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## Leadership Planning for Succession of Small and Medium Scale Enterprises for Entrepreneurs in Nigeria

By

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### ABSTRACT

*The study leadership planning for succession of small and medium scale enterprises for entrepreneurs in northern Nigeria was necessary because most of the enterprises that existed twenty and above years ago are no more in existence. This is purely because of lack of succession planning. This study was in northern part Nigeria, with the population of 93 medium and small scale owners of various enterprises. The instrument used for data collection was a questionnaire which was adapted by the researcher and the reliability index of the instrument was 0.89. Mean and standard deviation was used to answer the research questions, while t-test was used to test the null hypothesis. The findings of the study revealed that, common practices of leadership succession were not practiced in northern Nigeria. Also the SME industries in the northern part of Nigeria do not have any strategic plans for leadership succession. The opinions of medium scale enterprise owners and that of small scale enterprise owners do not differ much on common practices of leadership succession and on existence of planning strategies for leadership succession in northern Nigeria. This means that, they share the same view on existence of planning strategies for leadership succession in northern Nigeria. Therefore, the study recommends that, Leadership succession programme should be strengthened in the northern part of Nigeria, to prolong the life span of the enterprises. There should be deliberate strategic plans by the owners of industries for leadership succession in northern Nigeria.*

### INTRODUCTION

The term “leadership succession” describes a wide variety of activities that involve planning for transitions in leadership within organizations (Kim, 2010). Recently, Planning for leadership succession have become very popular topics in the Human Resource Management (HRM) and development. Kim, (2010) stated that to some companies, succession planning and training is a strategic process that minimizes leadership gaps for critical positions and provides opportunities for top talent to develop the skills necessary for future roles as

leaders. With other companies, succession planning and training is a constant struggle, viewed as an administrative exercise rather than as a competitive advantage for possible position through training (Kim, 2010).

In the context of training, educationists recognize three kinds of educational training that is formal, informal and non-formal training. Formal education is hierarchically structured, chronologically graded education system, running from primary school through the university. This means that formal learning employs training that structured and entails a defined

community with specific training goals set and evaluative criteria established. Nevertheless, informal education is the truly lifelong process whereby every individual acquires attitudes, values, skills and knowledge from daily experience and the educative influences and resources in his or her environment. While non-formal education is any organized educational activity outside the established formal system that is intended to serve identifiable learning clienteles and learning objectives (Johansen, 2013). In the case of this research, educational training dealing with Small and Medium Scale Enterprises (SMEs) is informal education type. There is no universal definition of a Small and Medium Scale Enterprises. However, Small and Medium Scale Enterprise can be defined by using the following criteria: voting control, percentage of ownership, power over strategic direction, involvement of multiple generations, and active management by family members (Suh, Park & Park 2008). Thus SMEs in Northern Nigeria can be define as a business in which the family has influence or control over both the ownership and management operations.

The contribution of SMEs that are family-owned enterprises to the economies of nations around the world in terms of employment and Gross Domestic Product (GDP) cannot be over-emphasized. They constitute the world's oldest and most dominant form of business organization and they account for about 70% to 95% of all business entities in most countries around the world by creating between 50% and 80% employment (European Family Business, 2012). For instance, family businesses generate about 79% jobs and account for two-third of GDP in India (Bernard, 2013). They also create about 85% employment and

account for about 50% of the GDP in Brazil (Family Firm Institute, 2012). In the same vein, family businesses in Nigeria contribute 46.54% to GDP (SMEDAN, 2012). Despite these tremendous contributions, most family-owned enterprises are faced with the challenge of continuity, as 95% of family-owned businesses do not survive the third generation of ownership.

Studies have shown that, less than one-third of Small and Medium Scale Enterprise in Nigeria continue to the second generation and less than half of second-generation Small and Medium Scale enterprises make it to the third generation when the founder/manager retires or dies (Adelaja, 2006; Joseph, 2014). This situation grossly affects the industries in Northern Nigeria because many of the industries in some years back are no more in existence or have relocated to another place. Some of these industries include Key construction, Space Construction Enterprises, Team 4 partnership, Environmental 7, A.A. Duhu & Sons construction companies, Mai & Associate, Gerio Nig. Ltd., and Alh. Jibrila & Sons Construction Company.

Industry relies on individuals from bottom up to the top but none is more important than the executives that establishes and guides the enterprises. People serve as the most vital resource for industries. The problem of succession in SME industries is as a result of lack of succession planning for successor, without effective leadership succession planning for successor there cannot be generational continuity of enterprises (Onuoha, 2013). The lack of planning of successor for leadership succession in northern Nigeria is a serious problem militating against the survival of SMEs. Despite the challenge posed by lack of

succession planning of successor, most studies failed to examine leadership succession and its effects on the continuity of the industries in Nigeria and particularly in northern States. Few of the research conducted tend to focus more on the small and medium scale enterprises (SMEs), paying less attention to northern Nigeria. This situation is appalling, considering the fact that many of the SMEs today have an aging generation on the brink of retirement and has various levels of leadership responsibilities.

Proper succession planning and training of successor leaders is an inevitable change that will affect many industries in the near future. It is also critical for their survival because succession planning is a "systemic, long-term process of determining goals, needs, and roles within an organization and preparing individuals or employee groups for responsibilities relative to work needed within an organization" (Onuoha, 2013). For SME's continuity each company can proactively prepare her leadership transition and minimize the negative impacts that correlate with leadership change, this research aimed to determine common practices needed to propose a suitable generational model on planning of leaders for leadership succession in SMEs in Northern Nigeria.

When experienced workers leave an organization either by: resignation, retirement, illness, sudden death, term expiration, moving on to a new opportunity, getting promoted, taking a long vacation or any other reason, it create gaps in both leadership positions and skills. This is because, they take with them not only the capacity to do the work but also the accumulated knowledge they have acquired, these happen at all levels and in all functional

areas (Rothwell, 2005). These problems then lead to the poor survival rate of SMEs in Nigeria and Northern Nigeria in particular. Adelaja (2006) observed that, only 30% of family businesses see the light of the day beyond the first generation while about 10% to 15% go beyond third generation this means that most of the SMS construction companies fold up before their founders' death, as most of them are not able to survive a generational transition.

### ***Purpose of the Study***

The general purpose of this research was to determine common practices needed to propose a suitable generational model on planning of leadership succession in small and medium scale industries in Northern Nigeria for entrepreneurship. Specifically, the study has:

1. Identify the common practices of leadership succession in Small and Medium Scale (SMEs) Industries in Northern Nigeria.
2. Identify the planning strategies for leadership succession in Small and Medium Scale Industries in Northern Nigeria.

### ***Research Questions***

The following research questions were posed to guide the study:

1. What are the common practices of leadership succession in Small and Medium Scale industries in northern Nigeria?
2. What are the planning strategies for leadership succession in Small and Medium Scale industries in northern Nigeria?

**Hypotheses:**

The following null hypotheses were formulated for the study and were tested at 0.05 levels of significance:

1. There is no significant difference between the mean opinions of the Owners of small scale and those of medium scale enterprises on the common practices of leadership succession in Northern Nigeria.
2. There are no significant differences between the mean opinions of the Owners of small scale and those of medium scale enterprises on the planning strategies for leadership succession in Northern Nigeria

**METHODOLOGY**

The researcher used descriptive survey research design for this study. The geographical area of this study was Northern Nigeria. The target population was 93 Chief Executives officers (CEOs) of 93 registered small and medium scales (SMEs) in northern Nigeria. This comprise of 74 small scales and 19 medium scale industries. The instrument used for data collection was an

adapted questionnaire which was modified by the researcher to suit the study. The instrument was subjected to face validation by four (4) experts from Modibbo Adama University of Technology, Yola. The researcher used Cronbach Alpha ( $\alpha$ ) to analyze the data collected to establish the internal consistency of the instrument. The reliability index was 0.89, which shows that, the instrument is reliable. The data were collected by the researcher and two research assistants, with 98% return of the instrument. The data was analyzed using mean and standard deviation for research questions, while t-test was used to test the hypotheses at 0.05 level of significant. For the research questions, any mean of 3.5 and above was considered agree otherwise disagree. While for t-test, if the value of t-cal is less or equal to the value of t-critical, then the hypothesis is accepted otherwise rejected.

**RESULTS**

**Research Question 1**

What are the common practices of leadership succession in Small and Medium Scale industries in Northern Nigeria?

**Table 1:** Mean Ratings and Standard Deviation of Responses of Owners of Small and Medium Scale Industries on Common Practices of Leadership Succession in Northern Nigeria

| S/N | The Common Current Practices of Leadership Succession  | N<br>(93) | SD   | R  |
|-----|--|-----------|------|----|
| 1.  | The company plans for workforce needs in advance for reasons such as promotions and retirements.       | 3.16      | .57  | U  |
| 2.  | The company measures the percentage of leaders who will be eligible to retire in the next 5 years.     | 2.26      | .54  | RP |
| 3.  | The company identifies qualified candidates from within to fill key positions when they become vacant. | 4.03      | 1.16 | P  |

| S/N  | The Common Current Practices of Leadership Succession   | N<br>(93) | SD   | R  |
|------|---|-----------|------|----|
| 4.   | The company gives employees a chance to promote themselves professionally to achieve their career goals.                  | 4.48      | 1.23 | P  |
| 5.   | Employee turnover is monitored to take that into account when implementing the succession planning program.               | 1.90      | .59  | RP |
| 6.   | The company identifies employees with outstanding performance that achieve the goals and expectations required from them. | 4.61      | 1.37 | SP |
| 7.   | The company determines an action plan that addresses poor performance.  | 4.10      | 1.58 | P  |
| 8.   | The company delegates authority to employees with high potential to take on new tasks.                                    | 4.35      | 1.20 | P  |
| 9.   | The company includes succession planning within the annual plan.  | 1.42      | 0.40 | NP |
| 3.37 |   |           |      |    |

From Table 1, the result presented indicates the mean ratings and standard deviation of owners of small and medium scale industries on the common practices of leadership succession in Northern Nigeria. Items 3, 4, 6, 7 and 8 which are items related to company supports to their employees scored between 3.5 and above mean. Item 6 scored a mean rating of 4.61 as the most commonly practiced succession practice and followed by item 4 with a mean rating of 4.48. These indicate that most of the companies were commonly identify and support employees with outstanding performances in their respective companies and this allow employees to be promoted professional bases

and this helps them to achieve their career goals.

The finding of this research question 1 was that generally, those items on common practices of leadership succession were not practiced in northern Nigeria. But considering it item by item; 5 out of the 9 items are being practiced while the remaining 4 were not practiced.

**Research Question 2:** What are the planning strategies for leadership succession in Small and Medium Scale industries in Northern Nigeria?

The answer to this research question 2 is presented in Table 2

**Table 2:** Mean Ratings and Standard Deviations of responses of Owners of Small and Medium Scale Industries on Planning Strategies for Leadership Succession in Northern Nigeria

| S/N | Planning Strategies for Leadership Succession                           | N    | SD   | Remark |
|-----|---|------|------|--------|
| 10. | The industries have clear strategic plans and works before starting it. | 4.42 | 1.23 | P      |

| S/N | Planning Strategies for Leadership Succession  | N    | SD   | Remark |
|-----|--|------|------|--------|
| 11. | Career development programs are linked to the company Strategic plan.  | 3.35 | 0.58 | U      |
| 12. | A database of the skills and qualifications of employees exists in the company's plans   | 2.32 | 0.55 | RP     |
| 13. | The industries plan and implement a programmes to develop successors for key positions in all departments.   | 4.32 | 1.16 | P      |
| 14. | The company uses software to help management track individuals' progress in the succession plan.   | 2.06 | 0.44 | RP     |
| 15. | There is an accurate system for measuring the performance of employees to track their progress and career training and development.                          | 2.39 | 0.57 | RP     |
| 16. | Career training and development programs are linked to the succession-planning program of the company.   | 1.87 | 0.63 | RP     |
| 17. | There is a strategic plan in the company that includes objectives for the development of management and staff.   | 3.61 | 1.41 | P      |
| 18. | The company implements recruitment planning policies that contribute to the provision of the required competencies at the right time and in the right place. | 3.09 | 0.76 | U      |

In Table 2, the respondents from small and medium scale industries in the study area rated only three items above 3.5 which are items 10, 13 and 17. This means they are being practiced by majority of the industries in the study area. Among these items rated above mean ratings of 3.5, the most practiced ones are item 10 followed by item 13, they have their mean ratings to be 4.42 and 4.32 respectively. The rest of the items namely, items 11, 12, 14, 15, 16, and 18 in table 2 have their mean ratings below 3.5 and hence, they were rated rarely practiced with

exception of items 11 & 18 which have their means as 3.35 and 3.48 respectively. This means the items were not decided by the respondents if they are practicing them or not. Generally, the SME industries in the northern part of Nigeria do not have any strategic plans for leadership succession.

**Hypothesis 1:** There is no significant difference between the opinions of Owners of small scale and medium scale industries on the common practices of leadership succession in Northern Nigeria.

**Table 3:** The t – Test of Difference between the Mean Responses of Owners of Small Scale and Medium Scale Industries on Common Practices of Leadership Succession in Northern Nigeria

| Group  | Mean | SD   | n  | df | t stat | t – calculated | Remarks |
|--------|------|------|----|----|--------|----------------|---------|
| Medium | 4.02 | 1.12 | 19 | 91 | 3.70   | 2.31           | Accept  |
| Small  | 3.28 | 1.31 | 74 |    |        |                |         |

Table 3 shows the t-test difference between the opinions of medium scale and small scale chief executives on the common practices of leadership succession in northern Nigeria. The t-cal (2.31) is lower than the t-critical (3.70) which indicates that, the null hypothesis is accepted. This implies that, the opinions of medium scale industries’ chief

executives did not differ greatly from that of the small scale.

**Hypothesis 2:** There is no significant difference between the opinions of Owners of small and medium scale industries on the planning strategies for leadership succession in Northern Nigeria

**Table 4:** The t – Test of Difference between the Mean Responses of Owners of Small and Medium Scale Industries on the Planning Strategies for Leadership Succession in Northern Nigeria

| Group  | Mean | SD   | n  | df | t- stat | t – calculated | Remarks |
|--------|------|------|----|----|---------|----------------|---------|
| Medium | 3.99 | 0.84 | 19 | 91 | 4.44    | 2.31           | Accept  |
| Small  | 2.85 | 1.06 | 74 |    |         |                |         |

Table 4 shows the difference in the opinions of owners of medium scale and small-scale industries in northern Nigeria. Since t-cal (2.31) and t-critical (4.44) indicating that t-cal is less than t-crit and therefore, the null hypothesis is accepted. This implies that, the opinions of medium scale owners and that of small scale owners do not differ much, meaning they share the same view on existence of planning strategies for leadership succession in northern Nigeria.

2. The industries allow employees to be promoted on professional ground to achieve their career goals.
3. The industries identify employees with outstanding performance that achieve the goals and expectations required from them.
4. The industries determine an action plan that addresses poor performance.
5. The industries delegate authority to employees with high potential to take on new tasks.

**Findings**

**Research question 1**

1. The industries identify qualified candidates from within to fill key positions when they become vacant.

**Research question 2**

1. The industries have clear strategic plans and works before starting it.

2. The industries plan and implement programmes to develop successors for key positions in all departments.

3. There is a strategic plan in the industries that include objectives for the development of management and staff.

### Hypothesis

1. This implies that, the opinions of medium scale industries' chief executives did not differ greatly from that of the small scale industries on common practice of leadership succession in northern Nigeria.

2. This implies that, the opinions of medium scale owners and that of small scale owners do not differ much, meaning they share the same view on existence of planning strategies for leadership succession in northern Nigeria.

### DISCUSSION

This finding that, those items on common practices of leadership succession were not practiced in northern Nigeria is in agreement with Mandi (2008) who found that all of the survey participants acknowledged that they do not have any formal succession plan and that is why leadership succession concept was new to their industries. It is also in agreement with Onuoha (2013), who reported that about 95% of family companies in Nigeria do not have succession plan. This view is also consistent with Ogbechie and Anetor (2015) study which reported that most of the family owned businesses in Nigeria do not have leadership succession practice. On the other hand, this view does not agree with the study of kim (2010) which uses the assessment of individuals who are nominated or selected as candidates for succession

planning program in which about 70 percent of the study samples have succession plans in place. The results of this field are equally consistent with the study of Buckner and Slavenski (2000) that recommended the development of policies and strategies to encourage employees to apply for principal positions.

The second issue in this study concerns the planning strategies for leadership succession. Findings of this study indicated that most of the small and medium scale construction companies under this study lack planning strategies among these strategies include objectives for development of employees for leadership succession. This finding is consistent with the study of Ogunkuye (2004) which indicated that, many firms continue to operate without a formal succession planning strategies. Similarly, Mackey (2008) study reported that planning strategy is an answer to impending leadership succession crisis concurred with this study. This finding also consistence with the findings of Obadan & Ohioyenoye (2013) who examined the process of succession planning in small business enterprises in Benin City, they then recommended small and medium scale companies to have a formal planning strategies of which this study identified to be lacking in the study area.

The findings of hypothesis number 1 in table 3 indicated that there was no significant difference in the opinions of the respondents on the common current practices of leadership succession in small and medium scale industries in northern Nigeria. This show that both groups concord on their various industries common practices of leadership succession in their organization. This shows that the industries in the study area are ready to implement leadership



succession provided they see opportunity of starting it. This finding is inconsistent with Joseph (2014) which states that 40% of companies were not prepared for leadership succession in small-scale companies.

Findings of hypothesis 2 confirm that there was no significant difference on the opinion of the two groups on the planning strategies for leadership succession in the study area. The above results are consistent with the findings of the study of Kim (2010), which indicates several methods for developing candidates for leadership succession planning and leadership training. This is inconsistent with the research study conducted by Mandi (2008) which found out that all of the survey participants acknowledged that they did not have a formal succession plan. Mandi also identifies that there is an absence of formal succession planning.

## CONCLUSIONS

This study concludes that, common practices of leadership succession were not practiced in northern Nigeria. Also the SME industries in the northern part of Nigeria do not have any strategic plans for leadership succession. The opinions of medium scale enterprise owners and that of small scale enterprise owners do not differ much on common practices of leadership succession and on existence of planning strategies for leadership succession in northern Nigeria. This means that, they share the same view on existence of planning strategies for leadership succession in northern Nigeria.

## RECOMMENDATIONS

1. Leadership succession programmes should be strengthened in the northern part

of Nigeria, to enable continuity in industries life span.

2. There should be deliberate strategic plans by the owners of industries for succession in the northern part of Nigeria.

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