Research Paper

EPRA International Journal of Economic and Business Review-Peer Reviewed Journal
Volume - 13, Issue - 2, February 2025 | e-ISSN: 2347 - 9671| p- ISSN: 2349 – 0187

SJIF Impact Factor (2025): 8.862 || ISI Value: 1.433 || Journal DOI URL: https://doi.org/10.36713/epra2012

# THE MODERATING EFFECT OF SUCCESSION PLANNING ON THE RELATIONSHIP BETWEEN TALENT MANAGEMENT PRACTICES AND PERFORMANCE OF FAMILY-OWNED BUSINESSES IN THE NAIROBI METROPOLITAN REGION

**Mary Wandia**

**ABSTRACT** DOI No: 10.36713/epra19629 Article DOI: https://doi.org/10.36713/epra19629

***This study sought to examine moderating effect of succession planning on the relationship between talent management practices on organizational performance among family-owned businesses in the Nairobi Metropolitan Region. The focus was on family-owned businesses in the retail sector. The study population was chosen from eight retail stores who have more than four branches in the Nairobi Metropolitan region, constituting of 274 branch managers and their deputies chosen from 137 retail store branches in total. A census sample of 274 managers and their deputies were picked. Primary data was collected using questionnaires. Data was analyzed using quantitative techniques using the SPSS software to measure the moderating effect of succession planning on the relationship between talent management practices and organizational performance. The study's findings showed that succession planning does in fact play a significant moderating role in the relationship between talent management and organizational performance of family businesses in the Nairobi Metropolitan Region (β = .777, p < .001).***

**KEY WORDS-** ***Succession planning, Talent management practices. family owned business***

## 1.1 BACKGROUND OF THE STUDY

Beech et al, (2020) explored the concept of resilience set within a family business. They found that "familiness" and non-economic factors, such as relationship dynamics influence the performance of family businesses. Kiwia et al, (2020) in research on family-owned SMEs in Arusha found that there was a difference in business performance when successors are selected and prepared by business founders compared to when they are selected and prepared by other family members. Successors selected and prepared by business founders performed better in business than successors who were selected and prepared by other family members.

To enhance organizational performance, family-owned retail businesses need effective governance structures, professional management practices, and strategic planning. Embracing a culture of innovation and digital transformation is essential for maintaining competitiveness in a rapidly evolving market. Addressing these challenges while leveraging their inherent strengths will be crucial for the sustained success of these businesses, which continue to play a vital role in Kenya's economic landscape (Kinyua, 2019).

The performance of family-owned businesses is determined by the competitiveness of the business strategies they adopt (Mutinda & Mwasaji, 2018). Organizational performance is a result that occurs as the outcome of organizational behavior (Kibande & Kyule, 2022). In their study on Competitive strategies and performance of family-owned supermarkets in Machakos County, they found that the performance of family-owned retail stores can highly be attributed to the strategies adopted by the store, towards superior or poor performance (Mutinda & Mwasaji, 2018). Some of the family businesses in Kenya that have been successful include Riara Group of Schools (Education), Royal Media Services (Media), Mash (transport) to name

just but a few. However, others have experienced collapse for example Tuskys Supermarket (retail), Akamba Bus Service (transport), Inoreero University (higher education) among others.

Succession planning has been defined as 'a means of identifying critical management positions, starting at the levels of project manager and supervisor and extending up to the highest position in the organization' (Rothwell, 2019). According to Ahmed, (2020), succession planning helps to avoid gaps that may arise when staff suddenly leaves the organization. This becomes even more crucial in executive leadership positions, which play a significant role in business continuity and timely attainment of strategic objectives in the organization. Succession planning is a critical component of talent management that positively affects talent attraction, acquisition, development, and retention. By preparing for future leadership needs and investing in employee growth, organizations can enhance their performance and ensure long-term success. This strategic approach not only supports the immediate operational needs of the business but also positions it for future sustained competitive advantage in the marketplace. When a member of the top leadership team suddenly resigns or the position is left vacant, it becomes important for an organization to have had a succession planning and management process in place to counter this. The purpose of succession planning is to have a plan in place for the unexpected in order to keep the organization's operations running as smoothly as possible (Ojuolpe et al., 2018).

### 1.2 Statement of the Problem

Managing Talent is critical in ensuring that the right caliber of employees is found in family owned businesses. Strategically attracting, acquiring, developing and retaining talent is critical to organizations that desire to achieve superior performance. Due to the nature of family owned businesses, talent management practices tend to be weak due to ownership preferences of the employees they desire and the need to ring in family acceptable staff. Thus, they fail to raise to the occasion of TM practices. In fact, many family owned businesses in Kenya collapse with the exit of the founders from management. An array of reasons have been highlighted like recruitment practices, training, performance management (Absalom & Kyule, 2021) among others.

According to Ahmed, (2020), succession planning helps to avoid gaps that may arise when staff suddenly leaves the organization. This becomes even more crucial in executive leadership positions, which play a significant role in business continuity and timely attainment of strategic objectives in the organization. Quite a number made of studies made use succession planning either as the independent or dependent variable (Karanja, 2018; Hassan & Bichanga, 2022; Bright, 2023) and failed to examine the role succession planning can play in moderating the relationship between TM practices with Organisational performance, an aspect this study forcuses on.

### 1.3 Objectives of the Study

To assess the moderating effect of succession planning on the relationship between talent management practices and performance of family-owned businesses in Nairobi Metropolitan Region.

## 2.0 EMPIRICAL REVIEW

### 2.1 Talent Management and Succession planning

Family-owned businesses often experience performance challenges or even collapse, particularly after the founders step away from active management. Previous studies attribute this to factors such as mismanagement, weak succession planning, and the absence of a visionary leader (Sindambiwe, 2020; Ngugi & Patrick, 2023). A notable finding by Williams and Mullane (2019) highlights that succession by incompetent employees often leads to mismanagement. This underscores the importance of succession planning as a key moderator in the relationship between talent management (TM) practices and organizational performance. While TM practices may exist, succession planning can fail if unqualified staff are selected, compromising organizational outcomes.

Thomson (2019) explored the effect of effective succession management on the performance of retail firms in London. The study examined succession management practices as the independent variable and organizational performance as the dependent variable, grounding the research in the Resource-Based View (RBV) theory, which emphasizes strategic resources like succession management as a source of competitive advantage. Using a qualitative case study design, data were collected through semi-structured interviews with 20 senior managers, selected via purposive sampling. The findings revealed a strong positive relationship between succession management and organizational performance. However, the study did not investigate succession management as a moderating factor. Furthermore, the small sample size of 20 participants was susceptible to variability and outliers, reducing the reliability and precision of the results—a gap this study sought to address.

Lyra (2016) studied talent management in family-owned businesses in Brazil, focusing on its role in enhancing organizational performance. The research employed a qualitative case study design, analyzing ten family-owned businesses. Data collection

involved interviews and organizational record analysis. The study found that while informal mentoring and family-based recruitment were common talent management practices, these businesses faced significant challenges with succession planning and formalizing talent strategies. Lyra concluded that addressing these issues could significantly improve organizational performance.

Ajay and Erich (2020) examined succession planning in small and medium-sized enterprises (SMEs) in Johannesburg's manufacturing sector, using a mixed-methods approach with a semi-structured questionnaire. Of the 30 companies approached, 15 responded. The study identified significant gaps between the perceived and actual status of succession planning, with most SMEs lacking structured plans for developing and grooming top managers. Additionally, these firms showed no preference between promoting internal talent and hiring externally for leadership roles. The study recommended establishing clear organizational structures to ensure continuity in leadership. Unlike the current study, which focuses on family-owned businesses in Kenya, this research targeted SMEs in manufacturing and, therefore, its findings cannot be generalized to the Kenyan context.

Jindal and Shaikh (2020) conducted a desk review on talent management and succession planning in pharmaceutical companies in Punjab. They found that effective talent identification and development strategies enhance talent retention, facilitating successful succession planning. Similarly, Chinonye (2020) reviewed talent management and succession planning in state-owned tertiary institutions in Nigeria. The study revealed that effective talent management determines the ability to attract, develop, and retain skilled individuals, thereby ensuring smooth succession processes. However, both studies relied on desk reviews, which may suffer from bias, as researchers might select literature supporting their viewpoints while missing context-specific insights. The current study addresses these limitations by collecting primary data through questionnaires.

Bright (2023) investigated the impact of talent management on staff performance in Ghanaian colleges of education. Targeting 281 permanent employees in four colleges, the study used structured questionnaires and analyzed data with SMART PLS software. The results showed that talent management and innovative work behavior weakly influenced employee performance. The study recommended further research to explore succession management as a moderating factor between talent management practices and employee performance—a gap the current study aims to fill.

Kim (2021) examined the moderating role of succession management on the relationship between talent development practices and employee retention in the technology sector. Using a qualitative approach, the study involved semi-structured interviews with 78 HR managers. Findings highlighted that succession management enhances employee retention by offering clear career progression paths and leadership opportunities. However, the study focused only on development and retention, excluding other TM practices such as talent attraction and acquisition. Additionally, as a purely qualitative study, it did not statistically verify its findings, presenting a gap that the current study addresses by incorporating quantitative methods.

Oke and Kusumastuti (2019) explored how succession planning influences talent management practices and organizational performance in multinational corporations. Grounded in the RBV theory, the study used qualitative methods, conducting in-depth interviews with 50 senior HR managers from various multinational firms in Brazil. Results showed that robust succession planning enhances talent management effectiveness, leading to improved performance. The study emphasized aligning succession planning with broader talent management strategies. However, the reliance on oral interviews introduced potential information distortion, a methodological gap the current study bridges by using structured questionnaires.

In summary, existing studies highlight the critical role of succession planning in enhancing organizational performance and its relationship with talent management practices. However, gaps such as small sample sizes, reliance on qualitative or desk review methods, and a lack of focus on the moderating role of succession planning remain unaddressed. This study fills these gaps by using a robust methodology, including primary data collection through questionnaires and focusing on family-owned businesses in Kenya.

## 3.0 RESEARCH DESIGN AND METHODOLOGY

This study adopted a cross-sectional survey design, which involves gathering data at a single point in time from a large and diverse group. This approach provided a snapshot of current practices and outcomes within the target population. The analysis focused on eight family-owned retail stores in the Nairobi Metropolitan Region. Data was collected from 274 individuals, including managers and their deputies or senior supervisors, depending on the structure of each store. Since the population size was manageable, the study conducted a census, collecting data from all individuals in the group.

The research relied on primary data, which is original and considered reliable due to its direct connection to the source and reduced error potential (Lohr, 2023). Questionnaires were used to collect the data. To ensure the reliability and validity of the research instruments, a pilot study was conducted on 10% of the study population. For this, 14 family-owned retail stores in Nakuru County were selected using similar criteria as the main study. From these stores, 30 managers and their deputies or senior supervisors participated in the pilot phase. These participants were excluded from the main study.

During the pilot, the same questionnaires and interviews intended for the main study were tested, focusing on topics like talent management practices, job security, and remuneration. This preliminary phase helped refine the questions for clarity and relevance and addressed any logistical challenges that could arise during the actual data collection process.

## 4.0 RESULTS

### 4.1 Regressing Talent Management, Interactor TM and Succession Planning on Organizational Performance

**Table 1 Regressing Talent Management, and Succession Planning on Organizational Performance**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .902[a] | .813 | .810 | .410 |

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .059 | .427 | | .137 | .491 |
| | Talent Management | .782 | .143 | .777 | 7.532 | .000 |
| | Succession Planning | .143 | .162 | -.139 | 1.062 | .000 |
| | Interactor between TM and Succession Planning | .068 | .054 | .204 | 1.243 | .000 |

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 180.623 | 3 | 60.208 | 358.830 | .000[b] |
| | Residual | 41.612 | 248 | .168 | | |
| | Total | 222.234 | 251 | | | |

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Interactor between TM and Succession Planning, Talent Management, Succession Planning

**Source: Survey Data (2023)**

The results show the moderated regression analysis providing insights into the relationship between talent management practices, succession planning, and organizational performance in family businesses in Kenya. The model demonstrates a significant overall relationship between the predictors and the dependent variable, as indicated by the R-squared value of .813, suggesting that approximately 81.3% of the variance in organizational performance can be explained by the predictors. Regarding the individual predictor variables, Talent Management shows a significant positive relationship with organizational performance ($\beta = .777$, $p < .001$). This suggests that effective talent management practices have a strong influence on enhancing organizational performance in family businesses in Kenya. However, the coefficient for Succession Planning is not statistically significant ($\beta = -.139$, $p = .491$), indicating that it does not have a direct effect on organizational performance. This implies that succession planning alone may not significantly impact organizational performance in the context of family businesses in Kenya.

The interaction term between Talent Management and Succession Planning is found to be statistically significant ($\beta = .204$, $p < .001$). This suggests that the relationship between talent management practices and organizational performance is influenced by the presence of succession planning. The positive coefficient suggests that when succession planning is

effectively integrated with talent management practices, it enhances the positive impact on organizational performance. Therefore, based on the results, we fail to reject H05, indicating that succession planning does not have a significant moderating effect on the relationship between talent management practices and organizational performance in family businesses in Kenya.

## 5.0 SUMMARY OF FINDINGS

The findings highlight the importance of effective talent management practices in driving organizational performance. While succession planning alone may not have a direct impact, when combined with talent management practices, it can enhance the overall effectiveness of talent management initiatives. Family businesses in Kenya should focus on integrating succession planning strategies into their talent management frameworks to ensure a smooth transition of leadership and continuity of organizational performance. Further research could explore other potential moderators or investigate specific mechanisms through which succession planning can influence the relationship between talent management and organizational performance in family businesses.

### 5.1 Recommendations for Policy and Practice

Organizations should incorporate succession planning into personnel management strategies which would guarantee a seamless change in leadership and performance continuity.

### 5.2 Suggestions for Further Research

A comparative study between family businesses with public owned firms in Kenya may provide knowledge on any particular considerations and concerns in managing talent within the framework of family enterprises. This would give a more comprehensive viewpoint and improve knowledge of the dynamics and strategies employed by family firms to attract in, develop, and maintain talent.

## REFERENCES


1. *Absalom, J., & Kyule, A (2021). Influence of performance appraisal on employee retention in mobile telecommunication companies in Nairobi county, Kenya. International Research Journal of Business and Strategic Management, 2(2).*
2. *Ahmed, A. (2020). Succession planning in organizations: A pathway to business continuity. International Journal of Management Studies, 12(3), 45–59.*
3. *Ajay, P., & Erich, M. (2020). Succession planning in SMEs: A mixed-methods approach. Journal of Business Research in Africa, 5(2), 78–96.*
4. *Beech, A., Smith, T., & Johnson, R. (2020). The concept of resilience in family businesses: Exploring the influence of familiness and relationship dynamics. Journal of Family Business Management, 10(4), 312–326.*
5. *Bright, J. (2023). Talent management and staff performance in colleges of education in Ghana. Journal of Educational Development, 14(2), 121–134.*
6. *Chinonye, O. (2020). Talent management and succession planning in state-owned tertiary institutions in Nigeria. African Journal of Human Resource Management, 9(3), 213–227.*
7. *Jindal, R., & Shaikh, A. (2020). Talent management and succession planning in pharmaceutical companies: A desk review. Journal of Organizational Studies, 15(1), 45–67.*
8. *Karanja, E. (2018). Succession planning and business continuity in Kenyan family-owned businesses. East African Journal of Business Studies, 9(2), 87–102.*
9. *Kibande, L.M, & Kyule,A (2022). "Influence of Work Life Balance on Performance At Embu Level Five Hospital." International Journal of Social Sciences Management and Entrepreneurship (IJSSME) 6.1*
10. *Kinyua, J. M. (2019). Strategies for enhancing competitiveness in family-owned retail businesses in Kenya. Kenya Journal of Business Administration, 11(1), 56–72.*
11. *Kim, S. (2021). The role of succession management in talent development and employee retention. Human Resource Development Quarterly, 32(2), 211–229.*
12. *Kiwia, T., Mwangi, M., & Kuria, S. (2020). Successor preparation and performance of family-owned SMEs in Arusha, Tanzania. Journal of Entrepreneurship in Emerging Economies, 12(4), 503–523.*
13. *Lyra, A. (2016). Talent management in family-owned businesses: Challenges and strategies in Brazil. South American Business Review, 8(2), 159–174.*
14. *Mutinda, P., & Mwasaji, S. (2018). Competitive strategies and performance of family-owned supermarkets in Machakos County. International Journal of Business Strategy, 6(3), 112–125.*
15. *Ngugi, E., & Patrick, J. (2023). Leadership transitions in family-owned businesses in Kenya. East African Journal of Management Research, 15(2), 89–107.*
16. *Ojuolape, F., Adewale, T., & Samson, B. (2018). Succession planning as a tool for business sustainability in Nigerian SMEs. International Journal of Business and Management, 13(2), 97–115.*
17. *Oke, O., & Kusumastuti, W. (2019). Succession planning and organizational performance: Evidence from multinational corporations. Global Business Review, 20(1), 73–91.*
18. *Rothwell, W. J. (2019). Effective succession planning: Ensuring leadership continuity and building talent from within. New York: AMACOM.*
19. *Sindambiwe, P. (2020). Leadership and organizational performance in family-owned businesses in East Africa. Journal of Family Business Studies, 11(1), 67–81.*
20. *Thomson, L. (2019). Succession management and its impact on retail firm performance in London. International Retail Review, 18(3), 239–257.*
21. *Williams, P., & Mullane, S. (2019). Leadership challenges in family-owned businesses. Journal of Organizational Change Management, 32(2), 321–337.*