMEs performance (Williams, 2018). For the case of this study, the net profit which is one of the financial measures was used as a measure of family-owned SMEs performance. The use of one financial measure was largely motivated by literature. For example, Xheneti and Bartlett (2012) argue that the objective of most of the firms is to maximize profit, thus, the performance of the firm should be measured based on profit. The net profit was measured at the ratio level, and was determined by the following formula:

Total sales - total costs = Net profit

In assessing the performance of successors of family-owned SMEs an actual sample size of 200 respondents was used (only successors who had been heading the family-owned SMEs for three years or longer). This decision was drawn from previous studies that measured SME performance (Maalu *et al.*, 2013; Bengesi and Le Roux, 2014a).

1.7.6.2 Succession planning, successor selection and successor preparation

In this study, succession planning was considered as a process whereby business founders select and prepare their successors before departing from the business, and was measured at the nominal level. Successor selection and successor preparation were considered as succession planning stages and were measured at nominal level.

1.7.6.3 Successors' socio-demographic characteristics

In this study, sex was considered as being male or female, and was measured as a nominal variable. Another variable was age, which was regarded as the number of years a person had, and was measured by the actual number of years (continuous scale). Successors' education was measured as an ordinal variable, and lastly successors' business experience was measured in terms of actual number of years spent on management of family-owned SMEs (continuous scale).

1.7.6.4 Entrepreneurial competencies

Entrepreneurial competencies were considered as knowledge, skills, capabilities and personal characteristics which help a person to accomplish superior performance (Aruni *et al.*, 2014). Entrepreneurial competencies were measured by four constructs: Risk taking propensity, innovation, opportunity exploitation ability, and commitment. An index summated scale which comprised twenty statements was used to measure entrepreneurial competencies. The respondents were asked to indicate whether they

strongly agree (5 points), agree (4 points), neutral (3 points), disagree (2 points) and strongly disagree (1 point) with each of the statements.

1.7.7 Methods of data analysis

1.7.7.1 Succession planning process

Data analysis was done using the Statistical Package for the Social Sciences (SPSS) Version 21. Data for succession planning process were analyzed by descriptive statistics and independent samples t-tests. Data were checked to meet assumptions for application of independent samples t-tests method. The assumptions examined were, sample size, linearity, homoscedasticity, multicollinearity, and normality. The data conformed to the tested assumptions, therefore, independent samples t-test were used to determine differences in business performance when successors are selected by business founders compared to when they are selected by other family members, and differences in business performance when successors are prepared by business founders compared to when they are prepared by other family members. Independent samples t-test was selected because it is a test appropriate when comparing the mean score of two different groups (Field, 2009). In assessing family-owned SMEs performance an actual sample size of 200 respondents was used (only successors who had been heading the family-owned SMEs for three years or longer). This decision was drawn from previous studies that measured SMEs' performance.

1.7.7.2 Successors' socio-demographic characteristics

SPSS Version 21 was used for data analysis. Data were analyzed by hierarchical regression model and independent samples t-tests. For the reliability of results, data were checked for conformity of hierarchical regression model and independent samples t-tests assumptions. The assumptions examined were sample size, linearity, homoscedasticity,

multicollinearity and normality. Data conformed to the tested assumptions; therefore, independent samples t-test and hierarchical multiple regression model were used to determine the influence of successors socio-demographic characteristics on the performance of family-owned SMEs and difference in performance between male and female successors of family-owned SMEs. The Hierarchical Regression Model was employed because of its ability to show the effects of controlled variables in the model (Field, 2009). For hierarchical regression model, variables were entered in steps or blocks in a predetermined order. In the first step controlled variables were entered, and in the second step study variables were entered (Field, 2009). Independent samples t-test was selected because it is a test appropriate when comparing the mean score of two different groups (Field, 2009).

1.7.7.3 Successors' entrepreneurial competencies

SPSS Version 21 was used for data analysis. Data were analyzed by using hierarchical multiple regression model. Data were checked for conformity to hierarchical regression assumptions. The assumptions examined were, sample size, linearity, homoscedasticity, multicollinearity and normality. Data conformed to the tested assumptions; therefore, hierarchical multiple regression model was used to determine influence of successors' entrepreneurial competencies on performance of family-owned SMEs. Hierarchical regression model was employed because of its ability to show the effects of controlled variables in the model (Field, 2009).

1.7.8 Limitation of the study

In the study area, there was no data base for successors of family-owned SMEs. This is due to the fact that there is no tendency of registering successors of family-owned SMEs. Thus, the researcher was compelled to prepare list of successors of family-owned SMEs

where by ward executive officers, trade officers and business persons were assisting in the identification of successors of family-owned SMEs in the study area.

1.7.9 Ethical consideration

Ethical considerations were observed throughout the research activities which ranged from data collection to the writing of this thesis. Before embarking on data collection, a research clearance permit was obtained from the Office of the Vice Chancellor of Sokoine University of Agriculture that included a letter to introduce the researcher to the Director of the Arusha City. Thereafter, the Office of Director of Arusha City provided a letter to introduce the researcher to Ward Executive Officers and respondents who participated in the study. Before filling in the questionnaire, the respondents were asked for their consent to voluntarily participate in the data collection process. To encourage respondents' genuine participation, it was declared that respondents' names and business names remained anonymous in any published material and that any information provided was going to be used only for academic purposes.

1.7.10 Organization of the thesis

This thesis is organized into two publishable manuscripts, and one published paper. The thesis consists of five chapters. Chapter One constitutes the general introduction, the statement of the problem, the justification of the study, the general and specific objectives, the research hypotheses, a theoretical review and the methodology. Chapter Two presents a published paper which assessed succession planning and the performance of family-owned SMEs. Chapter Three presents a manuscript which assessed influence of successors' socio-demographic characteristics on performance of family-owned SMEs. Chapter Four presents a manuscript which assessed influence of successors' entrepreneurial competencies on performance of family-owned SMEs. Chapter Five gives

a summary of major findings, conclusions, recommendations, contribution of the study and suggestions for further studies.

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CHAPTER TWO

2.0 Succession Planning and Performance of Family-Owned Small and Medium Enterprises in Arusha City- Tanzania

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CHAPTER THREE

3.0 Influence of Successors' Socio-demographic Characteristics on Performance in Family-Owned Small and Medium Enterprises in Arusha City, Tanzania

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3.1 Abstract

This study examined the influence of successors' socio-demographic characteristics on the performance of family-owned Small and Medium Enterprises. Probability sampling technique was employed to obtain a sample of 219 successors. The hierarchical regression model and independent samples t-test were employed to test the study hypotheses. The findings of this study indicate that successors' socio-demographic characteristics, that is, education and business experience have influence on performance of family-owned Small and Medium Enterprises, also there is no statistical difference in performance in terms of profit between male and female successors in family-owned SMEs. It was concluded that, for performance of family-owned SMEs, successor's sex should not be a factor for consideration in selecting a successor in family-owned SMEs. For good performance of family business, successors' socio-demographic characteristics mainly education and business experience should be given priority in succession plan. The paper recommends that, to reduce the high failure rate, family business founders should strengthen their successors' socio-demographic characteristics, mainly education and business experience instead of building on sex as the only criteria for successors' selection.

Keywords: Family SMEs Successors, Socio-demographic characteristics, Family business, Performance

3.2 Introduction

Family business research is considered a new research paradigm (Basco, 2018; Machek, 2016) in developing countries. Letonja *et al.* (2016) assert that, although the domain of family business research is relatively new it has stored a myriad of empirical evidence that family businesses face challenge of business failure. For Example, Shafieyoon and Mansouri (2014) and Zellweger *et al.* (2012) maintain that only 15% of family businesses survive to the third generation of successors while only 3% of family businesses go beyond the third generation of successors. This phenomenon has attracted the attention of different scholars who conducted studies on different facets of family-owned SMEs.

Previous studies (Maalu *et al.*, 2013; Charles, 2015; De Massis *et al.*, 2015; Gomba and Kele, 2016) conducted studies on family businesses and focused on various attributes such as succession planning in black owned businesses, impact of family involvement on SMEs, conflicts in family business, succession strategy and performance of small and medium family businesses, respectively and observed that, successor's commitment to and interest in the business influence decisions in the succession process, balancing family and non-family members in top management is beneficial to the performance of family business. Apparently, nepotism and family conflicts have no effect on the performance of family-owned firms. Also, family-owned SMEs do not document their succession strategy. Nevertheless, they make unwritten plans for trans-generational succession.

The previous authors (Barbera *et al.*, 2015; Akeem and Adekanmbi, 2016; Man *et al.*, 2016; Bozer *et al.*, 2017; Lucas, 2017) their studies focused on succession in family business, the impact of demographic and social factors on firm performance, relationship between entrepreneurial characteristics and the performance of SMEs, succession in

Chinese family enterprises, relevance of a whole person learning approach to family business education, owner-managers demographic characteristics in SMEs and observed that socio-demographic characteristics have impact in the firm's performance.

Despite their relevance, this paper argues that successors of family-owned SMEs and their socio-demographic characteristics (business experience, age, sex, and education) have hitherto received less scholarly attention especially in the context of developing countries and Tanzania in particular. This paper is largely motivated by this paucity of studies and was set to bridge the knowledge gap. Therefore, there is a need to study these variables in the context of successors of family-owned SMEs in Arusha City, Tanzania.

Basing on the literature, this study argues that socio-demographic elements such as education, business experience, age and sex are essential to the performance of family-owned SMEs. In this paper, these elements are referred to as family business successors' socio-demographic characteristics. These characteristics were selected based on their acknowledged impact in business performance (Barbera *et al.*, 2015; Isaga, 2015; Mothibi, 2015; Man *et al.*, 2016; Bozer *et al.*, 2017). Therefore, this study assessed these variables focusing on successors of family-owned SMEs in Arusha City, Tanzania.

Given the fact that, much is not known on the influence of the socio-demographic characteristics on performance of successors in family-owned SMEs (Chrisman *et al.*, 2012; Basco, 2018) specifically in Tanzania, the findings of this paper provide useful information to business founders, researchers and different family business stakeholders. Also, the results contribute to bridge the knowledge gap and give new knowledge, and add to existing literature on family business, specifically in the area of performance of successors in family-owned SMEs. This is achieved by showing the influence of

successors' socio-demographic characteristics on the performance in family-owned SMEs and differences in performance between male and female successors in family-owned SMEs. Further, the findings enhance readers' understanding of human capital theory on family-owned SMEs. Moreover, the findings serve as a wakeup call for family-owned SMEs founders on where specifically to direct more efforts and resources in selection and development of their successors.

3.3 Theoretical Review

This paper is underpinned by the Human Capital Theory (HCT) which was first developed by Becker (1964). The HCT entails skills and knowledge that individuals acquire through investment in schooling, on job training and other types of experience (Crocker and Eckardt, 2014). Becker (1993) advocates that, schooling raises earnings and productivity by providing knowledge, skills and ways of solving problems. Today's competitive and dynamic business environment demand organizations/family businesses to have quality human capital. Thomas *et al.* (2013) define human capital in organizations as people, their performance, and their potential in an organization.

In studying family business, different theories such as Resource Based View, Stewardship Theory, and Agency Theory are applied. In this paper, the HCT was selected over other theories used to study family businesses based on the aforementioned human capital theory elements which are in line with what is considered in this paper as successors' socio-demographic characteristics and the focus of the theory on the organization's performance. Employees with education and business experience are expected to perform better in their assigned responsibilities (Becker, 1993) and maintain business competitive advantage.

Similarly, it is argued that, in family businesses, successors with developed human capital are expected to perform better in their business activities (Daspit *et al.*, 2015). Literature acknowledges a close relationship between human capital development and the performance of individuals and organizations in general (Crocker and Eckardt, 2014). Thus, elements of the Human Capital Theory such as education and experience are considered to have a relationship with family businesses performance.

3.4 Overview of Successors' Socio-demographic Characteristics

Literature underscores vital roles played by entrepreneurs' socio-demographic characteristics in businesses (Vallabh and Mhlanga, 2015; Sajilan *et al.*, 2015). Although the role of entrepreneurs' socio-demographic characteristics is acknowledged in business performance, Machek (2016) asserts that most of the family business literature is on developed countries. Thus, the researcher was motivated to study successors' socio-demographic characteristics in family-owned SMEs in the context of Arusha City, Tanzania to fill in the knowledge gap. The findings of this study contribute to the literature on successors' socio-demographic characteristics on the performance of family-owned SMEs. It is, therefore, postulated that:

1. *Successors' socio-demographic characteristics have no influence on performance of their SMEs in terms of profit.*

Literature shows that most of the family-owned business founders prefer male successors to female successors, believing that male successors can perform better than their female counterparts (Amran and Ahmad, 2010; Latu *et al.*, 2013; Ahrens *et al.*, 2015; Mathew and Blumentritt, 2015; Aldamiz-Echevarria *et al.*, 2017). However, there are scarce empirical studies that show existence of significant difference in performance between male and female successors of family-owned SMEs to justify the selection of male

successors over the female ones in owning and managing family businesses. To this end, it is hypothesized that:

2. *Performance in family-owned SMEs differs on the basis of the sex of successors.*

In this case, the discussion in this paper is limited to successors' education, business experience, age and sex.

Several studies, Barbera *et al.* (2015); Man *et al.* (2016); Bozer *et al.* (2017) maintain that, education is an important component for successors to manage well their businesses. Further, the selection of family members to lead the family business is based on the assessment of having proper education (Jaskiewicz and Dyer, 2017). Education equips successors with some business skills (Georgiou and Vrontis, 2013), which are considered important in family-owned SMEs performance. Unfortunately, when it comes to formal education that includes business knowledge on strategic marketing, human resource management and strategic planning, women seem to lag behind in many places (Hisrich and Brush, 1988). This is likely to have impact on the ownership and management of family business. On the contrary, Abiodun and Amos (2018) argue that, education does not have a strong relationship with the performance of entrepreneurs in business. In the light of the equivocal findings on the importance of education for business performance, this paper intended to re-assess the role of education in the success of family-owned SMEs in Tanzania, Arusha City in particular. Therefore, it was hypothesized that:

- 1a: *Successor's education has no influence on performance in family-owned SMEs*

Business experience is another successor socio-demographic variable in this paper. Experience is the knowledge or mastery of an event or subject gained through involvement in or exposure to it. Business experience is considered an important aspect in family-owned SMEs, and in most cases, it is expected to build successors' understanding

of the business and commitment to the family business (Buang *et al.*, 2013). This variable is also considered in the selection of family business successors because of its perceived capability to enhance successors' ability to navigate in competitive business environment (Gomba and Kele, 2016).

Business experience can be built by early involvement of successors in family business activities (Cabrera-Suarez, 2005; Lumpkin and Brigham, 2011; Bozer, 2017), or can also be acquired outside the family businesses by being employed in other businesses. In their study on entrepreneurial legacy, Jaskiewicz *et al.* (2014) found that strategic education, entrepreneurial bridging, and strategic transition are important in building entrepreneurship in family businesses. In this case, business founders of the family-owned SMEs have great roles to play in motivating their successors to engage in family business activities so as to build successors' business experience (McMullen and Warnick, 2015). It is argued that, an experienced entrepreneur, as opposed to an inexperienced entrepreneur, can easily identify the needs of a specific market and serve required products. Also, experience increases human capital via increasing the reputation and better understanding of the business environment (Fooman, 2014).

Some scholars (e.g. Duh *et al.*, 2015) emphasize the importance of business experience and recommend how to build successors' business experience. Unfortunately, most of the literature are from the developed countries (Machek, 2016) and do not focus on the performance of successors in family-owned SMEs. Therefore, what seems to be missing links are studies carried out on developing countries such as Tanzania and Arusha City in particular, which show the influence of successors' business experience on the performance in family-owned SMEs. This paper fills in this literature gap and discloses

the influence of successors' business experience on performance in family-owned SMEs in the context of Arusha City, Tanzania. Therefore, it was hypothesized that:

1b: *Successor's business experience has no influence on performance in family-owned SMEs*

The age of the successor, which is one of the socio-demographic characteristics in this paper, is perceived differently in the literature. Some authors subscribe to the view that young business successors have limited business experience (Amran and Ahmad, 2010). While other scholars such as Samei and Feyzbakhsh (2015) and Tanveer *et al.* (2013) argue that, young business successors are acknowledged with their propensity of risk taking, are dynamic, and have innovative ideas. In view of these different schools of thought on the entrepreneurs' age from previous studies, it is imperative to further readers' knowledge on this socio-demographic characteristic in the context of the successors of family-owned SMEs in Arusha City, Tanzania. Therefore, it was hypothesized that:

1c: *Successor's age has no influence on performance in family-owned SMEs*

Another successor's socio-demographic variable considered in this paper, and which seems to have attracted a debate on family businesses in relation to succession planning is the successor's sex. Previous studies (Cesaroni and Sentuti, 2014; Ringo *et al.*, 2018) reveal that women face the challenge of uneven distribution of household roles, and in some cases, they shy away from taking family business leadership because of their multiple family roles.

Some literature demonstrates that, some business founders consider sex in succession planning and take it as an important factor in selecting family business successors

(Schenkel *et al.*, 2016). Female family members are less considered in succession positions (Latu *et al.*, 2013; Schroder and Schmitt-Rodermund, 2013; Mathew and Blumentritt, 2015; Aldamiz-Echevarria *et al.*, 2017). In some cases, this makes males to be given the first priority in selecting successors; and in most cases, males are engaged from the beginning to take the positions (Amran and Ahmad, 2010; Ahrens *et al.*, 2015). This might be due to the inbuilt belief in many societies that males perform better in business than females.

However, there is a dearth of empirical studies which show differences in performance in terms of the profit accrued between male and female successors of family-owned SMEs. The findings of this paper add to the ongoing debate on the selection of successors in family business, and provide insight to the performance of male and female successors in the context of family-owned SMEs in developing countries like Tanzania, particularly Arusha City. Therefore, it was hypothesized that:

- 1d: *Successor's sex has no influence on performance in family-owned SMEs*
2. *Performance in family-owned SMEs differs on the sex of successors.*

3.5 Methodology

3.5.1 Research design, sampling procedure and sample size

This study was carried out in order to examine the performance of successors of family-owned SMEs in Arusha City. This paper adopted the quantitative research paradigm. Cross-sectional research design was employed, and data were collected through a structured questionnaire. Ward Executive Officers, Trade Officers, and business persons took part in the identification of family-owned SMEs which are managed by successors. The identified successors of family-owned SMEs were used in preparation of the sampling frame. The sampling frame comprised a long list of successors (485) of family-

owned SMEs in Arusha City. The formula proposed by Yamane (1973) was used to determine the sample size. Two hundred nineteen (219) successors were randomly selected from the sampling frame. This sample size was considered adequate to serve the purpose of this study. Tabachnick and Fidell (2007) assert that, a sample size greater than or equal to 200 is sufficient in running a regression model.

$$n = \frac{N}{1 + N(e)^2} \dots\dots\dots(1)$$

Where n = Sample size

N = Population (successors)

e = error term (5%)

Thus,

$$n = \frac{485}{1 + 485(0.05)^2} = 219$$

$$n = 219$$

3.5.2 Measurement of key variables

3.5.2.1 Successors' socio-demographic characteristics

In this paper, sex was considered as being male or female. This variable was measured at the nominal level. Another variable was age, which was regarded as the number of years a person had. Successors, adults aged 18 years and above, were respondents in this study and their ages were measured by actual numbers of years (continuous scale). Successor's education assessed was considered to be formal education which requires someone to have attended taught classes as per Tanzania's education standard. Education level was categorized as follows: primary education, secondary education, technical education and university education. This was measured by ordinal scale. Business experience was another variable. Experience can be acquired either by someone being directly engaged in

daily operations of family business or being hired in other businesses whether family business or not. In this paper, business experience refers to the time a successor had spent in managing family-owned SME, and was measured in terms of the actual numbers of years spent in such management (continuous scale). All the selected successors' socio-demographic characteristics were treated as study independent variables, and were assumed to influence the performance in family-owned SMEs in terms of net profit.

3.5.2.2 SMEs performance

Most family businesses tend to set financial and non-financial goals (Martin and Gomez-Mejia, 2016). Therefore, performance in family businesses can be measured in financial and non-financial measures. Financial measures are such as return on investment, return on assets, sales and profit. Non-financial measures are such as family reputation, customer satisfaction, and employees' satisfaction. Literature suggests that there is no single recommended measure for business performance; instead, various measures can be used depending on the purpose (Bengesi, 2013; Bengesi and Le Roux, 2014a). For the case of this paper, one financial measure (net profit) was used to measure family-owned SMEs' performance. Xheneti and Bartlett (2012) argued that, the objective of most firms is profit maximization. As such, the performance of the firm should be measured based on profit. On another note, net profit is calculated by subtracting total cost from total revenue. This measure was considered appropriate because this paper employed the quantitative research paradigm that somehow limits the use of non-financial measures, which are considered subjective and complex in quantifying. Performance in terms of net profit was the study's dependent variable, and was assumed to be influenced by the successors' socio-demographic characteristics.

3.6 Data Analysis

The Statistical Package for Social Sciences (SPSS) version 21 was used for data analysis. A hierarchical multiple regression model was used to examine the influence of successors' socio-demographic characteristics on the performance in family-owned SMEs and independent samples t-test was employed to determine the difference in SMEs performance between male and female successors. To ensure the reliability of the results, data were examined for conformity of assumptions for independent samples t-test and multiple regression. The assumptions examined were sample size, outliers, linearity, homoscedasticity, multicollinearity and normality. To determine the influence of successors' socio-demographic characteristic on the performance of family-owned SMEs, multiple regression (hierarchical) model was used. The hierarchical regression model was selected for this paper because of its ability to show effects of controlled variables on the model (Field, 2009). Independent samples t-test was selected for this paper because it is a test appropriate when comparing the mean score of two different groups (Field, 2009). The respondents who had not headed the business for three years or more (and who in this study accounted for 9 percent of the sample size) were excluded in the analysis of SME performance. This decision was drawn from previous studies that measured SME performance (Maalu *et al.*, 2013; Bengesi and Le Roux, 2014a; Bengesi and Le Roux, 2014b). Thus, in responding to hypotheses 1a up to 1d and hypothesis 2 the actual sample size of 200 respondents was used.

3.7 Results and Discussion

3.7.1 Tests for independent samples t-tests and multiple regression assumptions

The sample was randomly drawn from the sampling frame. A sample size of 200 respondents, which was considered adequate for the application of hierarchical regression model, was used (Tabachnick and Fidell, 2007). Outliers were checked through

histograms. The results showed that scores were in even slopes, and no data points were separately placed far away on their own. Also, the dependent variable, when checked in a scatter plot showed no values with standardized residual values higher than 3.3 or less than -3.3, which means that there were no outliers.

A P-P plot was generated to test for linearity assumption. The results showed that data points were close and reasonably straight along the diagonal line. These results suggest that the data achieved the linearity assumption, and there was no major deviation from normality which might affect the study results. Further, multicollinearity checking was conducted using the tolerance of independent variables and Variance Inflation Factors (VIF). A tolerance of less than 0.1 indicates multiple correlations with other variables being high, suggesting a possibility of multicollinearity (Pallant, 2007). The results in Table 3.1 show that there was no multicollinearity among independent variables. The VIF values were below 10, and the tolerance values were greater than 0.1, which shows that the model satisfied the multicollinearity assumption.

Table 3.1: Successors' socio-demographic characteristics: Collinearity results

Variables	Tolerance	VIF
Successors education	0.907	1.103
Successors sex	0.920	1.087
Successors age (years)	0.570	1.756
Successors business experience	0.560	1.786
Business Location	0.959	1.043
Business Capital	0.938	1.066
Number of employees	0.889	1.125

Furthermore, a scatter plot was used to check the data for homogeneity of variance. When residuals show a clear pattern, they suggest homoscedasticity. The results showed no clear pattern to the residuals. Residuals are rectangular roughly distributed. This result indicates that the model satisfied the homoscedasticity assumption. Also, the data were

tested for the normality assumption. Data points were reasonably close to a diagonal line in a Q-Q plot; this result illustrates that the model satisfied the normality test. In general, the findings demonstrate that the data conformed to the tested assumptions. Therefore, independent samples t-test and hierarchical multiple regression model tested the study's hypotheses one and two successfully.

3.7.2 Socio-demographic variables

The results in Table 3.2 show the study socio-demographic variables, which are successors' education, successors' sex, successors' age and successors' business experience. As depicted in Table 3.2, the majority of the successors had post-primary education. Also, female respondents composed a small percent of successors while a few of the respondents were above 57 years of age. The results further show that the majority of successors had business experience ranging from 3 to 5 years.

Since the interest of the researcher was to study the influence of successors' socio-demographic characteristics on performance of family-owned SMEs, hierarchical multiple regression was conducted to test how well these variables (education, sex, age, business experience) were able to predict performance in terms of profit. The Hierarchical Regression Model was considered fit to test the influence of successor's socio-demographic characteristics because it has the ability to manage the effect of control variables.

Table 3.2: Successors socio-demographic variables (n= 219)

Socio-demographic variable	Frequency	Percent
Successors education level		
Primary education	30	14.0
Secondary education	139	63.0
Technical education	18	8.0
University education	32	15.0
Total	219	100
Successors sex		
Male	157	72.0
Female	62	28.0
Total	219	100
Successors' age range (years)		
18-29	21	9.6
30-45	177	80.8
46 and above	21	9.6
Total	219	100.0
Successors' business experience		
1-2 years	19	9.0
3-5 years	161	74.0
6 years and above	39	17.0
Total	219	100.0

Performance (net-profit) was the dependent variable while successor's education, sex, age and business experience were independent variables. Variables such as business location, business capital, and number of employees were treated as control variables which might influence performance of family-owned SMEs.

Hypothesis 1a stated that successor's education has no influence on the performance in family-owned SMEs.

Hypothesis 1b stated that successor's business experience has no influence on performance in family-owned SMEs.

Hypothesis 1c stated that successor's age has no influence on the performance in family-owned SMEs.

Hypothesis 1d stated that, successor's sex has no influence on the performance in family-owned SMEs.

The hierarchical multiple regression model was used to determine the influence of successors' socio-demographic characteristics on performance in the family-owned SMEs after controlling the influence of control variables (business location, business capital and number of employees).

Table 3.3: Influence of successors' socio-demographic characteristics on the performance of family-owned SMEs (n = 200)

Models	Model 1	Model 2	Sig. Model 1	Sig. Model 2
	Parameter estimates (β)			
Control Variables				
Business location	0.048	0.068	0.489	0.314
Business capital	0.131	0.088	0.060	0.200
Number of employees	0.215	0.222	0.002	0.002
Successors Socio demographic characteristics				
Education		0.238		0.001
Sex		-0.070		0.310
Age		0.106		0.228
Business experience		0.195		0.029
Model parameters				
R2	0.070	0.158		
F-ratio	4.928	5.131		
Adjusted R ²	0.056	0.127		
R ² Change	0.070	0.087		
F -Change	4.928	4.982		
Sig. F- change	0.003	0.001		

Mode 1: Predictors: Business location, Business capital, Number of employees

Model 2: Predictors: Business location, Business capital, Number of employees, education, sex, age and business experience

Dependent variable: Performance (Net Profit)

Significance level: 0.05

As illustrated in Table 3.3, control variables (business location, business capital and number of employees) were entered in step 1. The results showed that R-square change (R^2 change) = 0.07. This means that, the control variables clarified by 7% of the variance in family-owned SMEs performance. In step 2, successors' socio-demographic characteristics (education, age sex, and business experience) were entered. The R-square change recorded a value of 0.158. This implies that the total variance explained by the whole model was 15.8%. The four socio-demographic characteristics explained an additional 8.7% of the variance in performance. After controlling the effect of control

variables, business location, capital and number of employees) R-square change was = 0.087.

In the final model (model 2) in Table 3.3, two independent socio-demographic variables, namely education and business experience, and one control variable, number of employees were found to significantly contribute to prediction of net profit. Education recorded a beta value of $\beta = 0.238$: ($p = 0.001$; $p < 0.05$). This implies that, for one unit increase in successors' education, the profit will increase by 0.238 unit. Business experience recorded a beta value of $\beta = 0.195$: ($p = 0.029$; $p < 0.05$). This implies that for one unit increase in business experience, profit will increase by 0.195 unit. Lastly, the number of employees recorded a beta value of $\beta = 0.222$: ($p = 0.002$; $p < 0.05$). This implies that for one unit increase of number of employees, profit will increase by 0.222 unit. Therefore, hypotheses 1a and 1b were rejected. Education and business experience variables were statistically significant in predicting performance of family-owned SMEs in the study area.

Age recorded a beta value of $\beta = 0.106$: ($p = 0.228$; $p > 0.05$). This implies that for one unit increase in successors' age, profit will increase only by 0.106 unit. Sex recorded a beta value of $\beta = -0.070$: ($p = 0.310$; $p > 0.05$). This suggests that sex has no significant contribution in predicting profit in family-owned SMEs. Therefore, hypotheses 1c and 1d failed to be rejected. Successors' age and sex variables were not statistically significant in predicting performance of family-owned SMEs in the study area.

In family-owned SMEs, it can be argued that successors' socio-demographic characteristics should be considered if business founders think of performance in terms of profit for their businesses. However, more emphasis should be put on education and

business experience. Education showed a significant contribution, at $p = 0.000$ ($p < 0.05$). These results are consistent with previous studies by Barbera *et al.* (2015), Bouguerra *et al.* (2016) and Bozer *et al.* (2017), who point out that post family business performance was positively associated with successors formal education. In addition, Lucas (2017) observes that education of an entrepreneur has impact on performance of the business. Education is expected to improve successor's competency in business management, which in a way might contribute to profit maximization in the family business.

Additionally, this paper's findings echo views by Man *et al.* (2016) that successors' knowledge expected to be applied for family business performance largely depends on the formal education acquired. In this regard, these results suggest that family-owned SMEs founders who invest in the education of their successors and select educated family members as business successors are likely to have positive effects on the performance of their businesses. This aligns well with the human capital theory which is the theory underpinning this paper. The theory suggests that humans with high human capital (education) can do well in their assigned responsibilities and be able to quickly analyze and give solutions to different challenges facing organizations. As a result, it contributes to the performance and sustainability of organizations in uncertain and rapidly changing business environment. Generally, the findings complement the argument that education has influence on performance in family-owned SMEs.

Moreover, business experience was observed to predict family-owned SMEs performance in terms of net profit. Literature underscores the importance of business experience component in business management. As it was confirmed by this study's findings, it is important for business founders to devise mechanisms for ensuring prospective business

successors are engaged in daily business activities for the sake of knowing how the business is managed. Successors might have experience from outside the family business but still it is important to have experience of a particular business they are expected to manage. The current findings are attributed to early engagement of successors to family business activities for the sake of building their experience. Previous studies by Duh *et al.* (2015) and Mothibi (2015) had similar results and observed that business experience has statistically positive effects on performance of SMEs. Also, these results substantiate HCT's argument that family-owned SMEs managed by experienced successors are in a position to perform well in their businesses and maximize business profit.

Moreover, number of employees, (a control variable) had influence on the performance of family-owned SMEs. This suggests that when the family business is run by productive and positive minded number of employees, it contributes to the performance of family business and thus the business is in a good position of maximizing its profit. That means that employment in a family business should be on merit and not because of membership in the family.

In responding to hypothesis two, independent samples t-test was conducted to test difference in performance between the two groups of successors, male successors of family-owned SMEs and female successors of family-owned SMEs. As illustrated in Table 3.4, equal variances being assumed between the two groups of successors. Equal variances are assumed if Levene's Test for Equality of Variances shows non-significant results. Equal variances are not assumed if Levene's Test for Equality of Variances shows significant results (Field, 2009). Therefore, the mean performance of male successors ($M = 36976442.95$, $sd = 23108592.560$) was statistically not different ($t = 1.701$, $df = 198$, two tailed $p = 0.090$) from that of female successors ($M = 30563764.71$,

sd = 23600445.547), $p > 0.05$. The effect size, (eta squared) $d = 0.01$ implies small effect. Thus, the study's hypothesis two was rejected.

Table 3.4: Comparative performance between male and female successors in family-owned SMEs (n = 200)

sex	Successors				t	df	Sig (two tailed)
		n	Mean	Std. Deviation			
Profit	Male	149	36 976 442.95	23 108 592.560	1.701	198	0.09
	Female	51	30 563 764.71	23 600 445.547			

The results in Table 3.4 imply that there was no statistical difference in performance in terms of net profit between male successors and female successors of family-owned SMEs in the study area. This is similar to an observation by Bouguerra *et al.* (2016) that gender has no effect on the performance of business. Studies reveal that previously women were not considered for succession in family businesses (Ahrens *et al.*, 2015), and probably this problem is rooted in the gender stereotyping and discrimination in the society. These findings should, therefore create awareness to family business founders that women need to be given the same consideration as men in their business succession plans. Thus, male and female family members should have equal consideration when business founders/ other family members think of who should manage the family business after departure or death of the founder. This suggestion is analogous with a recommendation by Schlepphorst and Moog (2014) that there should be equal consideration of male and female family members in selecting family business successors, and they emphasized personal qualities of successors in selection rather than sex.

These findings also support an argument by Wiklund *et al.* (2013) that the world nowadays emphasizes on gender equality and women have started being considered in many positions in different areas, business being one of them because they have proved their competencies. In general, these findings may suggest that when male and female successors are equally exposed to business environment, we should expect equal performance.

3.8 Conclusions and Recommendations

This paper assessed successors' socio-demographic characteristics and the performance in family-owned SMEs in Arusha City, Tanzania. From the findings, it is concluded that, for performance of family-owned SMEs in the current business intense competition environment, successor's sex is not a factor for consideration in selecting successors of family-owned SMEs. Thus, for good performance of family business, successors socio-demographic characteristics mainly education and business experience should be given highest priority in successors selection.

Drawing from the results and conclusions, this study recommends the following. First family business founders should take findings of this paper as a catalyst to speed up the continuing process of giving equal opportunities to female and male family members especially in business environment. Also, business founders should take the responsibility of encouraging female family members to take part in family businesses and select them as successors of family-owned SMEs when opportunities emerge.

In addition, to ensure continuity and financial performance in terms of profit of their business, business founders should devote more attention to education of their successors and select successors with formal education, and give them opportunity to build

experience in management of family business. Education is considered to give successors of family-owned SMEs appropriate knowledge and skills to manage the business while business experience gives successors extensive understanding of the business environment.

Furthermore, it is also recommended that family-owned SMEs founders and their successors should have a number of employees that will serve the purpose of their businesses without affecting performance of the businesses.

3.9 Contribution of the Paper

Most of literature asserts that men perform better in business than women. The findings in this paper are in contrary with this argument and provided empirical evidence. They add new empirical insight to the literature of family business by revealing that there is no significant difference in performance in terms of business net profit between male and female successors in family-owned SMEs. Also, findings of this paper add to family business literature empirical evidence on influence of education and business experience to performance of successors in family-owned SMEs.

3.10 Directions for Future Research

During literature review, research gaps were established in the family business research domain. For example, there is a dearth of literature which focuses on successors of family-owned SMEs entrepreneurial competencies. The study of this kind is expected to increase the understanding of the entrepreneurial competencies in the context of successors of family-owned SMEs. Therefore, further study could focus on influence of successors' entrepreneurial competencies on performance in family-owned SMEs.

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CHAPTER FOUR

4.0 Influence of Successors' Entrepreneurial Competencies on Performance in Family-Owned Small and Medium Enterprises in Arusha City, Tanzania

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4.1 Abstract

This paper examines attributes of successors' entrepreneurial competencies such as risk-taking propensity, ability to exploit business opportunities, innovation and commitment among family businesses in Arusha City, Tanzania. A cross-sectional research design was employed using a quantitative survey approach, in which two hundred family business successors provided data for this paper. The data were analyzed using the Hierarchical Regression Model to assess the influence of successors' entrepreneurial competencies on the performance in family-owned SMEs. The findings indicate that successors' risk-taking propensity and ability to exploit business opportunities influence the performance of family-owned SMEs. The paper concludes that family-owned SMEs managed by successors who are able to take calculated risks and are also able to exploit business opportunities are in a good position to realize better performance in terms of net profit. It is recommended that family business founders should build their successors' entrepreneurial competencies.

Key words: Entrepreneurial competencies, Family Business, Successors, Performance

4.2 Introduction

The role played by family businesses in different economies is well recorded (Machek, 2016; Mullens, 2018; Kiwira *et al.*, 2019). However, high rate of business failure is mentioned to challenge most of the family businesses (Zellweger *et al.*, 2012). This challenge has attracted attention of a considerable number of scholars due to the fact that family businesses have a great role to play in economies. Literature acknowledges the role of successors in the performance of family businesses (Buang *et al.*, 2013; Magasi *et al.*, 2020). Successors of family-owned SMEs can contribute to the success or failure of the business. Therefore, this paper assesses the entrepreneurial competencies of

successors of family-owned small and medium enterprises (SMEs) in Arusha City, Tanzania.

Aruni *et al.* (2014) and Forster *et al.* (2013) perceive entrepreneurial competencies as a set of characteristics involving knowledge, skills, capabilities and personal characteristics such as open-mindedness, empathy, willingness to work hard and planning, which help a person to accomplish superior performance, and can be measured against activities and tasks given. In this paper, entrepreneurial competencies are considered to be personal characteristics, knowledge and skills which enable family-owned SMEs successors to produce outstanding performance in their daily business operations.

It is worth noting that entrepreneurial competences have been studied by different scholars (Bendary and Minyawari, 2015; Volery *et al.*, 2015; Abaho *et al.*, 2016; Nasuredin *et al.*, 2016; Yusuff *et al.*, 2016; Gwadabe and Amirah, 2017; Hashim *et al.*, 2018; Lubem and Richard, 2018), and have opined that entrepreneurial competencies gives an individual ability, knowledge and skills to manage the business. However, despite their relevance, entrepreneurial competencies of successors of family-owned SMEs have not been intensively discussed (Letonja, 2016).

Entrepreneurial competencies have been categorized differently by different scholars. Nasuredin *et al.* (2016) identify six dimensions which are opportunity competence, relationship competence, organizing competence, strategic competence, commitment competence, and conceptual competence. Tehseen and Ramayah (2015) mention seven dimensions which are strategic competence, conceptual competence, opportunity competence, learning competence, personal competency, ethical competency and familism competency. Man *et al.* (2002) mention six groups of entrepreneurial

competencies, namely opportunity competencies, organizing competencies, relationship competencies, strategic competencies, commitment competencies and conceptual competencies. However, the categorization of entrepreneurial competencies mainly depends on the purpose of a study. In this case, this paper is limited to opportunity exploitation ability, risk taking propensity, innovation and commitment competencies because these dimensions have behavioural elements which are considered important for successors of family-owned SMEs. These dimensions build family business competitive advantage, and position the businesses into good performance in terms of profit (Kammerlander, 2015; Gomba and Kele, 2016; Wang and Wu, 2019).

Literature establishes that entrepreneurial competencies are associated with business performance (Volery *et al.*, 2015). Entrepreneurial competencies are likely to help individuals to seek and grab different business opportunities whenever they emerge, and come up with new products and services which suit the needs of the market and also give them the ability to strategically venture into new markets by setting different strategies and organizing resources, while increasing the level of commitment to their businesses (Bengesi, 2013; Bengesi and Le Roux, 2014a).

For that case, this paper argues that, successors of family-owned SMEs should possess entrepreneurial competencies such as risk-taking propensity, innovation, ability to exploit business opportunities and commitment which are crucial for successors to manage well and maximize profit of their businesses. Thus, the relevance of entrepreneurial competencies to family business successors cannot be undermined. Hence, to get more understanding of the successors' entrepreneurial competencies for the performance in family-owned SMEs was compelling.

Moreover, literature acknowledges the fact that the family business research domain is at its infancy in developing countries, as opposed to developed countries (Basco, 2018). For example, some family business studies for the period between 2000 and 2014 were: 41.22% from Europe, 30.73% from North America, 17.75% from Asia, 4.78% from Australia and New Zealand, 4.39% from South America and 1.05% from Africa (Machek, 2016). Furthermore, Letonja (2016) acknowledged that entrepreneurial competencies of successors of family-owned SMEs have not been intensively discussed. Therefore, this paper aimed at addressing the knowledge gap by informing readers on the influence of successors' entrepreneurial competencies on performance in family-owned SMEs in Tanzania, Arusha City in particular.

Apart from narrowing the literature gap, the findings also provide a basis for recommendations to family businesses founders and stakeholders on the role of entrepreneurial competencies on the performance of successors in family-owned SMEs. For that case, this paper is timely and significant because it ventures into a significant but under-researched domain of family-owned SMEs.

4.3 Literature Review

4.3.1 Theoretical framework

The Resource Based View (RBV) was used to explain successors' entrepreneurial competencies in family-owned SMEs. According to RBV, a business distinguishes itself from its competitors, and builds a sustainable competitive advantage if it possesses valuable, inimitable and rare resources (Barney, 1991). In this paper, entrepreneurial competencies, such as risk-taking propensity, innovation, opportunity exploitation and commitment are considered to be valuable and rare resources that may account for a firm's competitive advantage. They are considered to be rare because not all successors of

family-owned SMEs possess these attributes at any time in life, and they are valuable because when possessed by successors of family-owned SMEs they contribute to the firms' performance. The framework (RBV) was also considered appropriate in studying successors of family business entrepreneurial competencies because having successors of family-owned SMEs with the above mentioned entrepreneurial competencies is expected to increase performance of their business in terms of profit as suggested by literature on business performance in terms of net profit (Aruni *et al.*, 2014; Muthee and Ngugi, 2014; Tehseen and Ramayah, 2015).

For ages, business capital and other physical assets have been considered important in predicting business performance in terms of profit. However, Rothaermel (2012) upholds that knowledge and skills (competence) are more important than physical assets which businesses have, and it is with these components that business can excel. Furthermore, Nasuredin *et al.* (2016) and Man *et al.* (2002) emphasize that entrepreneurial competencies such as risk-taking propensity, innovation, commitment and business opportunity exploitation are essential for business performance and might contribute to lower business failure rate documented in the literature

4.3.2 Overview of successors' entrepreneurial competencies

We (2017) defines competence as measurable or observable skills, knowledge, abilities or behaviour of an individual that would allow him or her to lead successfully different activities and act in a wide variety of situations. Similarly, Kaur and Bains (2013) define competence as acquired knowledge, skills, experience and attitude essential for effective performance for a task or job.

Man (2002) grouped entrepreneurial competencies into six groups, namely opportunity competencies, organizing competencies, relationship competencies, strategic competencies, commitment competencies and conceptual competencies. This categorization has widely been adapted and supported in other entrepreneurial competencies studies such as Rahman *et al.* (2015), Bendary and Minyawati (2015), Nasuredin *et al.* (2016), and Stephen *et al.* (2017). This paper followed the same path and adapted some entrepreneurial competencies dimensions developed by Man *et al.* (2002). In assessing family-owned SMEs successors' entrepreneurial competencies, this paper employed risk taking propensity, innovation, opportunity exploitation ability and commitment competencies.

Risk taking propensity is about entrepreneur's ability to calculate risk and commit resources in a business where cost of failure is high but the return is also high if the business succeeds. Risk taking propensity is considered to be more of entrepreneurial behaviour (Sanchez, 2013) and can be categorized into three dimensions: willingness to take risk, ability to take risk and the need to take risk. It is expected that when entrepreneurs think of doing any business, they should study the market and carefully calculate risks associated with that business. Literature highlights risk taking propensity competence as an important attribute in business management and performance (Nader *et al.*, 2013; Karabulut, 2016; Zahra, 2018). What seems to be missing in the literature is scholarly discussion on risk taking propensity focusing on successors of family-owned SMEs. This paper argues that successors of family-owned SMEs should possess risk taking competence as it is an important attribute for performance in family-owned SMEs. Thus, it is hypothesized that:

1. *Risk taking propensity competence has influence on performance in family-owned SMEs.*

This paper also assessed successors of family-owned SMEs ability to exploit business opportunities. This is the entrepreneurs' ability to find different business opportunities existing in the society and utilize them for performance of their businesses. Entrepreneurs with this competence can turn different challenges facing societies into business opportunities. In entrepreneurship, opportunity exploitation ability is key aspect (Lopa and Bose, 2014), and in most cases an entrepreneur's level of opportunity exploitation is backed up with business knowledge and experience. Opportunity exploitation competence have been discussed in other areas such as in manufacturing SMEs (Lopa and Bose, 2014), women-led family businesses (Kickul *et al.*, 2010) and family businesses in general (Mustikarini, 2017). Based on its acknowledged importance, it was of interest to get more insight into this competence in the context of successors of family-owned SMEs in Arusha City, Tanzania. Thus, it was hypothesized that:

2. *Opportunity exploitation competence has influence on performance in family-owned SMEs.*

Moreover, successors' innovation competence was assessed. Innovation can be explained as knowledge and skills which enable entrepreneurs to do things in new ways, by improving existing products and producing new goods and services (Rivera, 2017; Bengesi and Le Roux, 2014; Bengesi, 2013). It is also linked to ability to generate profitable ideas for the wellbeing of the business. Hilman and Kaliappen (2015), in their study on innovation strategies and performance, confirm importance of innovation on business performance. Further, Kammerlander *et al.* (2015) maintain that innovation is vital to success of a family business. Similarly, Erdogan *et al.* (2020) argue that continuity of family businesses in most cases depends on how they implement innovation. Furthermore, Anderson *et al.* (2014) and Duh (2015) emphasize on successors'

innovation for survival and progress of family businesses. In general, innovation has gained scholarly attention especially in management and entrepreneurship studies. On the other hand, as observed by Wang and Wu (2019), there are limited studies which have discussed the case of innovation competence of successors of family-owned SMEs. In addition, scholars (Alberti and Pizzurno, 2013; Melendez, 2015; Duran *et al.*, 2016) assert that even those limited studies were done in developed countries. Thus, there is a need to get more insight of innovation competence of successors of family-owned SMEs of Tanzania, Arusha City in particular. Therefore, it was hypothesized that:

3. *Innovation competence has influence on performance in family-owned SMEs.*

This paper also considers and assessed successors' commitment which is one among the important attributes in management of family business (Stephen *et al.*, 2017). Commitment is about successors' initiatives, desires and sense of obligation to performance of the family business (Sharma and Irving, 2005). Family businesses successors are expected to have a strong sense of commitment in the daily business operations and ensure family business perform well in the market so that the business can continue to survive. In family business succession planning, it is asserted that business founders prefer most successors who are committed to survival and continuity of the business (Ghee *et al.*, 2015). On the other hand, literature reveals that successors of family business are not committed (McMullen and Warnick, 2015). This might be a contributing factor to the recorded high failure rate in family businesses. This paper postulates that, unless there are measures to motivate successors' commitment to family business operations, family businesses will continue to face the challenge of high failure rate. Therefore, to get empirical evidence on influence of successors' commitment on performance in family-owned SMEs, it was hypothesized that:

4. *Commitment has influence on performance in family-owned SMEs.*

4.4 Methodology

4.4.1 The study area

This study on which this paper is based was conducted in Arusha City. The study area was selected on the ground that Arusha City has a relatively big number of SMEs (URT, 2016), and limited studies on family-owned SMEs compared to other regions in Tanzania (Magasi *et al.*, 2020; Ngaga and Jeckoniah, 2019; Mori and Charles, 2018).

4.4.2 Research design, sampling procedure, sample size and data collection

The study employed quantitative research paradigm and adopted a cross-sectional research design. The sampling frame included 485 family-owned SMEs successors was prepared whereby ward executive officers, trade officers and business persons in the study area assisted in the process of identification of family-owned SMEs successors. The formula for calculating sample size proposed by Yamane (1973) was used to determine the sample size. A sample size of 219 respondents was obtained.

$$n = \frac{N}{1 + N(e)^2} \dots\dots\dots(1)$$

Where n = Sample size

N = Population (successors)

e = error term (5%)

Thus,

$$n = \frac{485}{1 + 485(0.05)^2} = 219$$

$$n = 219$$

In data collection process, a structured questionnaire was used to collect data on successors' entrepreneurial competencies and family-owned SMEs performance in terms of net profit. The questionnaire was distributed to two hundred nineteen randomly

selected successors drawn from the sampling frame. Respondents (successors of family-owned SMEs) who had not headed business for durations of three years and above were excluded from the analysis of family-owned SMEs performance. The decision for using respondents with three years and above business experience in measuring performance in terms of net profit was drawn from previous studies which measured SMEs performance (Maalu *et al.*, 2013; Bengesi and Le Roux, 2014a; Bengesi and Le Roux, 2014b). Thus, to respond to the formulated hypotheses one up to four, a hierarchical regression model was used with actual sample size of 200 respondents.

4.4.3 Measurement of key variables

In this paper, the variables measured include successors' entrepreneurial competencies and performance (net profit).

4.4.3.1 Entrepreneurial competencies

Entrepreneurial competencies are considered as knowledge, skills, capabilities and personal characteristics which help a person to accomplish superior performance (Aruni *et al.*, 2014). Entrepreneurial competencies which in this paper were treated as independent variables were measured by four constructs: Risk-taking propensity, innovation, opportunity exploitation and commitment. For each construct, there were five statements developed from a behavioral focus and elements associated to with each type of competence. Therefore, an index summated scale which comprised twenty statements was used to measure entrepreneurial competencies. The respondents were asked to indicate whether they strongly agree (5 points), agree (4 points), neutral (3 points), disagree (2 points) and strongly disagree (1 point) with each of the statements (Question 15 to 34 Appendix 1).

4.4.3.2 Performance

SMEs performance is considered as achievement in running the business (Hasan and Almubarak, 2016). In SMEs, performance can be measured using financial or non-financial measures depending on the purpose of the study. Non-financial measures include but are not limited to family reputation, customer satisfaction and employee's satisfaction. Financial measures are such as assets turn over, profit and sales (Bengesi, 2013; Le Roux and Bengesi, 2014; Bengesi and Le Roux, 2014b; Maziku *et al.*, 2014). Williams (2018) subscribes that majority of the studies on SMEs performance use financial measures. The use of one financial measure in this paper (net profit) was largely motivated by literature. For example, Xheneti and Bartlett (2012) urged that, objective of most of the firms is to maximize profit, thus, the performance of the firm should be measured based on profit. In this paper, performance was treated as the dependent variable, whereby net profit which is one of the financial measures was used as a measure of family-owned SMEs performance and it was measured at the ratio level. Net profit was determined by the following formula:

$$\text{Total sales} - \text{total costs} = \text{Net profit}$$

However, business location, business capital, number of employees and business experience were treated as control variables. Business location was measured at the nominal level, business capital was measured at the ratio level, number of employees was measured at the ration level and business experience was measured at the ration level

4.5 Data Analysis

SPSS (Version 21) was used in the analysis of data obtained from the questionnaire. Guided by the study's objectives and hypotheses, a hierarchical regression model was used to assess the influence of successors' entrepreneurial competencies (risk taking

propensity, innovation, opportunity exploitation ability and commitment) on performance of family-owned SMEs. This model was employed because of its ability to show the effects of controlled variables in the model (Pallant, 2007; Field, 2009). To ensure reliability of the results, data were examined for conformity of regression model assumptions. The assumptions examined were sample, sample size, outliers, linearity, homoscedasticity, multicollinearity and normality.

4.6 Results and Discussion

4.6.1 Results for multiple regression assumptions tests

Results on data conformity to the examined assumptions (sample and sample size, outliers, linearity, homoscedasticity, multicollinearity and normality) in application of regression model were as follows: the paper had a sample size of 200 respondents which was randomly selected from a sampling frame. This sample size is considered adequate for application of regression model in view of Tabachnick and Fidell (2007) argument that in using regression model a sample size greater than or equal to 200 is considered sufficient. Scores of outliers check revealed an even slope, and there were no data points placed separately far away on their own. The dependent variable, when checked in a scatter plot, showed no values with standardized residual values higher than 3.3 or less than -3.3, which means that there were no outlier values. A test for linearity assumption was carried out using P-P plots. The results showed that data points were close and reasonably straight to the diagonal line. These results suggest that data achieved the linearity assumption, and there was no major deviation from normality. Colinearity test was conducted, and the results are presented in Table 4.1. A tolerance of less than 0.1 indicates multicollinearity (Pallant, 2007).

The results in Table 4.1 demonstrate that there was no multicollinearity among the independent variables. VIF values above 10 suggest a possibility of multicollinearity (Pallant, 2007). The recorded VIF values are below 10, and the tolerance values are greater than 0.1; which means that the model satisfied the multicollinearity assumption. These results confirm that the data met the requirements for this assumption.

Table 4.1: Entrepreneurial competencies variables: Multicollinearity results

Model	Tolerance	VIF
(Constant)		
Risk taking propensity	0.750	1.334
Innovation	0.527	1.899
Opportunity exploitation	0.769	1.301
Commitment	0.602	1.661
Business location	0.945	1.058
Business Experience	0.657	1.523
Number of employees	0.917	1.090
Business capital	0.987	1.013

a. Dependent Variable: Profit

Furthermore, a scatter plot was used to check data homogeneity of variance. When residuals show a clear pattern, they suggest homoscedasticity. The results showed no clear pattern of the residuals. Residuals are roughly rectangularly distributed. This result suggests that the model satisfied the homoscedasticity assumption. The data were also tested for normality assumption by using Q-Q plots. The data points were reasonably close to the diagonal line. These results imply that, the model satisfied the normality test. The results from all the tested regression assumptions demonstrate that the data met all the requirements. Data analysis using hierarchical regression model was applied.

4.6.2 Influence of successors' entrepreneurial competencies on the performance in family-owned SMEs

The hierarchical regression results in Table 4.2, show that the R^2 value was 0.097. This means that the control variables (business location, business capital, number of employees

and business experience) explained 9.7% of the variance in business profit. In model 2, the R^2 value was 0.167, which means the total variance explained by the model as a whole was 16.7%. Entrepreneurial competencies explained an additional 7% of the variance in the business profit after controlling for business location, business capital, number of employees and business experience.

Risk taking propensity recorded a beta value of $\beta = 0.164$ ($p = 0.032$; $p < 0.05$). Thus, hypothesis one failed to be rejected. These results show that risk taking propensity is statistically significant in predicting performance in terms of profit in family-owned SMEs. Further, this implies that for one unit increase in the successors' risk-taking propensity, profit will increase by 0.164 unit.

Table 4.2: Influence of successors entrepreneurial competencies on performance in family-owned SMEs

Models	Model	Model	Sig. Model	Sig. Model
	1	2	1	2
Parameter estimates (β)				
Controlled Variables				
Business location	-0.072	-0.104	0.295	0.126
Business capital	0.145	0.137	0.035	0.041
Number of employees	0.260	0.265	0.000	0.000
Business Experience	-0.174	-0.079	0.016	0.335
Successors Entrepreneurial competencies				
Risk taking propensity		0.164		0.032
Innovation		-0.060		0.513
Opportunity exploitation ability		0.156		0.040
Commitment		0.123		0.148
Model parameters				
R2	0.097	0.167		
F-ratio	4.928	5.131		
Adjusted R ²	0.079	0.132		
R ² Change	0.097	0.070		
F -Change	5.259	4.012		
Sig. F- change	0.000	0.004		

Mode 1: Predictors: Business location, Business capital, Number of employees, Business experience

Model 2: Predictors: Business location, Business capital, Number of employees, Business experience, Risk taking propensity, Innovation, Opportunity exploitation ability and Commitment

Dependent variable: Performance (Net Profit)

Significance Level: 0.05

These results suggest that family-owned SMEs managed by successors who are risk takers are more likely to have good performance in terms of profit. Successors will not be afraid of investing in new markets, and also introduce new products in the market to increase the profit of their business. These findings corroborate Zahra's (2018) and Karabulut's (2016) argument on the importance of risk-taking propensity for business performance. It is evident that, for family-owned SMEs to continue to survive and make profit in the market, risk taking propensity competence is inevitable.

Opportunity exploitation ability recorded a beta value of $\beta = 0.156$ ($p = 0.04$; $p < 0.05$). Thus, hypothesis two failed to be rejected as well. These results illustrate that, opportunity exploitation ability is statistically significant in predicting performance in terms of profit in family-owned SMEs. These results suggest that when successors exploit different business opportunities in the market, there is a possibility of increasing the profit of the family business. Moreover, this implies that for one unit increase in successors' opportunity exploitation ability, the profit will increase by 0.156 unit. Similar findings were reported by Lopa and Bose (2014) on the importance of opportunity exploitation for business performance.

Innovation was also statistically not significant in predicting the performance of family-owned SMEs, recording a beta value of $\beta = -0.060$ ($p = 0.513$; $p > 0.05$). Thus, hypothesis three was rejected. Again, these results differ from what was expected. Innovation was expected to influence performance in family-owned SMEs. In contrary, the results showed that the more the successors were innovative, the more the profit decreased. Erdogan *et al.* (2020) argue that the way innovation is implemented is likely to contribute to performance of the business. These results, in a way, reflect what is practically happening in the field. Experience shows that, most of family business successors normally continue to do businesses which had been done by their founders. Moreover, most of them seem not to take initiatives of doing anything different from what they have inherited or some of them do innovations without proper information of the business and the market. This might be a result of the challenge which faces most of family-owned SMEs whereby business founders do not relinquish full power to their successors. In one way or another, they keep on engaging themselves in the business operations (Kiwia *et al.*, 2019). This might limit the successors' innovation because they are not in full control of the business, and contribute to the failure of most of family businesses in the early

years after the departure of the founders. It is assumed that the successors' innovativeness is also affected by factors such as inadequate preparation to take the lead in the business; low level of commitment and fear of failing when expanding the business.

As illustrated in Table 4.2, commitment competence was not statistically significant in predicting performance in family-owned SMEs, although it recorded a positive beta value of $\beta = 0.123$ ($p = 0.148$; $p > 0.05$). Thus, hypothesis four was rejected. However, by showing that commitment was not statistically significant in predicting performance in family-owned SMEs, these results differ from what was expected that commitment influences performance in family-owned SMEs. This might be a result of how family business successors were obtained and oriented in ownership and management of the family business. In their study on succession dilemma, McMullen and Warnicks (2015) observed that, family business successors' commitment is important but unfortunately most of these successors are not committed. This increases the chances of affecting the performance of family businesses; and contributes to increasing their failure rate. Moreover, Saan *et al.* (2018) opined that most family business founders are not willing to relinquish full power to their successors. This, in a way, might contribute to lowering their commitment level to business operations. This was also observed by Kiwia *et al.* (2019) in their study on succession planning in family-owned SMEs.

These findings reflect what other scholars have reported. For example, Barazandeh *et al.* (2015) found that, there is a positive relationship between entrepreneurial competencies and business performance. Also, Sarwoko *et al.* (2013), Lopa and Bose (2014), Tehseen and Ramayah (2015), Volery *et al.* (2015), and Yusuff *et al.* (2016), assert that entrepreneurs' entrepreneurial competencies are important for performance in business. Thus, it is observed that entrepreneurial competencies not only have a relationship with

business performance, but are also an essential aspect in business performance. The results align well when linking them with the Resource Based View (RBV), which was used to frame this paper. Successors of family-owned SMEs who differentiate themselves from other entrepreneurs by possessing competencies such as risk-taking propensity and opportunity exploitation ability seem to influence business performance in terms of business net profit in family-owned SMEs in the study area. These results provide empirical evidence of influence of successors' risk-taking propensity and opportunity exploitation ability on the performance of family-owned SMEs.

4.7 Conclusions and Recommendations

This paper examined the influence of successors' entrepreneurial competencies in performance in family-owned SMEs in Arusha City, Tanzania. From the findings, it is concluded that family-owned SMES managed by successors who are able to take calculated risks and able to exploit business opportunities are in a good position to realize better performance in terms of net profit. Moreover, it is concluded that, high business capital and controlled number of employees which positively contribute to the performance of family business, position family-owned SMEs in a good position to realize more profit.

Basing on the conclusions, this paper offers the following recommendations: in view of the fact that successors' risk-taking propensity and ability to exploit business opportunities are associated with family-owned SMEs' performance in terms of profit, business founders should engage their successors in their business activities to build their competencies in risk taking and exploitation of business opportunities.

Additionally, training institutions should ensure that they have programmes which can be in the form of tailor-made short courses for successors of family-owned SMEs. The major focus should be on enhancing family business successors' competencies in risk taking and exploitation of business opportunities. Also, business founders and their successors are urged to ensure that they increase their business capital. Finally, employment in family-owned SMEs should focus on only persons who can improve the performance of the business, and not just because of being members of the family.

4.8 References

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CHAPTER FIVE

5.0 Summary of Findings, Conclusions and Recommendations

This chapter reflects on the realization of the objectives of the study by providing the conclusion from the discussions of the previous chapters. Also, the chapter recommends some aspects to look into the prospective study of attributes for successors performance in family-owned SMEs. Section 5.1 offers a summary and conclusions of the study. Besides, Section 5.2 presents recommendations of the study. Additionally, Section 5.3 presents theoretical reflections, Section 5.4 is about the contribution of the study and lastly Section 5.5 directions for future research.

5.1 Summary of Major Findings and Conclusions

5.1.1 Succession planning and performance of family-owned SMEs

The purpose of this study was to assess succession planning and performance of family-owned SMEs in Arusha City. Paper One assessed the existence of succession planning in family-owned SMEs in the study area and how succession planning leads to differences in performance between groups of successors of family-owned SMEs. There was a group of successors selected by business founders, and a group of successors selected by other family members. Also, there was a group of successors prepared by business founders and a group of successors prepared by other family members. It was revealed that most of family-owned SMEs in the study area had succession plan mechanisms for their businesses. Most of family-owned SME founders engaged their prospective successors in daily business operations for them to learn how the business operates. This gave successors knowledge of managing the businesses in case business founders were no longer managing the business for whatever reasons. The study established that there was a difference in performance in terms of net profit when successors were selected and

prepared by business founders. The results are in line with the Leadership Succession Model. Performance of successors selected and prepared by business founders was higher than the performance of successors prepared by other family members. The leadership succession model, which was used in assessing succession planning, insists that before business founders leave the business, they should ensure that there is someone who can assume their roles. This showed positive impact on family-owned SMEs in the study area. The major conclusions in this manuscript are that, business founders are aware of the importance of succession planning in family-owned SMEs. Also, there is high performance of family-owned SMEs if the business founders select and prepare their business successors.

5.1.2 Influence of successors socio-demographic characteristics on performance in family-owned SMEs

Paper Two assessed the influence of successors' socio-demographic characteristics on performance in family-owned SMEs. Specifically, the paper sought to find how sex, age, business experience and education influence performance in family-owned SMEs. The paper also aimed at soliciting, if there was a difference on performance between male and female successors in family-owned SMEs. It was found that there was no difference in performance in terms of profit between male and female successors in family-owned SMEs in the study area. It was also found that education and business experience had influence on the performance in family-owned SMEs. The results confirm the relevance of the Human Capital Theory, the theory that framed this study objective. The theory maintains that education and business experience are important for organizations' performance.

The paper showed that family-owned SMEs successors' sex and age had no influence on performance of family-owned SMEs. The major conclusions in this manuscript are that, since the performance of male and female successors in terms of profit is the same, any family member, regardless of sex (male or female) can be selected as a successor of family-owned SME. Also, it can be concluded that formal education and business experience are vital attributes in managing family-owned SMEs.

5.1.3 Influence of successors entrepreneurial competencies on the performance in family-owned SMEs

Paper Three assessed successors' entrepreneurial competencies and performance in family-owned SMEs. The paper found that, entrepreneurial competencies (risk-taking propensity and opportunity exploitation ability) had influence on the performance in family-owned SMEs. Also, the paper found that the successors' innovation and commitment competencies had no influence on performance in family-owned SMEs. The paper confirmed the Resource-Based View whose main argument is that a business distinguishes itself from its competitors and builds a sustainable competitive advantage if it possesses valuable, inimitable and rare resources.

Successors of family-owned SMEs possessing risk taking propensity competence, and ability to exploit business opportunities competence position their family businesses in more chances of increasing the performance in terms of profit. The major conclusion of this manuscript is that, family-owned SMEs managed by successors who are able to take calculated risk and able to exploit business opportunities are in good position to realize better performance in terms of profit. Also, high business capital and controlled number of employees which positively contribute to the performance of family business, position family-owned SMEs in a good position to realize more profit.

5.2 Recommendations

It is recommended that business founders of family-owned SMEs should continue to devote attention to succession planning. Family business founders should clearly select and prepare their successors so that they leave behind successors who have acquired the knowledge and skills appropriate for ownership and management of the family business. Moreover, the selection of successors of family-owned SMEs should not be based on the sex of successors because it does not determine performance in family-owned SMEs. Also, business founders should give equal opportunities to male and female family members to be selected as successors in family-owned SMEs. Business founders should be open to the idea of devoting more attention to the education of their successors, and select successors who have attended at least formal education. Formal education gives them appropriate business knowledge and skills. Business founders when still manage the business, they should give their successors more opportunity to build their experience by engaging them in business operations. When business founders are no longer active in business operations, they should give their successors full authority in ownership and management of the business.

The study recommends that, business founders should invest in building entrepreneurial competencies of their successors. This can be done by engaging their successors in the daily business operations. Also, they can enroll their successors in tailor made short courses, specifically focused on building successors' entrepreneurial competencies, and thereafter, practise the acquired knowledge and skills in their family businesses.

The study recommends that future studies employ qualitative methods in assessing family-owned SMEs. A study could be designed to assess succession planning process in family-owned SMEs.

5.3 Theoretical Reflections

This study employed the Succession Planning Model, the Human Capital Theory (HCT), and the Resource Based View (RBV) in assessing the performance of successors in family-owned SMEs. The Leadership Succession Model was used in the first manuscript which addresses the study's first objective. The objective aimed to assess succession planning and performance of family-owned SMEs in Arusha City-Tanzania. The leadership succession model talks about the relevance of the business founders/leaders to plan ahead of who will take their positions of management and ownership in their absence. The model is meant to prevent conflicts and contribute to the performance of business, and so business founders should have a succession plan in place. This suggests that, in a situation where family business founders plan for succession in their businesses the chances of good performance of their successors increase. This study revealed that, most family business founders had plans for succession in their businesses; and this contributed to the noted differences between groups of successors selected and prepared by business founders, and those selected and prepared by other family members.

The second manuscript which addresses the second objective of this study employed the Human Capital Theory. The theory asserts that businesses/organizations are in a position to realize good performance and productivity when they have quality human capital. The study ascertains that successors' education and business experience have influence on performance in terms of profit in family-owned SMEs. This implies that the age and sex of successors should not be a factor in the selection of family-owned SMEs successors. These findings confirm the relevance of the Human Capital Theory that emphasizes education and experience for better organization performance.

The Resource Based View (RBV) was employed in assessing the third objective, which forms the third manuscript in this thesis. RBV insists that organizations differentiate themselves from their competitors by possessing valuable and rare resources which can help them to position their businesses in the possibility of realizing more profit. Valuable and rare resources in this study were considered to be successors' entrepreneurial competencies. The study ascertains that successors' opportunity exploitation ability and risk-taking propensity have influence on the performance in family-owned SMEs. It implies that when successors of family-owned SMEs increase their risk-taking propensity and their ability to exploit new business opportunities they have great chances of contributing more to the performance of their businesses in terms of profit and position their businesses in great chance of increasing profit. These findings confirm the RBV on relevance of valuable and rare resources in business. Successors of family-owned SMEs who differentiate themselves from other entrepreneurs by possessing competencies such as risk-taking propensity and opportunity exploitation ability seem to influence business performance in terms of business net profit in family-owned SMEs in the study area.

5.4 Contribution of the Study to the Body of Knowledge

The findings of this study contribute to the literature of family business in several ways. The existing literature shows that most family businesses do not plan for succession. The findings in this study add that, founders of family-owned SMEs in the study area plan for succession in their businesses. Furthermore, from the findings of this study, a new way of looking at family business succession process is expected to emerge. It is expected that the study is likely to change the belief built in the society that male family members should be given priority in succession planning. Family business founders will start to equally consider male and female family members in succession planning. Additionally, these findings serve as empirical evidence supporting the

relevance of the leadership succession model in family-owned SMEs.

Generally, the findings of this study strengthen the extant family business literature specifically on performance of successors in family-owned SMEs. This is by alleviating the noted scarcity of empirical studies on successors of family-owned SMEs performance. The dearth in literature was noted on studies that compare the performance between groups of successors in family-owned SMEs, studies on the influence of successors' socio-demographic characteristics on the performance in family-owned SMEs, and lastly studies on the influence of successors' entrepreneurial competencies on performance in family-owned SMEs. Thus, it can be concluded that this study has managed to bridge the knowledge gap that existed, hence positively contributed to extant literature on performance of successors in family-owned SMEs.

5.5 Directions for Future Research

During literature review, research gaps were established in the family business research domain. Studies could be conducted to establish the role of other family members in succession planning. In this study, a quantitative research paradigm methodology was employed. This methodology somehow limits deep discussion with respondents to get more insight into the succession planning process. Future studies could consider addressing this limitation using a qualitative research approach. Information from these studies will benefit different family business stakeholders.

APPENDIX**Appendix 1: A copy of the questionnaire used for data collection**

Dear respondent

My name is Rose Haynes Kiwia, a PhD candidate from Sokoine University of Agriculture in Morogoro Tanzania. I am conducting a research on performance of successors of family-owned Small and Medium Enterprises in Arusha City - Tanzania. My respondents are successors of the family-owned Micro, Small and Medium Enterprises. You have been selected by chance to be a respondent because you fall under this category and expected to have valuable information that will help in successful completion of this study.

I kindly request you to fill in this questionnaire. Answer according to your first impression of the question, there is no wrong or right answer. All information provided is for academic purposes and will be treated with high degree of confidentiality.

GENERAL INSTRUCTIONS

Kindly read carefully the whole sentence and choose the right answer which you believe best fits you. You can put a tick (✓) or circle the appropriate answer. Circle or put a tick on only one answer.

Section A: Background Information

1. Type of business.....
2. Business Location.....
3. Period (in years/months) managed the business.....
4. Education level?
 - (i) Never attended school
 - (ii) Primary education
 - (iii) Secondary education
 - (iv) Technical education
 - (v) University education
 - (vi) Others (specify)
5. Sex.....
6. Your Age in complete years.....
7. How many employees do you have?.....

Section B: Succession Planning Process

8. How did you become a successor of this business?
 - (a) I was selected by the founder of the business
 - (b) I was selected by other family members after retirement of the founder
 - (c) I was selected by the family members after death of the founder
9. Were there succession planning mechanism for this business?
 - a) Yes
 - b) No
10. Were there formal written documents illustrating how succession process would take place?
 - a) Yes
 - b) No

11. Did the founder of this business give you a written document explaining what will be your responsibilities?

- a) Yes.
- b) No

12. Do you think succession planning is important in the family business?

- (a) Not important
- (b) Slightly important
- (c) Not sure
- (d) Important
- (e) Very important

13. Is the founder of this business still alive?

- (a) Yes
- (b) No

14. If YES, Is he/she still engaging himself/herself into business daily activities?

- (a) Never
- (b) Slightly often
- (c) Often
- (d) Very often

Section C: Entrepreneurial Competencies

Indicate your level of agreement with the following statements on the aspects of Entrepreneurial Competencies Please tick the number that best fit your level of agreement to each statement.

	Entrepreneurial Competencies	1=Strongly disagree	2 =Disagree	3= Neutral	4= Agree	5=Strongly agree
15	I have a strong preference to invest time and money where there is uncertainty but with chances of very high return					
16	I take bold decisions when faced by situations involving uncertainty					
17	I value my plans even if I am not certain that they will always work					
18	I like to take bold actions by venturing into the unknown business/ markets					
19	I can do any legal business which others are scared of					
20	I am always the first to offer new products in the market					
21	I always try new business ideas					
22	I always seek new ways of doing things to attract customers					
23	I often prefer to design new marketing strategies					
24	I produce products which suits customers needs					
25	I can spot and grab new business chances					
26	I always exploit business opportunities for my products in my current market					
27	I prefer to penetrate new markets					
28	I have a network with other business persons					
29	I always exploit business opportunities emerge in the new markets					
30	I dedicate my time and resources for the growth of the business					
31	I work hard to achieve business goals					
32	I always direct resources to the planned business activities					
33	I normally acknowledge failures and start afresh with new strategies					
34	I tolerate business challenges and ambiguities					

Section D: Family-Owned SMEs Performance

- 35. What are the total business costs in (Tshs) in a month when business condition is good?

- 36. What are the total business costs in (Tshs) in a month when business condition is not good?

- 37. What is the total amount of sales in (Tshs) in a month when business condition is good?

- 38. What is the total amount of sales in (Tshs) in a month when business condition is not good?

- 39. What is the total amount of business capital in (Tshs) of your business?

- 40. What is the total amount of profit in (Tshs) per month of your business

.....**THANK YOU FOR YOUR CO OPERATION**.....