

Succession Management and Organizational Performance of Family Businesses in Mombasa County, Kenya

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ABSTRACT

Family businesses contribute significantly to employment, wealth creation and economic development, yet many face continuity and performance challenges where succession is informal, poorly communicated or inadequately integrated with ownership transition, family interests and organizational culture. This study investigated the influence of strategic succession management on the organizational performance of selected family businesses in Mombasa County, Kenya. Specifically, it examined succession planning, ownership transition, socio-emotional wealth (SEW) and organizational culture. A descriptive survey design was used. Structured questionnaires were administered to 63 employees and managers, of which 60 were returned, representing a 95% response rate. The constructs demonstrated acceptable internal consistency, with Cronbach's alpha coefficients ranging from 0.750 to 0.904. Data were analysed using descriptive statistics and multiple regression in SPSS. Succession planning ($B = 0.444, p < .001$), ownership transition ($B = 0.101, p = .021$), socio-emotional wealth ($B = 0.612, p = .001$) and organizational culture ($B = 0.104, p = .004$) were positive and statistically significant predictors of organizational performance. The reported overall regression model was statistically significant ($F = 32.048, p < .001$). The study concludes that succession should be managed as an ongoing strategic process rather than a one-time leadership event. It recommends formal and regularly reviewed succession plans, transparent and legally compliant ownership-transition structures, merit-based leadership development, preservation of constructive family values, and deliberate knowledge-sharing, mentorship and capacity-building practices.

Keywords: Strategic succession management; succession planning; socio-emotional wealth; organizational performance; family businesses.

INTRODUCTION

Family businesses are an important part of economic activity, but their continuity is often tested when leadership and ownership move from one generation to another. Organizational performance in family firms is multidimensional: financial outcomes matter, but continuity, reputation, customer satisfaction, market share and the preservation of family values may also shape how success is understood. Succession therefore represents more than replacement of a chief executive. It involves preparation of future leadership, transfer of knowledge and control, management of family expectations, and maintenance of the organizational capabilities needed to compete over time (Rothwell, 2005; Gordon & Overbey, 2018).

Succession planning provides a framework for identifying, preparing and developing individuals who may assume critical roles. The relay perspective emphasizes timing, communication, preparation and an orderly transfer of responsibility, while dynamic capabilities theory highlights the need for firms to reconfigure resources and capabilities as environments and leadership requirements change (Santora, 2004; Teece, 2007). These perspectives are particularly relevant to family businesses because leadership continuity is intertwined with ownership, family identity and emotional attachment to the firm.

Evidence from prior studies generally associates succession planning with improved organizational outcomes, although the mechanisms and contextual conditions vary. Succession planning has been linked to organizational performance through leadership development, talent retention, mentorship and preparedness for change (Isfahani et al., 2018; Sholesi et al., 2022). Ownership and management structures also influence family-firm performance, especially where family control, professional management and transition arrangements interact (Azizi et al., 2021; Minh Ha et al., 2022). In addition, socio-emotional wealth captures non-financial considerations such as family control, identity, emotional attachment and dynastic succession, which can shape strategic decisions and performance (Ballal & Bapat, 2020). Organizational culture, through knowledge sharing, mentorship and capacity building, can support the transfer of capabilities across generations (Joseph & Kibera, 2019).

In Mombasa County, the transition of family businesses from one generation to another raises practical questions about continuity, governance and performance. The study addressed this problem by examining strategic succession management as a combination of succession planning, ownership transition, socio-emotional wealth and organizational culture. The purpose was to establish how these dimensions influence organizational performance among selected family businesses in Mombasa County, Kenya.

Study objectives. The study sought to: (1) determine the influence of succession planning on organizational performance of selected family businesses in Mombasa County; (2) establish the influence of ownership transition on organizational performance; (3) assess the influence of socio-emotional wealth factors on organizational performance; and (4) investigate the influence of organizational culture on organizational performance.

The Relay Succession Planning Model conceptualizes succession as an orderly handover in which a prospective successor is identified and progressively exposed to the responsibilities of the role before the predecessor exits. Effective relay succession depends on appropriate sequencing, timing, communication and transfer of responsibility. This reduces the risk of an abrupt leadership vacuum and gives the organization an opportunity to assess and develop the successor (Santora, 2004).

Dynamic Capabilities Theory explains how firms sustain performance by sensing changes, seizing opportunities and reconfiguring resources and capabilities. In a family-business succession context, the theory is useful because continuity depends not only on transferring formal authority but also on renewing leadership skills, knowledge, relationships and strategic resources (Teece, 2007; Ambrosini & Bowman, 2009). The study therefore treated succession as a strategic capability rather than a single replacement event.

Empirical research indicates that succession planning can improve performance when it incorporates development, mentorship and retention of talent (Isfahani et al., 2018; Sholesi et al., 2022). Research on family ownership suggests that ownership and management arrangements can enhance or constrain performance depending on governance structures and the degree of family involvement (Azizi et al., 2021; Chahal & Sharma, 2022). Socio-emotional wealth literature shows that family identification, emotional attachment and dynastic intentions can influence firm decisions and performance (Ballal & Bapat, 2020). Finally, organizational culture contributes to performance through knowledge creation, knowledge transfer, mentoring and capability development (Joseph & Kibera, 2019; Endende et al., 2022). These strands informed the four dimensions tested in the present study.

Conceptual Framework

Independent variables	Relationship	Dependent variable
Succession planning	→	Organizational performance
Ownership transition	→	
Socio-emotional wealth	→	
Organizational culture	→	

Figure 1. Conceptual framework linking strategic succession management dimensions to organizational performance.

MATERIALS AND METHODS

The study adopted a descriptive survey design to examine the relationship between strategic succession management and organizational performance without manipulating the study environment. The target respondents comprised HR, finance and marketing administrators and other knowledgeable employees of selected family businesses in Mombasa County who had sufficient organizational experience to understand company history, policies and transition practices. Respondents were grouped by relevant organizational strata and selected using random sampling within those strata. A total of 63 questionnaires were issued, of which 60 were returned.

Primary data were collected using a structured questionnaire containing closed- and open-ended items. The instrument covered respondent characteristics and the four strategic succession management dimensions: succession planning, ownership transition, socio-emotional wealth and organizational culture. Organizational performance was operationalized as a multidimensional dependent variable comprising five indicators: business continuity, customer satisfaction, return on investment, organizational reputation and market share. The use of both financial and non-financial indicators was appropriate to the family-business context, where continuity, reputation and stakeholder outcomes complement conventional financial measures. Content validity was considered in instrument development, while internal consistency was assessed using Cronbach's alpha. Ethical safeguards included institutional authorization, NACOSTI approval, informed consent, confidentiality and anonymity.

Table 1. Operationalization of study variables

Variable	Role in model	Operational indicators used in the study	Measurement approach
Succession planning	Independent variable	Existence of succession plan; adherence during implementation; flexibility; post-implementation evaluation	Questionnaire items; five-point Likert-type responses
Ownership transition	Independent variable	Transparency; legal consequences; family control over strategic decisions; family leadership/management involvement	Questionnaire items; five-point Likert-type responses
Socio-emotional wealth	Independent variable	Personal meaning of the family business; importance of stakeholder relationships and family-related non-financial interests	Questionnaire items; five-point Likert-type responses
Organizational culture	Independent variable	Knowledge sharing/transfer; capacity building; employee mentorship	Questionnaire items; five-point Likert-type responses
Organizational performance	Dependent variable	Multidimensional perceived organizational continuity and performance outcomes associated with succession and transition practices	Composite questionnaire-based outcome used in regression analysis

Data were analyzed using Microsoft Excel and SPSS. Descriptive statistics included frequencies, percentages, means and standard deviations. For interpretation of five-point Likert-type item means, the following descriptive bands were used: 1.00–1.80 = very low agreement; 1.81–2.60 = low agreement; 2.61–3.40 = moderate agreement; 3.41–4.20 = high agreement; and 4.21–5.00 = very high agreement. Inferential analysis used correlation, multiple linear regression and analysis of variance. Organizational performance was the dependent

variable, while succession planning (X1), ownership transition (X2), socio-emotional wealth (X3) and organizational culture (X4) were the predictors. The estimated model was $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$. Prior to final reporting, the regression assumptions of normality of residuals, linearity, homoscedasticity, independence of errors and absence of problematic multicollinearity should be confirmed directly from the retained SPSS diagnostic output; diagnostic statistics not contained in the manuscript source have not been reconstructed or inferred.

RESULTS AND DISCUSSION

Of the 63 questionnaires distributed, 60 were returned, yielding a 95% response rate. The sample consisted of 36 men (60%) and 24 women (40%). Most respondents had substantial organizational experience, supporting their ability to comment on succession and transition practices.

Table 1. Reliability of study constructs

Construct	Items	Cronbach's alpha	Decision
Succession plan	4	0.750	Acceptable
Ownership transition	5	0.790	Acceptable
Socio-emotional wealth	4	0.757	Acceptable
Organizational culture	3	0.904	Acceptable

All constructs met the study's reliability threshold, with Cronbach's alpha coefficients ranging from 0.750 to 0.904. Organizational culture recorded the highest internal consistency.

Table 2. Selected descriptive results

Dimension / statement	N	Mean	SD
Succession plan in place	60	3.52	1.712
Adherence to succession plan at implementation	60	3.81	1.363
Flexible succession plan	60	3.17	1.202
Evaluation after implementation	60	3.66	1.175
Ownership transition enhances transparency	60	2.89	0.345
Ownership transition avoids legal consequences	60	3.81	0.782
Family members exert control over strategic decisions	60	3.52	1.072
Top managerial/leadership positions held by family members	60	3.73	1.184
Family business has personal meaning to family members	60	2.81	1.182
Stakeholder relationships important to family business	60	2.52	1.272
Knowledge sharing/transfer is the norm	60	3.77	1.445
Capacity building improves employee skills	60	3.81	1.482
Employee mentorship enhances performance	60	3.52	1.173

Using the stated interpretation bands, respondents reported high agreement that succession plans were in place ($M = 3.52$), adhered to during implementation ($M = 3.81$), and evaluated after implementation ($M = 3.66$), while flexibility of succession plans was moderate ($M = 3.17$). Ownership transition was rated high in relation to avoiding legal consequences ($M = 3.81$) but moderate for enhancing transparency ($M = 2.89$). Organizational-culture items showed high agreement for capacity building ($M = 3.81$), knowledge sharing/transfer ($M = 3.77$) and mentorship ($M = 3.52$). Socio-emotional wealth items were lower: personal meaning of the business was moderate ($M = 2.81$), while stakeholder relationships fell within the low-agreement band ($M = 2.52$). These results indicate that formal succession and capability-transfer practices were more strongly endorsed than some socio-emotional dimensions.

Table 3. Multiple regression coefficients

Predictor	B	Std. Error	Beta	t	p
Constant	2.374	0.373	—	6.368	<0.001
Succession plan	0.444	0.067	0.375	6.586	<0.001
Ownership transition	0.101	0.044	0.129	2.324	0.021
Socio-emotional wealth	0.612	0.181	0.182	3.389	0.001
Organizational culture	0.104	0.036	0.153	2.906	0.004

The regression results indicate that all four strategic succession management dimensions positively and significantly predicted organizational performance. Succession planning had the largest standardized coefficient ($\beta=0.375$), indicating a particularly important contribution when the predictors are considered together. Socio-emotional wealth recorded the largest unstandardized coefficient ($B=0.612$). Ownership transition and organizational culture were also statistically significant. The resulting fitted equation was $Y = 2.374 + 0.444X_1 + 0.101X_2 + 0.612X_3 + 0.104X_4$.

The original thesis Model Summary reports $R = 0.518$, $R^2 = 0.268$, adjusted $R^2 = 0.260$ and a standard error of the estimate of 0.747. Accordingly, the four strategic succession management dimensions explained 26.8% of the variation in organizational performance, while 73.2% was attributable to factors outside the model. The earlier narrative statement that the predictors explained approximately 52% of the variance resulted from incorrectly interpreting $R = 0.518$ as the coefficient of determination and has been corrected. The thesis ANOVA table reports $F = 32.048$, $p < .001$; however, the reproduced degrees of freedom in that table are inconsistent with a four-predictor model. The F statistic should therefore be checked against the original SPSS output before final publication.

The positive effect of succession planning is consistent with studies that view succession as a systematic process involving talent development, mentorship and organizational preparedness (Isfahani et al., 2018; Sholesi et al., 2022). The ownership-transition result reinforces the importance of governance structures that clarify control and leadership during generational change. The significance of socio-emotional wealth demonstrates that family identity, emotional attachment and continuity motives are not peripheral to performance. Finally, the organizational-culture finding highlights the role of knowledge sharing, mentorship and capacity building in preserving organizational capability through transition.

Study Limitations

The study is based on 60 respondents from selected family businesses in one Kenyan county. The relatively small sample and context-specific design limit statistical power and the extent to which findings can be generalized to all family businesses in Kenya or other jurisdictions. The cross-sectional, questionnaire-based design also captures perceptions at one point in time and does not establish causality. Future studies should use larger multi-county samples, longitudinal designs and, where feasible, objective financial and non-financial performance indicators.

CONCLUSION

The study concludes that strategic succession management is an important determinant of organizational performance among selected family businesses in Mombasa County. Effective succession is not limited to naming a replacement leader. It requires a documented and adaptable succession plan, a formal approach to ownership transition, constructive management of socio-emotional wealth, and an organizational culture that supports learning and capability transfer. The regression analysis shows that each of these dimensions made a positive and statistically significant contribution to organizational performance.

Family firms are therefore more likely to sustain continuity when succession is treated as an ongoing strategic management process. Preparing successors, communicating transition expectations, maintaining legally sound

ownership structures and preserving useful family relationships can reduce disruption while strengthening long-term organizational capability.

RECOMMENDATIONS

Family businesses should develop flexible, timely and comprehensive succession plans and communicate them to employees and management early enough to support organizational readiness.

Succession plans should be implemented, evaluated and periodically revised to reflect changes in the industry and the business environment.

Family businesses should adopt formal ownership-transition structures that are transparent, accountable, flexible and legally compliant, thereby reducing exposure to disputes, insolvency and other transition-related risks.

Leadership selection and development should consider performance, education, expertise and the capabilities required for long-term organizational success, while deliberately developing internal leadership capacity.

Family businesses should preserve constructive socio-emotional wealth, including family bonds, identity, social capital and commitment, while ensuring that non-economic family goals do not displace sound governance and performance considerations.

Organizations should institutionalize mentorship, coaching, knowledge creation, knowledge transfer and capacity building to retain critical capabilities across generations.

Future studies should examine additional drivers of family-business performance, including innovation, strategy, digitalization and family dynamics, and replicate the study in other counties and industries.

Value and implications. The findings provide practical value to founders, family-business leaders and managers by showing that succession should be managed as a continuing strategic process rather than an event triggered by the exit of an incumbent. Formal succession planning, orderly and legally compliant ownership transition, preservation of constructive socio-emotional wealth, and deliberate knowledge transfer can strengthen continuity and organizational performance. For practitioners, the results imply a need to embed succession into governance, leadership development and risk-management processes. For policy and business-support institutions, the findings point to the value of capacity-building initiatives that help family enterprises formalize succession and ownership-transition arrangements. The study also provides a basis for further research on family-business continuity in other Kenyan counties and sectors.

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