

**SUCCESSION PLANNING IN SMALL AND MEDIUM
ENTERPRISES IN THE TAKORADI METROPOLIS OF
GHANA.**

By

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DECLARATION

I hereby declare that this submission is my own work towards the executive masters of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

In remembrance of my grandmother, Mrs Margaret Ellis-Mensah.

KNUST

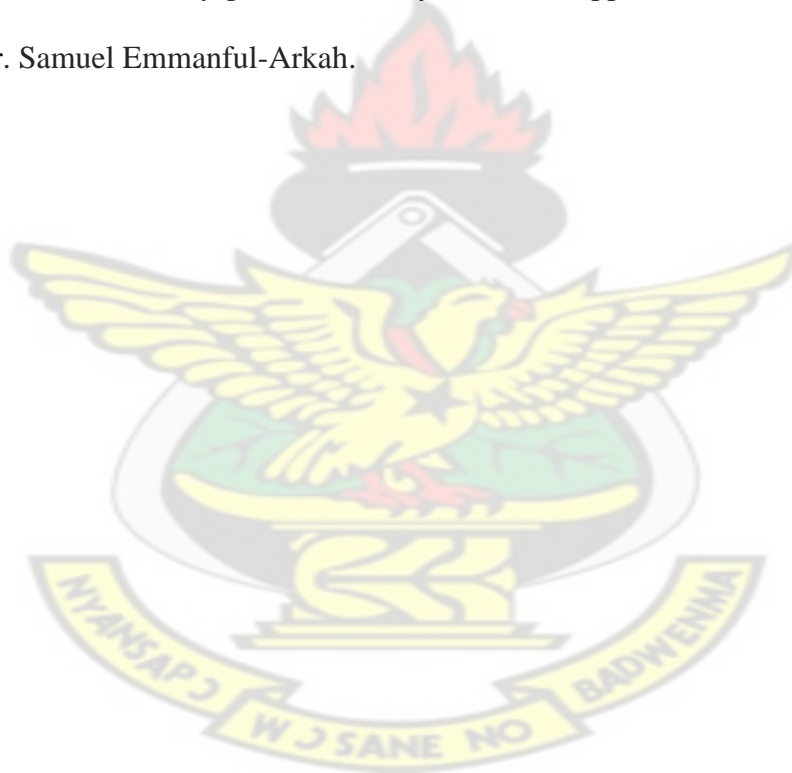


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ABSTRACT

The objective of the study was to find out factors affecting succession planning in Small and Medium Enterprises (SMEs) in Takoradi Metropolis and again to suggest ways of enhancing succession planning in Small and Medium Enterprises in Takoradi. Descriptive survey was used for the study. Purposive sampling was used in selecting 125 SMEs for the study. A respondent each was required from the 125 SMEs and so stratified sampling was used to group the respondents into owners and workers. 60% quota was given to owners and 40% to workers through quota sampling. Convenience sampling was then used to sample the required number. Data was gathered through the use of questionnaire and analysed using percentages and frequency tables. The major findings of the study are that lack of trust was one of the factors affecting succession planning in SMEs. This was because many SMEs do not have clear objectives and policies of succession planning for the enterprise. The study found out that succession was not based on merit or succession was based on the relationship with the founder of the business. The study revealed that good management practices and clear objectives of the SMEs in terms of who would take over or assume position when the owner or founder retires or dies could relate to succession planning. The study again identified that many SMEs do not involve their family or relatives in the operations of the business. The study recommended that SMEs should train prospective successors for the enterprises. Again there should be succession laws to regulate the smooth transition to new administration. Finally the study recommends that successors for the business should be based on merit to ensure that right and qualified people manage the enterprise.

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CHAPTER ONE

INTRODUCTION

1.1.BACKGROUND TO THE STUDY

Small and medium enterprises (SMEs) have been considered as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the SME sector is much higher than that of the large enterprises. The sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. It is noted that the SME sector is the main driving force behind job creation, poverty reduction, wealth creation, income distribution and reduction in income disparities. SME sector forms the vanguard of the modern enterprise sector and presents the propelling force of economic modernization and growth in the country (Aremu, 2004).

Jasani (2002) postulates that owner-managed businesses employ half the world's workforce and generate more than half the world's Gross Domestic Product(GDP). However, the needs, problems and prospects of SMEs are often ignored. According to Jasani, there is the need to change in management thinking and technological innovations if small and medium enterprises are to enhance their competitive edge. Jasani suggests that while the medium and large-scale enterprises seemed to be aligning themselves to prepare for the onset of globalisation and

technology advancement, the small-scale enterprises appeared to be lagging behind in these important areas.

Owner-managed and family businesses tend to be driven by the qualities and skills of their principals which is their great strength. They create challenging problems, as the aspirations of the owners may not always be in harmony with the needs of the business. Jasani reports in his study that majority of Malaysian family run businesses that are small scale enterprises employing below 52 staff, and are still very much managed by the founder with activities focused on manufacturing, retailing or construction. It is interesting to note that people having six or more years of work experience, indicating that family businesses were commenced by people with appropriate experience, started most of these businesses. Further, Jasani identifies three key areas of concerns for business owners and these include succession, funding and professional management. He asserts that irrespective of the size of the business, most people feel that there should only be one management successor chosen from the family or the management. There is also a general concern about losing control if the business owners were to involve outsiders to finance growth, especially among the small scale enterprises. According to Amajit (2004), many people do not understand that small scale and family businesses are social organisations and need to be treated as such. Amajit posits that in India a feudal set up with succession planning by the family patriarch being done too late in the life span of the business when such planning should actually happen in the first generation itself. To him,

businesses are meant to create wealth and this wealth should be shared by all in the family.

In recent times, CAL Bank has engaged small and medium scale businesses in Kumasi on the need for a succession plan to sustain their operations. For many small business owners, maintaining positive cash flow and a stable balance sheet can be an ongoing battle that consumes virtually all of their time. Retirement therefore seems not be part of their business plan, let alone plans to hand over the business. Studies suggest that establishing a sound business succession plan is beneficial for business owners. The Bank observed that lack of trust is a major factor influencing SME owners not to institute succession plans. Statistics show that about 70 percent of SME businesses collapse because of lack of succession planning (Domfeh, 2011).

The relative importance of small and medium scale enterprise in advanced and developing countries has led and would continue to lead to a reconsideration of the role of Small and Medium Scale Enterprises in the economy of nations. Within the European Union, in 1998, out of 19 million enterprises, SMEs accounted for 99.8 percent and two thirds of the jobs in the region were created by SMEs. The strong performance of the US economy in recent years has been driven largely by the creation of SMEs (Kyeremanteng, 2007). It is estimated that SMEs employ 22% of the adult population in the developing countries (Kayanula & Quartey, 2000). The role play by SME businesses in the Ghanaian economy cannot be over-emphasized. For example, 70% of all

industrial establishments are in the Small and Medium Enterprises Sector as well as 85% of manufacturing employment comes from the Sector. The sector employs about 15.5% of the labour force in Ghana and it contributes 6% of the GDP (Kayanula & Quartey, 2000). Thus, the development of many countries is measured by such indices as the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, income per capital, equitable distribution of income, and the welfare and quality of life enjoyed by the citizenry. There is no doubt that small scale enterprises exist in most economic environment. Small and Medium Scale Enterprise is an all time necessity. Business transition has posed a problem especially succession in small and medium scale business in Takoradi and part of the country. Hence, there is the need for succession planning in Small and Medium Scale businesses in Takoradi Metropolis. Evidence abound that many SME businesses do not survive the next generation at the demise of the proprietor or founder of the business. It is in the light of this that this research work is undertaken to find out why SME businesses do not survive beyond the founders or proprietors.

1.2.STATEMENT OF THE PROBLEM

The role of the Small and Medium Enterprises (SME) as a catalyst for economic growth and development has been well documented in the economic literature and recognized in most countries. For example, it is estimated that SMEs employ 22% of the adult population in the

developing countries (Kayanula & Quartey, 2000). Kyeremanteng (2007) posits that the SME sector in the Ghanaian economy accounted for 70% of all industrial establishments and 85% of manufacturing employment and to a larger extent overall employment growth in the country comes from the Sector. The sector employs about 15.5% of the labour force in Ghana and it contributes 6% of the GDP. The sector contributes significantly to overall export earnings from the non-traditional exports sector and creates jobs at relatively low capital cost. However, this important sector is bedeviled with succession planning on the retirement of the proprietor or after the demise of the founder. Statistics show that about 70 percent of SME businesses collapse because of lack of succession planning (Domfeh, 2011). Some of the questions bothering the mind of the researcher are what factors are responsible for lack of succession planning in small and medium enterprises and how these challenges can be addressed in SMEs? There is evidence that no research work has been done in the area of succession planning in SME businesses in Takoradi Metropolis. It is in the light of this that the present research is undertaken to find out why SMEs do not survive beyond the founders or proprietors. Hence, there is the need for succession planning in Small and Medium Scale businesses in Takoradi Metropolis.

1.3.OBJECTIVES OF THE STUDY

The general objective of this study was to examine succession planning in small and medium scale enterprises in Takoradi Metropolis. The following specific objectives were proposed to help in achieving the general

objectives of the study:

- To find out the factors affecting succession planning of Small and Medium Enterprises in Takoradi Metropolis.
- To suggest ways of enhancing succession planning in Small and Medium Enterprises in Takoradi Metropolis.

1.4. RESEARCH QUESTIONS

Given how essential the succession planning for the survival of SMEs

after the death or retirement of the founder, the following research questions are proposed to guide the study:

1. What are the factors influencing succession planning in Small and Medium Enterprises in Takoradi Metropolis?
2. What can be done to enhance succession planning in Small and Medium Enterprises in Takoradi Metropolis?

1.5. SIGNIFICANCE OF THE STUDY

This study will contribute to knowledge on succession planning in small and medium enterprises in recommending best succession planning for small and medium enterprises. It is hoped that this research will provide a more profound and science-based understanding of the subject at hand and recommendations and solutions to one of the major problems facing the small and medium business community. The findings and recommendations of the research will have a tremendous impact on SMEs in Takoradi Metropolis. Many owners of SMEs are either

not aware of the problem of succession planning or simply avoid talking about it. This makes these businesses vulnerable to succumb when the founder or owner dies.

1.6.DELIMITATION OF THE STUDY

The study was delimited to the SMEs in Takoradi Metropolis of Ghana. Further, the study was delimited to the SMEs workers and owners who were in manufacturing, commerce and service sectors in Takoradi. However, the SMEs which have staff numbering 10 or more, as well as workers who have worked for less than two years were not included in the study because they had not gained enough experience on the job.

1.7.LIMITATIONS OF THE STUDY

The questionnaire constructed might not provide all the needed information the researcher might need and this might affect the validity of the results. Respondents were reluctant to provide information because they thought the study would expose the flaws associated with the continuation of the businesses. Further, respondents felt the study would not bring any change in succession planning of the enterprises. This weakness might have affected the results of the study.

Another limitation to the study was the use of non-probability sampling which makes it difficult for the researcher to extrapolate the findings of the study to other population. This might have affected the generalization of the findings to other Small and Medium Enterprises.

1.8. DEFINITION OF TERMS

1. Small and Medium Enterprises include a wide range of business activities in agriculture, mining, fishing, industry or manufacturing, construction, retails and whole sales and services in rural and urban settings by servicing local and international markets
2. Succession autonomy: the extent of discretionary powers of a successor in relation to running business.
3. Communication for succession: the extent of the communication of owner's succession plan to stakeholders.
4. Role clarification of outgoing proprietor after succession: the extent of clarification of the position of the proprietor after retirement.
5. Succession justice: the extent of justice of succession based on a succession plan agreed by other stakeholders.

1.9. ORGANISATION OF THE STUDY

The study is organised into five chapters. The chapters are organised as follows:

Chapter One deals with the introduction of the study. It includes the background to the study, statement of the problem, objectives of the study and the research questions. It also considers the significance of the study, delimitations and limitations of the study and definition of terms. Chapter Two covers review of related literature to the study. This includes

theoretical literature on succession planning, concept of succession planning and challenges of succession planning.

Chapter Three focuses on methodology of the study. It covers research design, population, sample and sampling techniques used for the study. It also describes the instrument used, pilot-testing as well as the procedure for the collection of the data and analysis of the data.

Chapter Four presents data analysis and discussion of research findings. Chapter Five covers the summary of findings, conclusion drawn from the findings, recommendation made and suggestions for further research.



CHAPTER TWO

REVIEW OF RELATED LITEATURE

2.1. INTRODUCTION

This chapter aimed at providing a focus for the study as well as the basis for the assessment of the findings. The literature was reviewed on both theoretical and the empirical perspectives on succession planning in small and medium enterprises. Further, the literature review covers the historical perspectives of small and medium enterprises in Ghana, concept of succession planning, factors influencing succession planning in small and medium enterprises and challenges of succession planning in small and medium enterprises.

2.2. Concept of Small and Medium Scale Enterprise (SME)

The concept of SME has enjoyed some measure of controversy in the literature attempt at consistency and ambiguity. Consequently, there are as many definitions of SME as there are scholars and institutions defining it. Scholars are to use parameters such as number of employees, sales volume or turnover, capital small, medium or big scale. At one point some people, rightly contended that these parameters do not provide uniform benchmark for all industries and for all time. For instance, what

could pass for a big capital in food and beverage industry will certainly be small when compared to that in steel or aviation industry.

Further, what is a big capital today may become small in five years to come (Ezeife, 1998). Ezech(1999), Nzelibe (1996) and Tinubu (2002) posited that SMEs in Nigeria consist of all business organizations whose total capital employed is above N1.5 million, but not more than N200 million including the cost of land and workforce capacity of between 11-300. Available statistics show that 95% of establishments in the organised manufacturing sector fall into SME category. NESG (2002) defined as based on the nature of business and magnitude. For instance, roadside artisans, petty traders, bottled water producers, bakers, local fabricators should constitute part of SMEs. In 1990 budget, the Federal Government of Nigeria defined small scale enterprises as those enterprises with annual turnover not exceeding N500, 000 or as those enterprises with capital investment not exceeding N 2 million. According to Umar (1997), the concept of the small size firm is a relative one and it depends mainly on both the geographical location and the nature of economy activity being performed. Umar asserted that because of flexibility nature of small scale enterprises, they are able to withstand adverse economic role since they are more of labour intensive. Therefore, they have lower capital costs that are associated with job creating and they are sine qua non for employment generation, encouragement for the use of local raw materials, employment generation and alleviation of poverty. According to Dasanayaka and Sardana (2007), SMEs engage in wide range of business activities in

agriculture, mining, fishing, industry or manufacturing, construction, retails and whole sales and services in rural, urban and estate settings by servicing local and international markets. SMEs are active in most of the industry sub sectors such as agricultural inputs or outputs business in rural areas to food and beverages business in city up to more advanced light engineering sectors such as computer, chemical, machinery, apparel and construction business in local and foreign markets. Most of these SMEs in developing and developed countries are one-person show or are run by few family individuals, usually relatives, friends or business partners, who take most of the decisions. Usually no distinction between private and business assets, and subjective and personal factors play a large role in decision-making. The personal stakes of SMEs in both countries have in their businesses are much higher than those of corporate executives in their companies (Dasanayaka, 2008a). There are very many definitions available based on assets, employees, skills, capital, turnover or revenue in local and exports markets, sophistication, innovation, productivity and growth orientation. However, most of these definitions are made according to organizational needs and purpose of interests about SMEs. Financial institutions, public sector authorities, non-governmental organizations (NGOs), trade and industry chambers, international organizations, researchers, SMEs service providers and consultancy firms have their own definitions based on their own criteria selection (Dasanayaka, 2008b). Most of these organisations used various terms for SMEs such as Small and Medium Scale Industries (SMIs), Micro Enterprises (MEs), Rural Enterprises (REs), Small and Medium Scale

Activities (SMAs), Cottage and Small Scale Industry (CSSI), Informal Sector Activities (ISAs), Micro and Small Scale Activities (MSSA), among others. Generally, enterprise is defined as any business activity or entity that engaged in industry, agri-business and services whether single proprietorship, partnership or corporate venture. In addition, various banks, financial institutions, donor agencies, NGOs, industry related task forces, trade and industry chambers adopted their own definitions for SMEs for their convenience and objectivity of studying SMEs. Nevertheless, almost all these definitions adopted their main criteria as number of employees, capital employed or total assets and turnover. These criteria have its own limitations overtime and need changes with technology improvement, productivity increases and inflation (Bari et.al, 2003).

SMEs in Ghana and Malawi can be categorised into urban and rural enterprises. The former can be sub-divided into 'organised' and 'unorganised' enterprises. The organised ones tend to have paid employees with a registered office whereas the unorganised category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home and employ little or in some cases no salaried workers. They rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops. The major activities within this sector include:- soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smiting, ceramics, timber and mining, bricks and cement, beverages,

food processing, bakeries, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (Liedholm & Mead, 1987; Osei et al, 1993, World Bank, 1992; Gray, Cooley & Lutabingwa, 1997). It is interesting to note that small scale enterprises make better use of scarce resources than large scale enterprises. Research in Ghana and many other countries have shown that capital productivity is high in SMEs (Steel, 1977; Child 1971). The reason for this is that SMEs are labour intensive with very small amount of capital invested. Thus, they tend to witness high capital productivity which is an economically sound investment. Thus, it has been argued that promoting the SME sector in developing countries will create more employment opportunities, lead to a more equitable distribution of income and will ensure increased productivity with better technology (Steel & Webster, 1991). Countries do not use the same definition for classifying their SME sector. Nor does a universal definition appear to be necessary. The definitions in use depend on the purposes those definitions are required to serve and the policies which govern the SME sector. However, the three parameters generally applied by most countries, singly or in combination are capital investment on plant and machinery; number of workers employed; and volume of production or turnover of business. Small business has represented a predominant form in the world of business (Beckhard & Dyer, 1983; Stern, 1986). Recently, more criteria has turned up to define the small and medium business, such as ownership percentage, voting power, power over strategic direction, involvement of multiple generations, and active

management by family members. According to the degree of owner and management involvement in the additional criteria, Shanker and Astrachan (1996) defined SME business into three groups: broad, middle and narrow definitions. The broadest and most inclusive definition requires that the family has some degree of effective control over strategic directions and that the business is at least intended to remain in the boundary of family. The family is generally known to have an indirect effect on their business by voting through board membership. Literature tends to indicate that succession planning (SP) fosters business continuity and increases the probability of a successful succession (Morris et al. 1997; Sharma et al. 2003a). Firstly, SP can enhance the transfer of business knowledge which is of key importance for performance in today's knowledge economy (Ernst & Young, 2006). Secondly, planning can help to minimise future tax liabilities and enhance the financial stability and value of the firm (Battisti & Massey, 2008). Without a SP, SME incumbents may not be able to realise the value of their substantial capital which is tied up in the business (Weil 2007; Wallace & Bellingham, 2008). This is inconsistent with the very high priority for retirement funds generation espoused by SME owner respondents in the Battisti and Massey,s (2008) survey. A third aspect relates to the common desire of family firm owners to have family continuity in the firm (Sharma et al., 2001; Sharma et al., 2003b). In this case, a SP may serve to identify an heir from amongst seemingly reluctant candidates due to their different training (other professional careers), their gender (Martin, 2001; Ibrahim

et al., 2008) and different lifestyle (Wallace, 2008). It may also minimise conflicts among apparent heirs, heightened emotions and sensitive estate issues (Sharma et al., 2001; Motwani et al., 2006) which may contribute to the lower survival rate of family businesses compared to non-family firms (Ibrahim et al., 2004). Despite these benefits of SP, Battisti and Massey's (2008) results show that only forty-seven per cent of New Zealand SME owners had an exit plan, which was more likely to be unwritten and informal than formal. Both family and non-family businesses provided similar reasons for not having an exit plan, such as prematurity or a lack of time to develop one (Battisti & Massey, 2008). This is unfortunate as literature indicates that it might take up to ten years to plan for business succession (Morris et al. 1997; Malinen 2004). SP is a lengthy process as there is no standard model or rules to fit all types of businesses (Sambrook 2005; Ip & Jacobs, 2006). However, the most common SP options are generational succession (Verry, 2008), selling the business (Sharma et al., 2003a) and management buy-out (entails a negotiated purchase agreement) or management buy-in (the incumbent stays in the business, but his or her responsibilities are scaled down) (Napoli, 2006). Because of SME owners' inability to find time to develop a SP, the complexity of the process, and the expected positive outcomes, it is suggested that these owners may need (professional) advice to engage in business succession planning (Battisti & Massey 2008). Chaston and Baker's (1998) empirically-tested model provided some more specific guidance as to the meaning of the concept in this context. Their thirteen advisor characteristics are those which SME

owners perceive provide positive impact on the success of the business. These include the advisor's personal attributes, business skills (Mole, 2002), contact regularity, personal information sharing, client and advisor (Kelly, 2008), close problem-solving relationship (Yaniv, 2004; Mole, 2007), availability (Wallace & Bellingham 2008), competence (Mole, 2002), consistency, openness, trustworthiness (Seal & Vincent-Jones, 1997; Lewis et al., 2007; Mole, 2007), commitment to problem-solving and listening ability.

In case of the narrowest definition, usually more than one family member from multiple generations involves with management; and they are responsible for all managerial decisions. By this definition, a majority of large companies, which was initially categorized as non-family business, should be actually included in the category of family business. From the above perspective, family business is a type of firm that is directly owned and managed by a family; at the same time, it can be indirectly controlled by a family and taken over by one generation to another as well. Family businesses are described as having a unique culture (Dyer, 1986). It seems to develop more informal and personal relations of trust than non-family organization do due to the more organic ties between the family and the firm (Fiegener et al., 1994). The common understanding of family business is that the key attributes derive from the overlap of the three dimensions of family, management, and ownership (Davis & Tagiuri, 1989). Nevertheless, it seems appropriate to see that the family business also integrates the distinct organizational characteristics of both family and business. The

most studies on the definition of family business so far have focused on distinguishing the family business from non-family business. Although the family business contains these two aspects of somewhat contradictory values (Whiteside & Herz-Brown, 1991), there is an argument that family business must be viewed as a single system and the whole as greater than the mere sum of its separate parts (Hollander and Elman, 1988; Whiteside & Herz-Brown, 1991). Based on the concept of organizational life cycle, Gersick et al. (1997) emphasized the uniqueness of family business through the intersection of business goals and family goals throughout the process of management. Contributions of Family Business are also essential to the concept of free enterprise system. They exemplify the economic principle of private property, the political principle of pluralism, and the social principle of family (Ward, 1997). The family-owned businesses are rapidly emerging as a dominant form of business enterprises in both developing and developed economies and thus their influences, as well as their numbers, are expected to be increasing unprecedentedly (Ryan, 1995). The family business is normally characterized to make more consistent investment (Ward, 1983) because its owners tend to be motivated by intangible factors greater than tangible outputs expected such as profit and growth and are not so pressed to show the brilliant profit each quarter, which is different from the firms in professional management (O'Farrell & Hitchen, 1988). Regarding the aspect of employment, family business remains the most influential contributor concerning job creation in virtually every

country (Sharma, 1997; Tan & Fock, 2001; Ward, 2004; Dyer, 1986; Lank, 1995; Miller et al., 2003). They create more than two thirds of all jobs and tend to employ more female, young, old, and part-time workers (American Institute of Certified Public Accountants, 1984). In terms of innovation, they create two and half times as much innovation as large firms on a per capita employed basis (Small Business Administration, 1983).

2.3. SUCCESSION PLANNING

According to Charan, Drotter and Noel (2001), succession planning is a process of identifying and developing internal people with the potential to fill key business leadership positions in the company. Succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available. They further postulated that effective succession or talent-pool management concerns itself with building a series of feeder groups up and down the entire leadership pipeline or progression. Corporate Leadership Council (1998) posited that the fundamental to the succession-management process is an underlying philosophy that the top talent in the corporation must manage for the greater good of the enterprise. The Council posited that a "talent mindset" must be part of the leadership culture for these practices to be effective. Further, the Council suggested that SMEs benefit from succession planning by retaining high degrees of engagement among the larger leadership team in the business. To the Council, clear objectives are critical to establishing effective succession planning.

These objectives tend to be core to many or most companies that have well-established practices:

1. Identify those with the potential to assume greater responsibility in the organization,
2. Provide critical development experiences to those that can move into key roles,
3. Engage the leadership in supporting the development of high-potential leaders,
4. Build a data base that can be used to make better staffing decisions for key jobs,
5. Improve employee commitment and retention,
6. Meet the career development expectations of existing employees, and
7. Counter the increasing difficulty and costs of recruiting employees externally.

Atwood (2007) stated that management succession planning in the small and medium enterprises requires focus on the four key departments present in any business of any size: administration and finance, operations and customer fulfillment, sales and marketing. According to Atwood, when people think of management succession planning, they are not talking about who will own shares or assets in the future; they are talking about who is going to do the dirty, thankless and countless tasks which make the family business an asset worth

preserving in the first place. The current state of ownership succession planning among family businesses is decidedly mixed. Two-thirds of family business owners report a good understanding of the amount of estate taxes due upon their deaths, while one in five have no estate planning at all. Further, one in three junior generation family business members have no knowledge of their senior generation's transfer plans. The ownership succession planning issues that seem to be the most common areas of contention or omission in family business succession planning are technical mistakes, planning in a vacuum, leaving the business to the surviving spouse and the challenge of treating children equitably.

According to Suh, Yun-Hee and Park (2008), succession planning prepares the company and the employee for future needs. Thus, matching that employee's talents to current needs and training them for future responsibilities creates a cycle of anticipated growth and goals. A good succession plan maps out which employees are ready for new leadership roles as they become available, and when one employee leaves or is promoted to the next level, another employee is already trained and ready to step in where they are needed. Many offices accomplish this on a small scale by job sharing and cross training for every position. To them, a succession plan goes beyond planning for the training of employees to assume more responsible roles, providing that training and assessing each employee's ability to step in when a position becomes available. Succession planning is not just important for the company and its current employees, but also for investors, customers, the community,

the employees and their families. The impact of a company going out of business will splash like waves on every life it touches. Who is going to manage the business when you no longer work the business? How will ownership be transferred? Will your business even carry on or will you sell it? They suggested that business succession planning seeks to manage these issues, setting up a smooth transition between the owner and the future owners of the business. With family businesses, succession planning can be especially complicated because of the relationships and emotions involved and because most people are not that comfortable discussing topics such as aging, death, and their financial affairs. They concluded that this is why more than 70 percent of family-owned businesses and small and medium enterprises do not survive the transition from founder to second generation. The absence of a succession plan is usually fatal for any small and medium enterprises. The nature of succession plans is examined in terms of small business system dominant is characterised by an impersonal selection process based on merits. SMEs constitute the majority of business entities across the world. These businesses contribute forty-five to seventy percent of gross domestic product and employment in many countries. In developing and developed economies, SMEs are becoming the dominant type of enterprise. A crucial challenge in all SMEs is succession. It has been estimated that the worldwide survival rate of small and medium businesses to the second generation is only thirty percent, while fewer than fourteen percent survive beyond the third generation. Researchers have argued that this poor survival rate is due to economic

factors. However, in some cases, SMEs fail because they do not plan for business continuation. Therefore, the odds are stacked against SMEs all over the world and the situation seems even worse within Takoradi Metropolis for a successful hand-off to the next generation. The lack of longevity of SMEs remains a primary problem.

In Saudi Arabia, only ten percent of small and medium businesses survive to the third generation. The business's primary function is to ensure care and support of its members. Therefore, the business's main goal is to satisfy family member needs and social status. The fundamental function of a business is to generate goods and services through effective and efficient organizational behaviour and structure. According to Ward (2005), stories of SMEs failure are quite common, and known to all. The deleterious effects of nepotism are one example of such received wisdom. The issue of succession within a SME acquires a greater significance within the context of Saudi Arabian (SA) economy and culture, where small and medium enterprises (SMEs), which are mainly owned by families, constitute about ninety-five percent of all Saudi companies. However, more than ninety percent of SA SMEs do not survive to the third generation, and this leads to a considerable amount of capital destruction. In many SA family businesses, relationship is a principal factor determining management succession. The family in general determines the institutional values of family firms. When key managers are from the same family, their traditions, values and both verbal and non-verbal communication are established from a common source. Family relationships among the

owners and key employees influence the business as a whole. The entire family is affected by what happens in the business, and vice versa. The business system is mostly impersonal with profit maximisation as the primary driving force, while the family system is mostly personal with maintaining harmony and good family relationships as fundamental goals. Striking a balance between the objectives of family and business systems is a key to the success of family businesses. Succession is one vital business process that reveals which system (family or business) is dominant. In family businesses where the family system is dominant, the succession planning and process is often replete with nepotism or custom. In these firms, who will succeed to the helm of power is typically based on who is the eldest among the siblings or family relatives. In contrast, family businesses wherein the business system is dominant choose among those most prepared for the job. The family system-business system overlap in family firms is determined to a large extent by the culture of the society within which the family firms operate. The findings have shown that most SMEs particularly in Nigeria die within their first five years of existence. It was revealed that smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent of young companies survive, thrive and grow to maturity. Many factors have been identified as likely contributing factors to the premature death. Key among this include insufficient capital, inadequate market research, lack of succession plan, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue

and profit (Basil 2005). Succession is a reciprocal interaction that occurs between the predecessor and successor throughout the transferring process of leadership (Churchill & Hatten, 1987; Handler, 1989) and a common organizational contest to ensure the survival of incumbent firms in operation. It is more than an event and a multi-staged development that continues over time (Churchill & Hatten, 1987; Handler, 1990; Longenecker & Schoen, 1978). The succession requires the in-depth analysis from a holistic perspective of family, management and ownership systems in order to understand adequately the interests of the different stakeholders (Brochhaus, 2004). It has been debated that three most significantly confronting themes regarding any small and medium business are succession. The continuous existence of small and medium business is the ultimate managerial challenge for owners, successors, family members and other stakeholders (Miller et al., 2003; Anroff et al., 2002). Succession imposes a wide variety of considerable changes over the present SME business: the current family relationship should be rectified; the traditional managerial initiative should be redistributed; and the enduring structure of governance must give way to a new form. This can lead to a conclusion that succession affects the founder, the successor, the family, the managers, the owners, the stakeholders via inevitable development of new family relationship, redistribution of influence patterns, management and ownership structure (Lansberg, 1988). Since the significance of successful transfer of business leadership is so considerable, approximately one third of the SME business literatures have identically dealt with the issues of succession

(Sharma et al., 1996; Sharma et al., 2000). Success in business succession has two important implications such as the performance of the firm and the satisfaction of its stakeholders relevant to the context of succession (Sharma et al., 2003). A successful succession can sustain tacit knowledge that family members have inherently accumulated and maintain comparative advantages over non-family firms (Sharma et al., 2003). However, it is reported that the business performances after succession have not been always satisfactory (Birley, 1986; Ward, 1987; Davis & Harveston, 1998). Miller et al. (2003, p. 514) mention that “many intergenerational successions in the USA failed soon after the second generation took control”. The failure in succession tends to derive from vague succession plan, incompetent or unprepared successors, and discords among family members.

Matthew et al. (1999) argues that the failure in succession is one of the key causes that many family firms fail to perpetuate and ensure family control. This implies the significance as well as the complexity in the practice of business succession. In order to ensure organisational continuance, many studies (Ward, 1987; Nam, 2002, 2005) highlighted the importance of succession planning. For the purpose of the sustainability of family firms, their successful succession of leadership proves essential. Accordingly, strategic preparation of succession planning turns out to be a crucial institutional foundation for the practice of succession. Furthermore, the effectiveness of succession closely concerns the sustaining of firm competitiveness and satisfactions of the stakeholders. It has been

estimated that, in the international perspective, merely 30% of family business survive in the second generation, while fewer than 14% make it beyond the third generation (Flemming, 1997; Matthew et al., 1999). One of the main reasons for the high rate of failure comes from their managerial incapacity to cope with the complicated (and unavoidably emotional) procedure of passing over ownership as well as leadership (Matthew et al. 1999). Succession, which is defined as “the transfer of leadership from one family member to another” (Sharma et al., 2003, p.669), can be understood as a whole process that an owner officially retires from her/his business (Churchill & Hatten, 1987; Barnes & Hershon, 1976). Broadly, the succession is described as the interactions that take place between the predecessors and successors during the transition process (Churchill & Hatten, 1987; Handler, 1989; Logenecker & Schoen, 1978). Santiago (2000) found that succession in family businesses in the Philippines takes a different approach in comparison with that in Western countries. However, it seems that there is still a long way to go to crystallize and integrate the findings of the previous studies. Lack of a clearly or well-established theory in guiding research seems to be due to inherent problems in studies of small and medium and family firms, researchers’ prescriptive propensity and difficulties of generalization of findings across studies (Smyrnios et al., 2003). According to the theory of planned behavior (Ajzen, 1991), the stronger the intentions to be engaged in a behaviour, the more likely should be the targeted behavior. In turn, the intention is postulated to be predicted by such

three conceptually independent determinants as attitude toward behavior, subjective norm and perceived behavioral control. Both personal attitude toward outcomes of the behavior and perceived social norms are associated with the perceived desirability of performing the behavior. The perceived behavioral control reflects the degree of subject's perception that she/he can control the planned behavior, the perceived feasibility of performing behavior or subjects' perceptions of personal situational competence (Krueger & Carsrud, 1993). The three antecedents of the intention can be applied in understanding a process of succession in SME business. In a sense, most initiators in a succession process are the owners or the incumbents. When an owner intends to perform succession, she or he perceives that a form of family firm through succession is desirable. Additionally, the owner, other family members, and other stakeholder groups make a degree of consensus that SME firms should remain competitive to sustain; it is related to the importance of interaction among all family members in the succession process (Sharma et al., 2003, p.670). Finally, the owner perceives that he or she is able to implement the succession process and hold controlling power that can influence the process. In this regard, Sharma et al. (2003) also assume that the owner possesses sufficient controlling power over the succession process as most families and the businesses have a majority of ownership of the firm. According to Sharma et al. (2003), succession planning of small and medium enterprises can occur in the following context. They identified the following as the ingredients for

successful transition of succession planning of small and medium enterprises.

Role clarification of predecessor. The sound relationship between the incumbent and the successor is central to the success of intergenerational transition. The perspectives on the role of outgoing owner managers vary. Some authors assert that the definitive withdrawal from the firm or very limited role during and after the successor's appointment (Churchill & Hatten, 1987; Gersick et al., 1999; Handler, 1989; Holland & Boulton, 1984; Holland & Oliver, 1992; Longenecker & Schoen, 2002) but others argue that the outgoing owner manager should be given some new pertinent roles (Malinen, 2001; Cabera-Suarez, 2005; Chung & Yuen, 2003; Feltham et al., 2005; Cadieux, 2007). As an advisor, the retired founder can transfer his or her tacit knowledge and network of contacts to their successors (Malinen, 2001). According to process of transition, the expected role from the predecessor might be a supervisory role during joint-reign phase and consultant role during withdrawal phase (Handler, 1989). Even a founder predecessor with an entrepreneurial profile could become a new mentor if he or she personally is involved in the process of training and integrating the successor (Cadieux, 2007). The relations with the firm can be maintained by overseeing firm's strategic decisions (Cabera-Suarez, 2005; Chung & Yuen, 2003; Feltham et al., 2005), making contacts with organizations as honorary positions, joining the board of directors, and acting as a firm's ombudsman (Cadieux, 2007). Thus, it is important to help the predecessor become

more self-aware to seek another role out of the firm (Hall, 1986). This is particularly critical to family firms, in that the incumbent's resistance to give up the status and power may be one of the severe barriers in accomplishing a smooth transition between one generation and the next. Because the founder fears losing control and is, concerned that retiring from the firm will mean a demotion in his or her role even within the family (Lansberg, 1988).

Succession Autonomy. A successor must be regarded as one of the most important stakeholders who influence the results of succession. The argument is that if a designated successor is reluctant to take over the family business, the succession is less likely to be successful (Venter et al., 2005). When a current owner-manager feels doubt about the ability and credibility of a successor, not only is the predecessor not likely to hand over completely, but wants to continue to take control of firms' decision processes even after the succession. Therefore, it may be worthwhile that a successor needs to be consulted with a former owner manager before the initial succession decision. If a potential successor does not find the discretions in management after the succession, the willingness of the potential successor to take over the family business may be less. In case of that the succession process has no other choices but to select a certain person as the successor, the succession processes may be worse-than-expected or even fail. Handler (1989) was the first to undertake a systematic and comprehensive study of the range of influences associated with next generation family members. Handler argues that a successful succession depends

on leaving the successor to make his or her own decisions. Goldberg and Woolridge (1992) suggest that the successor must take control of succession process. Shepherd and Zacharskis (2000) stress the successor's decision making processes. Interestingly, a study of successfully completed intergenerational transfer in Canada shows that successors are willingly asked to take over, contrary to other cases in general (Cadieux, 2007). The quality of relationship between the outgoing leader and successor is of great importance to the success of succession process (Brockhaus, 2004; Chrisman et al., 1998; Dickson, 2000; Lansberg & Astrachan, 1994). The high quality relationship is characterized by a high level of trust, mutual support, open and earnest communication, and acknowledgement of each other's achievement (Harvey & Evans, 1993; Neubaur & Lank, 1998).

Succession Communication. Studies of failed succession show that dispute among family members is frequently due to a lack of ground rules of selection. Minimal criteria relating to selection of prospective successor must be set in advance and acknowledged to all the concerned. The rules of the game and processes for the succession must be communicated early and clearly (Ambrose, 1983; Ward, 1997). In this sense, it should be clearly communicated to all concerned for the participants in the succession task force, selection criteria, procedures for continual evaluation and selection, time frame, and timing of succession and population of candidates (Breton-Miller et al., 2004). As mobilizing the succession planning process means to deal with the ambivalence of different stakeholders

(Lansberg, 1988), lack of both communication and trust may confound the whole process of succession (Handler, 1994). Thus, it may be assumed that the high quality of succession occurs when mutual respect, understanding, and communication between generations exist in the process of succession planning so that the family unit can feel an informed decision was made (Harvey & Evans, 1995).

Succession Justice. For the family business facing succession issues, justice relating to transition process should be taken importantly into account to maintain the relationships among stakeholders including family members other than the predecessor and the successor (Ayres, 1990). The succession justice derives from recognition of stakeholders in terms of ability and fairness in selection process. The new successor in the family business is necessary to be confirmed by a majority of stakeholders, including key employees, investors, bankers, suppliers, and distributors (Harvey & Evans, 1995). If the successor sets in the new leadership position but is reluctantly or even not recognized as an appropriate person by the stakeholders, the successor are less likely to effectively take control of the business with little authority. Given this importance and characteristics of the succession justice, thus, firms that prepare business succession should pay a great deal of attention to it. Taking account of the variables for succession context mentioned above, we develop a hypothesized model that is focused on the influences of the management practices and family characteristics on the succession context.

2.4. CONCLUSION

It is becoming increasingly apparent to government and policy makers that the role of small and medium scale enterprises is very important to the development and growth of any given economy. Small and medium scale enterprises will ensure efficient use of resources, employment creation, mobilisation of domestic saving and investment. However, one major problem facing SMEs is succession of the enterprises to the next generation.



CHAPTER THREE

METHODOLOGY

3.1. INTRODUCTION

This chapter describes the research design, the population, the sample and sampling procedure. It also describes the research instruments, pilot testing, the procedure for data collection and methods that are used for the data analysis.

3.2. RESEARCH DESIGN

Research design is a blue print which indicates how data relating to a given problem should be collected and analysed (Fraenkel & Wallen, 2000). The researcher employed the descriptive survey method. A descriptive research intends to present facts concerning the nature and status of a situation, as it exists at the time of the study. It is also concerned with relationships and practices that exist, beliefs and processes that are ongoing, effects that are being felt, or trends that are developing. In addition, such approach tries to describe present conditions, events or systems based on the impressions or reactions of the respondents of the research (Creswell, 2009). Gay (2005) states that descriptive survey involves the collection of data in order to answer questions concerning the current status of the problem. The major techniques or tools used in collecting data in this type of research are the questionnaire, interview and observation. According to Leedy (2006), descriptive

method of research looks with intense accuracy at the phenomena of the moment and then describes precisely what the researcher sees. To him, whatever the researcher observes at any one time is normal and under the same condition could be observed again in the future. The major techniques or tools used in collecting data in this type of research are the questionnaire, interview and observation. Since this study intends to find out succession planning of Small and Medium Enterprises in Takoradi Metropolis, the survey study is found most appropriate.

3.3. POPULATION

The target population included all the small and medium scale enterprises (SMEs) in Takoradi Metropolis. The population of the study consists of owners, family members, partners, management, spouses, relatives and workers of commerce or retail business, construction or manufacturing business and service business. At the time of study, there were 1250 Registered SMEs in the Takoradi Metropolis. These SMEs were made up of 252 Service enterprises, 830 Retail enterprises and 168 Construction enterprises.

3.4. SAMPLE AND SAMPLING PROCEDURE

The researcher used purposive, stratified, quota and convenience sampling techniques to select the respondents for the study. Purposive sampling technique is used by researchers to choose samples that are likely to be knowledgeable and informative about the phenomena under study (Babbie, 2008). 125 Small and Medium Enterprises that had 5 or more workers were purposively selected for the study. Stratified sampling is

when the population is divided into subgroups. In view of this, the researcher divided the population into owners and workers. Quota sampling is a type of non-probability sampling which involves a specific number of respondents being selected from the population. For this study the researcher selected 75 owners of SMEs representing 60% of the respondents for the study and 50 workers representing 40% of the respondents. The owners of the SMEs were given a higher percentage because succession planning directly involves them. A convenience sampling technique was used to select the 125 respondents of the SMEs. The decision to use a convenience sample instead of a probability sample is driven by cost.

3.5. SOURCES OF DATA

Data consist of primary and secondary were employed by the researcher. Primary data is by means of survey and structured questionnaire. The questionnaire was designed for respondents who are owners or proprietors and staff of SMEs in the Takoradi Metropolis. Secondary data was used in this study consisted of existing literature on succession planning of SMEs. To obtain these data, the researcher visited Ministry of Trade and Industry and Ghana Revenue Authority during the time of the study.

3.6. RESEARCH INSTRUMENTS

The sample of 125 SMEs in Takoradi Metropolis was used for the study. The study made use of quantitative data which was gathered through a personal survey of Small and Medium-scale Enterprises (SMEs)

at the 5 to 10 employee level, based on the information available from the Ghana Revenue Authority. A long list of SMEs was prepared to serve as a base from which 125 respondents non-randomly drawn for the study. Questionnaires were then personally giving to the selected respondents. The 125 sampled respondents filled-out questionnaires given to them. Respondents were guaranteed anonymity and it was believed that the questions were discreet. The questionnaire was developed from the literature review. Section 'A' of the questionnaire indicated biographic data of respondents. The section 'B' dealt with factors influencing succession planning of Small and Medium Enterprise and Section C looked at the strategies adopted to enhance succession planning in Takoradi Metropolis. Further, the questionnaire included open-ended and closed – ended items.

3.7. PILOT -TESTING

The pilot- test was done in line with Borg and Gall (1989) idea that there is the need to subject a new research instrument to field-testing with a population similar to that from which the sample for the study were taken. The instrument was pilot –tested at the Sekondi Metropolis. Sekondi was selected because of the similarity in its character to that of the Takoradi. Cronbach alpha was used to analyse the pilot test. The reliability coefficient of 0.87 was obtained. The pilot-test enabled the researcher to reshape, delete items that were ambiguous and reframe items that were unclear to respondents.

3.8. DATA COLLECTION PROCEDURE

An introductory letter was collected from my department head of Graduate School of Business Administration Studies enabled me to have a good rapport with the operators and owners of Small and medium Enterprises in Takoradi Metropolis. The purpose of the study was explained to the workers and this paved the way for the researcher to retrieve all the questionnaires from the respondent without difficulty. The instructions for completing the questionnaire explicitly appeared on the instrument, therefore no further instructions were needed when distributing the questionnaire. The researcher also availed herself to the respondents to answer questions that bordered on the study.

3.9. DATA ANALYSIS

The responses to the item on the questionnaires were analyzed using frequencies and percentages, with the use of Statistical Package for Social Science (SPSS) Version 16.0. To ensure consistency, the responses in the questionnaires were edited and coded. The responses for the open-ended questions were grouped based on common ideas that the respondents expressed. The results were presented using frequencies and percentages.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1. INTRODUCTION

This chapter presents analysis and discussion of the field data on succession planning of Small and Medium Enterprises in Takoradi Metropolis. The chapter is organised into three sections. The first section deals with the demographic data of the respondents. This includes the respondents' educational qualifications, the number of years respondents have worked with the SMEs. The second section, 'B', covers factors affecting succession planning of SMEs in Takoradi and the third section, 'C', is concerned with how succession planning in Small and Medium Enterprises can be enhanced.

4.2. DEMOGRAPHIC DATA OF RESPONDENTS

The researcher considered it appropriate to find out the demographic data of the respondents so as to give a clear focus of the study by providing relevant data concerning succession planning of small and medium enterprises in Takoradi Metropolis.

4.3. EDUCATIONAL QUALIFICATIONS OF THE RESPONDENTS

Data on the distribution of respondents' educational qualifications are showed in Table 4.1.

TABLE 4.1: The Distribution Of Respondents By Educational Qualifications

Educational qualification	No	%
Primary School	9	7.2
Junior Secondary School	13	10.4
Secondary School	43	34.4
Tertiary	60	48.0
Total	125	100

Source: Field survey, 2011

From Table 4.1, the distribution of the respondents by educational qualifications showed that 7.2% representing nine respondents out of 125 had received primary education. Thirteen percent of the 125 sampled respondents had Junior Secondary education whilst 34.4% of the respondents representing 43 had obtained Secondary school education. It is clear from Table 4.1 that 48.0 % representing 60 out of 125 respondents had tertiary education qualifications. This implies that majority of the respondents selected for the study had received education at various levels and therefore they could read and contribute to the discussion of the study.

4.4. NUMBER OF YEARS RESPONDENTS HAVE WORKED IN THE SMALL AND MEDIUM ENTERPRISES

Table 4.2: The Number Respondents Have Worked In The Smes

Response	No	%
2- 10 years	44	35.2
11 - 19 years	53	42.4
20 – 28 years	25	20.0
29 years and above	3	2.4
Total	125	100

Source: Field survey, 2011

As shown in Table 4.2, 44 representing 35.2% of the respondents had worked between 2 - 10 years in the small and medium enterprises, whereas 53 representing 42.4% of the respondents have worked for between 11- 19 years. Twenty- five representing 20.0% of the respondents had worked for 20 -28 years whilst three out of 125 respondents representing 2.4 % had worked for 29 years and above. Responses from the respondents on the numbers of years they have worked in the SMEs indicate that the workers are familiar with the phenomenon under study.

4.5. RESEARCH QUESTION 1: What Factors Affect Succession Planning In Small And Medium Enterprises In Takoradi Metropolis?

Respondents' views on factors that influenced succession planning are presented in Table 4.3.

Table 4.3: **Factors Affecting Succession Planning In SMEs**

Factors influencing succession planning	Agree (%)	Not sure (%)	Disagree(%)
Succession planning is based on the goal of the SMEs	80(64.0)	27(21.6)	18(14.4)
Harmony in the SMEs relates to succession planning	98(78.4)	27(21.6)	0(0)
Proprietor's role after retirement to relate to succession planning	67(53.6)	33(26.4)	25(20.0)
Management practices relate to succession planning	45(36.0)	10(8.0)	70(56.0)
SMEs do not institute succession planning due to lack of trust	108(86.4)	17(13.7)	0(0)
Succession planning increases the availability of experienced workers	78(62.8)	15(12.0)	32(25.6)
SMEs provide training for the prospective successors	46(36.8)	10(8.0)	69(55.2)
Succession in SMEs is based on merits	28(22.4)	30(24.0)	67(53.6)
SMEs do not involve their families in the operation of the business	49(39.2)	18(14.4)	58(46.4)

Source: Field survey, 2011

Table 4.3 reveals that 80 out of the 125 respondents representing 64.0% agreed to the view that “Succession planning is based on the goal of the SMEs”. Twenty-seven out of 125 respondents representing 21.6% were not sure that succession planning is based on the goal of the SMEs whereas 18 respondents representing 14.4% disagreed to the statement. It is evident from the analysis that the respondents agreed to the view that succession planning is based on the goals or clear objectives of the SMEs.

According to Charan, Drotter and Noel (2001), succession planning is a process of identifying and developing internal people with the potential to fill key business leadership positions in the company. Succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available. Corporate Leadership Council (1998) posited that the fundamental to the succession-management process is an underlying philosophy that the top talent in the corporation must manage for the greater good of the enterprise. To the Council, clear objectives are critical to establishing effective succession planning. These objectives tend to be core to many or most companies that have well-established practices: identify those with the potential to assume greater responsibility in the organization, provide critical development experiences to those that can move into key roles, engage the leadership in supporting the development of high-potential leaders, build a data base that can be used to make better staffing decisions for key jobs, improve employee commitment and retention, meet the career development expectations of existing employees, and counter the increasing difficulty and costs of recruiting employees externally.

The statement “Harmony in SMEs relates to succession planning” might be one of the factors that could influence succession planning at the SMEs. Thus, succession planning of SMEs depends on proprietor’s relationship with his or her family and the employees. From Table 4.3, 98 out of 125 respondents representing 78.4% agreed with the statement that harmony in SMEs could relate to succession planning whereas 27 respondents representing 21.6% were not sure of the statement. The results showed that

none of the respondents representing 0.0% disagreed to the statement. The majority of the respondents agreed with the statement that when there is harmony in the SMEs, it might influence succession planning. According to Ward (2005), in many South Arabia family businesses, relationship is a principal factor determining management succession. The family in general determines the institutional values of family firms and when key managers are from the same family, their traditions, values and both verbal and non-verbal communications are established from a common source. Family relationships among the owners and key employees influence the business as a whole. The entire family is affected by what happens in the business, and vice versa. Atwood (2007) stated that two-thirds of family business owners report a good understanding of the amount of estate taxes due upon their deaths, while one in five have no estate planning at all. These statements imply that good relationship among members in the small and medium enterprises could be one of the factors affecting succession planning in SMEs.

As shown in Table 4.3, the statement “Proprietor’s role after retirement relates to succession planning” revealed that 67 out of 125 respondents representing 53.6% agreed with the statement that proprietor’s role after retirement could influence succession planning whereas 25 respondents representing 20.0% disagreed with the statement. However, 33 respondents representing 26.0% remained not sure to the statement that proprietor’s role after retirement might affect succession planning in the SMEs. Thus, succession is a reciprocal interaction that occurs between the predecessor and successor throughout the transferring process of

leadership and a common organisational contest to ensure the survival of incumbent firms in operation (Churchill & Hatten, 1987; Handler 1989). According to Brochhaus (2004), succession requires the in-depth analysis from a holistic perspective of family, management and ownership systems in order to understand adequately the interests of the different stakeholders. The quality of relationship between the outgoing leader and successor is of great importance to the success of succession process (Brockhaus, 2004; Chrisman et al., 1998; Dickson, 2000; Lansberg & Astrachan, 1994). The high quality relationship is characterised by a high level of trust, mutual support, open and earnest communication, and acknowledgement of each other's achievement (Harvey & Evans, 1993; Neubaur & Lank, 1998).

When asked if “Management practices relate to succession planning” in Small and Medium Enterprises, 45 out of 125 respondents representing 36.0% agreed that management practices could result in succession planning whereas 10 respondents representing 8.0 % were not sure of the statement and 70 respondents representing 56.0% disagreed to this assertion. The majority of the respondents disagreed that management practices might influence succession planning in SMEs. Thus, succession in SMEs is influenced by owner’s preference and choice or sometimes family’s decision on who to succeed.

The statement “SMEs do not institute succession planning due to lack of trust” was one of the factors that could influence succession planning in SMEs. The result showed that 108 out of 125 respondents representing 86.4% agreed to the statement but 10 respondents representing 8.0 % were

not sure about the statement that management do not institute succession planning due to lack of trust. Further, seven respondents representing 5.6% disagreed with the statement “SMEs do not institute succession planning due to lack of trust”. Thus, majority of the respondents agreed that “SMEs do not institute succession planning due to lack of trust” was one of the factors that could affect succession planning. In the light of this, Domfeh (2011) posited that small and medium scale businesses in Kumasi need succession plan to sustain their operations. Further, retirement seems not to be part of their business plan, let alone plans to hand over the business. Studies suggest that establishing a sound business succession plan is beneficial for business owners. Domfeh (2011) observed that lack of trust is a major factor influencing SME owners not to institute succession plans. Statistics show that about 70 percent of SME businesses collapse because of lack of succession planning. In support of the above statement, Harvey and Evans (1993), Neubaur and Lank (1998) stated that the high quality relationship is characterised by a high level of trust, mutual support, open and earnest communication and acknowledgement of each other's achievement is a key factor in succession planning in any small and medium enterprises.

When asked if “SMEs provide training for prospective successor”, 46 out of 125 respondents representing 36.8% agreed whereas 10 respondents representing 8.0% were not sure of the statement. The Table 4.3 showed that 69 respondents representing 55.2% disagreed to this assertion that “SMEs provide training for prospective successor”. The majority of the respondents disagreed that the SMEs do not provide training for

prospective successor. According to Mamman and Oluyemi (1994), managers and directors of some SMEs often lacked the necessary expertise and experience. Further, they stated that recruiting good staff was often difficult for the SMEs because the established SMEs could usually offer the most talented SMEs officials better career prospects. This situation rose because many SMEs fill managerial positions with their families and therefore they believed that it was not necessary to spend on training people for the position.

From the table, the statement “succession in SMEs is based on merits” was identified as one of the factors influencing succession planning in the SMEs. The findings revealed that 28 out of 125 respondents representing 22.4% agreed with the statement succession in SMEs is based on merits could affect succession planning in the SMEs. The respondents selected for the study agreed that inadequate SMEs managers might be the cause of succession planning. According to Mamman and Oluyemi (1994), managers and directors of some SMEs often lacked the necessary expertise and experience. However, 14 respondents representing 18.7 % were not sure if inadequate qualified SMEs could influence succession planning at the SMEs and three of the respondents representing 4% disagreed with statement.

The table further revealed that 49 respondents representing 39.2 % agreed with the statement that SMEs do not involve their families in the operation of the business could affect of succession planning at the SMEs whereas 18 respondents representing 14.4 % were not sure with the statement. The findings showed that 58 respondents representing 58% disagreed with the

statement that SMEs' do not involve their families in the operation of the business could affect of succession planning. It is clear from the analysis that the majority of the respondents disagreed that SMEs' do not involve their families in the operation of the business could affect succession planning.

4.6. RESEARCH QUESTION 2: What Factors Can Be Adopted To Enhance Succession Planning In The Small And Medium Enterprises?

Respondents' views were sought on strategies that can enhance succession planning of small and medium enterprises are provided in Table 4.4.

Table 4.4: Strategies that can be adopted to enhance succession planning in small and medium enterprises

Strategies to enhance succession planning	No	%
Government can make laws to regulate succession planning in SMEs	43	34.4
Training of prospective successors for future needs	87	69.6
Succession document can be put in place upon founder' retirement	70	56.0
Succession in SMEs should be based on merits	68	54.4

Source: Field survey, 2011

Table 4.4 revealed that 43 out of 125 respondents representing 34.4% of the sampled respondents responded that Government can formulate laws to regulate succession planning of SMEs. This implies that the SMEs could float shares as one of the ways of overcoming its succession planning.

According to Table 4.4, 87 out of the 125 respondents representing 69.6% responded that the Training on leadership and management can be organised for prospective successors of the business.

Table 4.4 again reveals that 70 out of the 125 respondents representing 56.0% of the sampled respondents responded that SMEs owners can prepare the business for smooth transfer upon their retirement through proper management practices by documenting it.

The findings in Table 4.4 depicted that 68 respondents representing 54.4% of the sampled workers suggested that Succession planning in SMEs should be characterized by an impersonal selection process based on merits. According to Suh, Yun-Hee and Park (2008), With family businesses, succession planning can be especially complicated because of the relationships and emotions involved and because most people are not that comfortable discussing topics such as aging, death, and their financial affairs. They concluded that this is why more than 70 percent of family-owned businesses and small and medium enterprises do not survive the transition from founder to second generation. The absence of a succession plan is usually fatal for any small and medium enterprises. The nature of succession plans is examined in terms of small business system dominant is characterised by an impersonal selection process based on merits. SMEs constitute the majority of business entities across the world. These businesses contribute forty-five to seventy percent of gross domestic product and employment in many countries. In developing and developed economies, SMEs are becoming the dominant type of enterprise. A crucial challenge in all SMEs is succession. It has been estimated that the

worldwide survival rate of small and medium businesses to the second generation is only thirty percent, while fewer than fourteen percent survive beyond the third generation. Researchers have argued that this poor survival rate is due to economic factors. However, in some cases, SMEs fail because they do not plan for business continuation.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary of findings, conclusions drawn from findings, and recommendations and suggestions made for further research.

The study sought to investigate the succession planning in Small and Medium Enterprises. Two research questions were raised to guide the study. The study focused on areas such as factors influencing succession planning in small and medium enterprises and how succession planning can be enhanced in Takoradi Metropolis.

The study adopted the descriptive survey design. The accessible population comprised workers and proprietors of the SMEs. Purposive, stratified, quota and convenience sampling techniques were used to select respondents. A total of 125 respondents were used as sample for the study. The study employed the use of questionnaire for the study. The questionnaire was tested at Sekondi Metropolis. The cronbach alpha was used for the pilot-tested and the alpha coefficient obtained was 0.87. Data gathered were analysed and presented with the help of percentages and frequency tables.

5.1. SUMMARY OF FINDINGS

The principal findings of the study are as follows:

1. The study showed that lack of trust was one the factors affecting succession planning in the SMEs. This situation arose because many SMEs do not have clear objectives of succession planning or do not provide to the successors with the right training needed to manage the business.
2. The study found out that succession was not based on merit or succession was based on the relationship with the founder of the business.
3. The study revealed that good management practices and clear objectives of the SMEs in terms of who would take over or assume position when retirement or death could relate to succession planning.
4. The study identified many SMEs do not involve their family or relative in the operations of the business.

5.2. CONCLUSION

From the findings of the study, the following conclusions are drawn.

1. It is clear from the study that SMEs needs succession planning to ensure continuity of the enterprise. The SMEs can document successors upon the retirement or death of the founders or owners.
2. The study revealed that many SMEs do not institute succession planning due to lack of trust. This situation occurs because many SMEs do not train people for succession role.
3. Another conclusion that can be drawn from the findings is that succession should be based on merit and competence of the successor.

5.3. RECOMMENDATIONS

The following recommendations are proposed for the attention of the founders, successors and managers of Small and Medium Enterprises.

1. The study recommends that the SMEs should have succession laws to ensure smooth transition as well as the roles of the successor.
2. The study recommended that SMEs should train prospective successors for the enterprises.
3. Finally, the study recommends that successors for the business should be based on merit to ensure that right and experienced people manage the business.

5.4. SUGGESTION FOR FURTHER STUDY

A global study on the effect of succession planning in the Small and Medium Enterprises in Ghana will help in the understanding of the vital role SMEs play in the Ghanaian economy.

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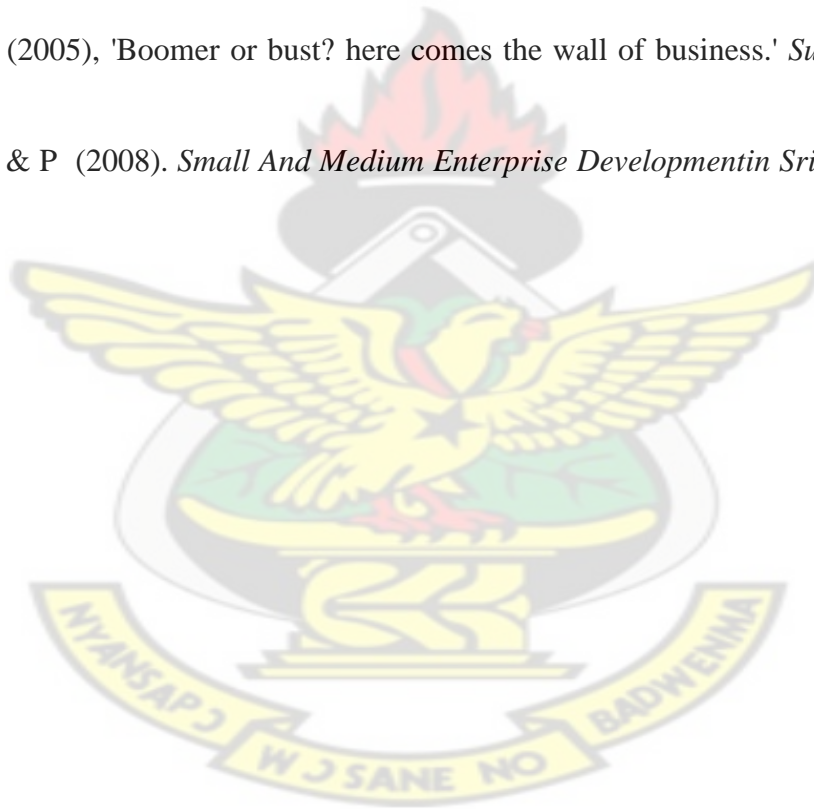
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APPENDIX A

**Kwame Nkumah University Of Science And Technology Institute For Distance
Learning**

Succession Planning In Small And Medium Enterprises (Smes) In Takoradi Metropolis

Succession Planning Had Been Identified As A Vital Tool To Ensure Efficiency In Continuity In Business. The Questionnaire Has The Objective Of Seeking Information On Succession Planning Of Smes In Takoradi Metropolis. The Study May Help In Improving The Succession Of The Enterprise. You Are Therefore Invited To Participate In The Study By Filling In The Attached Questionnaire.

You Will Be Contributing Immensely Towards The Success Of The Study If You Kindly Answer The Following Questions As Frankly As You Can. Your Response Will Be Accorded The Needed Confidentiality.

Section A: Demographic Data

Please Tick [☐] The Appropriate Box That Corresponds To The Your Response.

1. Gender : A. Male [☐] B. Female [☐]
2. Educational Qualification: A. Primary/ JHS [☐] B. Secondary [☐]
C. Tertiary [☐] D. Others.....
3. Working Experience: A. Below 5 Years [☐] B. 5- 10 Years [☐]
C. Above 10 Years [☐]

Section B: Succession Planning

The Items Below Are Statements On Factors Affecting Succession Planning.

Please, Tick (☐) The Statement That Best Describe Your View On The Succession Planning.

Key:

A – Agree

NS – Not Sure

D – Disagree

Factors Affecting Succession Planning	A	NS	D
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4	Succession Planning Is Based On The Goal Of The Smes			
5	Harmony In The Smes Relates To Succession Planning			
6	Proprietor's Role After Retirement To Relate To Succession Planning			
7	Management Practices Relate To Succession Planning			
8	Smes Do Not Institute Succession Planning Due To Lack Of Trust			
9	Succession Planning Increases The Availability Of Experienced Workers			
10	Smes Provide Training For The Prospective Successors			

11	Succession In Smes Is Based On Merits			
12	Smes Do Not Involve Their Families In The Operation Of The Business			

Section C Strategies To Enhance Succession Planning In Smes

13. How Can Succession Planning Be Enhanced In The Small And Medium Enterprises (Smes)? (Please, Use Of The Space Provided Below To Provide Your Suggestions On How To Enhance Succession Planning In Smes).

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Thank You For Your Time!

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