
Succession Planning, Management Development and Business Longevity of Small & Medium Enterprises (SMEs) in Plateau State

¹ Uzuanwu, Stanley Chukwuebuka

² Gajere, Monica Clarkson *Ph.D*

³ Ogidi, Emeka Johnpaul *Ph.D*

^{1,2,3} *Department of Business Administration, Faculty of Management Sciences, University of Jos, Plateau State, Nigeria*

Abstract

Small and Medium Enterprises (SMEs) are critical to the development of any economy - job creation, contribution to Gross Domestic Product, and its role in the welfare of an economy, among other factors. Despite its importance and positive economic impact, SMEs rarely live beyond the first generation. Recent studies have reported a decline in the number of SMEs, especially in Plateau State. This study investigates the role of succession planning and management development on business longevity of SMEs in Plateau State. Using a sample of 313 SMEs and Partial Least Square Structural Equation Method (PLS-SEM), the study found a significant positive relationship between succession planning and business longevity. Furthermore, the study found that management development mediates the relationship between succession planning and business longevity of SMEs. Based on the results of the study, succession planning contributes to business longevity of SMEs in Plateau State, while management development enhances the positive relationship between succession planning and business longevity of SMEs in Plateau State. The implication is that business owners should have a succession plan in line with management development to ensure continuity and sustainability. SMEs owners should propose successors on time to necessitate gradual development of the candidate for optimal business survival through several generations.

Keywords: *Succession Planning, Management Development, Business Longevity, SMEs*

Introduction

The longevity of any business is as important as its starting. According to World Bank (2021) report, Small and Medium Enterprises (SMEs) represent about 90% of businesses, and more than 50% of employment worldwide. SMEs sector is the most obvious growth indicator of any economy contributing to its development, job creation, export, and so on. In the U.S, SMEs employ over half of the workers (U.S Small Business Administration, 2019). In Africa, SMEs constitute 80% of businesses (Mupotola, 2021). In Ghana, 85% of businesses are SMEs, contributing about 70% to the country's GDP (Mupotola, 2021). In Nigeria, 99% of businesses are attributable to SMEs, contributing 49% to the country's Gross Domestic Product (GDP) and accounting for 84% employment (PwC, 2020). Despite its huge potentials to the economy, SMEs continue to face the challenges of existence beyond its first generation (Austin, 2018). According to NBS and SMEDAN (2017), Plateau State had a total 2,180 SMEs in 2013, however in 2017, the number dropped 1,574. This clearly shows a loss of 606 SMEs. By implication, this puts the average loss at 26 representing 17% loss yearly from 2013 to 2017. The longevity of these SMEs is usually short lived due to the abrupt loss of principal members or founders.

The effect of the COVID-19 pandemic has been felt by businesses especially principal members who have unexpectedly succumbed to the dreaded virus, further highlighting the need for succession planning. According to Deloitte (2015), businesses that lost their founding father(s) and hope to transition into the future with success are those with succession planning and management development practices. Hence, if succession planning is not carried out properly, the prospects and promises for survival from the first to future generations are likely to be severe, if not completely hampered. As a direct consequence, the country's economy will be affected negatively. Ideally, every astute business should outlive its founding father(s) thus the need for management development practices.

Management development entails improving the performance of managers in their present roles and preparing them to take on greater responsibilities in the future. According to Mumford and Gold (2004), improving managerial effectiveness through a learning process will improve management development. These learning processes include self-development through improving communication and presentations, mentorship, trainings, managing people, managing in different cultures, and so on. According to Hopkins, Meyer, Shera & Peters (2014), many SMEs do not have such training resources. In order to address the above concerns, this study investigates the relationship between succession planning, management development and business longevity of SMEs in Plateau State.

Research Objectives

The main objective of the study is to examine the impact of succession planning and management development on business longevity of SMEs in Plateau State. Specifically:

1. To examine the relationship between succession planning and business longevity of SMEs in Plateau State.
2. To determine the relationship between succession planning and management development of SMEs in Plateau State.
3. To examine the relationship between management development and business longevity of SMEs in Plateau State.
4. To determine the role of management development plays in the relationship between succession planning and business longevity of SMEs in Plateau State.

Research Questions

In order to achieve the objectives of the study, the following questions were formulated to guide the research.

1. What is the relationship between succession planning and business longevity of SMEs in Plateau State?
2. What is the relationship between succession planning and management development of SMEs in Plateau State?
3. What is the relationship between management development and business longevity of SMEs in Plateau State?
4. What role does management development play in the relationship between succession planning and business longevity of SMEs in Plateau State?

Research Hypotheses

The hypotheses of the study are as follows:

H1: There is no significant relationship between succession planning and business longevity of SMEs in Plateau State.

H2: There is no significant relationship between succession planning and management development of SMEs in Plateau State.

H3: There is no significant relationship between management development and business longevity of SMEs in Plateau State.

H4: Management development does not mediate the relationship between succession planning and business longevity of SMEs in Plateau State.

Literature Review

Business Longevity

Business longevity is known as the primary objective or goal of businesses. Business longevity is related to the survival and continuity of an enterprise and is one of the measures of firm success other than profit, growth, innovation, social and environmental performance. According to William and Jones (2010), business longevity is the duration of the business, that is, the time elapsed since the firm started operation. Business longevity is associated with a firm's life cycle. Thus, for a business to be in existence for a long time, it must have passed through the initial stages of the business life cycle. The longer a business can survive and prevent involuntary exit, the more successful the business is. The longevity of a business in a vibrant and competitive environment depends on how effectively the business learns to adapt itself to its environment and fully capitalize on its resources (Akani, 2015). Accordingly, the factor that makes a business to be adaptive is the human factor, hence the need to develop them as often as possible. Researchers posit that businesses that will successfully transition into the future are those with succession planning and management development practices (Garg & Weele, 2012; Deloitte, 2015; Akpan & Ukpai, 2017; Theus, 2019).

Succession Planning

Succession planning entails identifying top performers in the business and engaging them to ensure that they are involved and committed to the business continuity and longevity. According to Gronn and Ribbins (1996), succession planning is a dynamic, ongoing process of systematically identifying, assessing, and developing leadership talent; and assessing, developing, and recognizing key contributors, to meet future business strategy and operational needs. It is a long-term business strategy that requires both strategic thinking and action to ensure that leadership needs in the organization will be anticipated and leadership competencies will be sufficiently developed in those who have the potential for leadership roles in the future. The purpose of succession planning is not so much to select a candidate

for a specific vacancy but to identify candidates with strong management potentials, knowledge, skills, and attitudes for future leadership vacancies (Quinn, 2002). According to Conger & Nadler (2004), there is no right or wrong way to develop a succession plan. However, there are common features that bind them all. These include assessing key talents, formal education, training, leadership and management training, coaching or mentoring, job enrichment, annual reviews and implementation of a transition plan to select new leaders.

Management Development

Mumford and Gold (2004) noted that management development is an attempt to improve managerial effectiveness through a learning process. Therefore, the need for succession planning is equally yoked with management development. According to Conger & Fulmer (2003), a well-defined succession plan combines succession planning and management development as the two tasks are natural allies sharing a vital and fundamental goal, and getting the right skills in the right place for business continuity and longevity. Nmadu (2012) posit that management development is beneficial to the business as well as the individual because managers with appropriate experiences and abilities enhance the capacity of the business to compete and adapt to a changing competitive environment. Management development can be achieved through supporting, coaching, and guiding talented individuals to implement the skills and information they have learned to help them achieve goals for the business. Management development is necessary due to changes in business structure (DeRue & Myers, 2014).

Methodology

Survey design is adopted in this study. The target population consists of 21,352 SMEs in Plateau State (SMEDAN & NBS, 2021). Using Yamane's formula (Yamane, 1967), the calculated sample size was Three Hundred and Ninety Three (393). The study adopted the simple random sampling as its sampling procedure. The questionnaires were close-ended. Five-point Likert-scale (SA-Strongly Agreed, A-Agree, U-Undecided, D-Disagree, S-Strongly Disagree) that best describes the extent to which the respondents agree with each items in the questionnaire was used. Data was collected, coded and analyzed through the use of tables, frequencies, percentages, mean, standard deviations and correlation. Partial Least Square Structural Equation Method (PLS-SEM) provided by SmartPLS3 software was employed to analyse the data.

Analysis

PLS-SEM was employed to examine the relationship between succession planning, management development and business longevity of SMEs in Plateau State. 393 questionnaires were distributed, and 313 valid questionnaires were returned and analyzed. The returned questionnaires constitute approximately 80% hence valid for the study.

Table 1: Demographic Factors of the Respondents

	Frequency(n = 313)	Percentage %
Gender		
Male	207	66.5
Female	106	33.5
Age		
Below 30	63	20.13
30-39	166	53.04
40-49	53	16.93
50-59	22	7.03
60 Above	9	2.87
Marital Status		
Single	144	46.01
Married	169	53.99
Education Qualification		
No formal education	149	47.60
SSCE	87	27.79
OND/NCE/Other Diploma	49	15.65
BSC/B.A/HND	17	5.44
M.Sc/M.A/MBA	11	3.52
Types of Business		
Retails	172	54.96
Agriculture/Manufacturing	31	9.91
Oil/Gas	16	5.11
Restaurant	56	17.89
Service	38	12.13
Number of employees		
11-50	266	84.98
Above 50 but below 200	47	15.02
Years of existence		
1-10years	141	45.05
11-20years	119	38.02
21-30years	25	7.98
31-40years	22	7.03
41-50years	6	1.92
Business entity		
Sole-proprietorship	216	69.01
Partnership	56	17.89
Private Limited Liability	9	2.86
Cooperative	9	2.88
Faith Based	23	7.36

The respondents' profile in table 1 reveals that 66.5 percent of the respondents are male and 33.5 percent female, which shows that there are more male business owners. The highest percentage of the SMEs owners (53 percent) are between the ages 30 and 39. More business owners are married (54 percent), and a higher population of about 48 percent have no formal education. Also, retail businesses constitute 55 percent with employee strength between 11-

50 (85 percent), and 1-10 years (45 percent) business existence. Lastly, majority of the businesses are sole-proprietorship (69 percent).

Table 2: Descriptive Statistics

Name	No.	Missings	Mean	Standard Deviation	Excess Kurtosis	Skewness
bl1	313	0	3.868	1.134	-0.523	-0.846
bl2	313	0	3.879	1.177	-0.714	-0.807
bl3	313	0	3.768	1.082	-0.837	-0.683
bl4	313	0	3.861	1.121	-0.465	-0.856
bl5	313	0	3.721	1.175	-0.979	-0.627
md2	313	0	3.479	1.003	-1.123	-0.602
md3	313	0	3.693	1.121	-0.953	-0.612
md4	313	0	3.761	1.087	-0.680	-0.736
md5	313	0	3.714	1.215	-1.314	-0.496
sp2	313	0	3.739	1.066	-0.568	-0.728
sp3	313	0	3.732	1.107	-0.908	-0.647
sp4	313	0	3.614	1.181	-1.332	-0.419
sp5	313	0	3.711	1.111	-1.042	-0.587

Business Longevity (with indicators BL 1,2,3,4,5); Management Development (with Indicators 2,3,4,5) and Succession Planning (with indicators SP 2,3,4,5)

Based on the result in table 2, the values of the measures of central tendency, skewness and kurtosis are within the -1 and 1 criterion, this therefore is an indication that the normality requirement of the data is met.

Table 3: R-Squared

	R-Squared
BL	0.721
MD	0.438

Business Longevity(BL), Management Development(MD)

This study considered the R² of two exogenous variables obtained from PLS algorithm. The results reveal that the variables has a combined substantial effect of 0.721 on Business Longevity of SMEs in Plateau State.

Table 4: Assessment of Path Coefficient

Hyp	Relationship	STDE	T stat	P values	Decision
H1	SP -> BL	0.096	2.395	0.017	Reject
H2	SP -> MD	0.073	9.013	0.000	Reject
H3	MD -> BL	0.087	7.827	0.000	Reject
H4	SP -> MD->BL	0.080	5.613	0.000	Reject

Note: Business Longevity(BL); Management Development(MD) and Succession Planning(SP)

Test of Hypotheses

Hypothesis 1: There is no significant relationship between succession planning and business longevity of SMEs in Plateau State. The obtained values for H1 have significant (2-tailed) values (t-stat=7.827, p-value=0.000), thus the null hypothesis is rejected and the alternative retained. This means that there is a significant relationship between succession planning and business longevity of SMEs in Plateau State.

Hypothesis 2: There is no significant relationship between succession planning and management development of SMEs in Plateau State. The obtained values for H2 have significant (2-tailed) values (t-stat=2.395, p-value=0.017), thus the null hypothesis is rejected and the alternative retained. This means that there is a significant relationship between succession planning and management development of SMEs in Plateau State.

Hypothesis 3: There is no significant relationship between management development and business longevity of SMEs in Plateau State. The obtained values for H3 have significant (2-tailed) values (t-stat=9.013, p-value=0.000), thus the null hypothesis is rejected and the alternative retained. This means that there is a significant relationship between management development and business longevity of SMEs in Plateau State.

Hypothesis 4: Management development does not mediate the relationship between succession planning and business longevity of SMEs in Plateau State. The obtained values for H4 have significant (2-tailed) values (t-stat=5.613, p-value=0.000), thus the null hypothesis is rejected and the alternative retained. This means that management development mediates the relationship between succession planning and business longevity of SMEs in Plateau State.

Discussion of Findings

The ability to learn faster than your competitors may be the only sustainable competitive advantage for the future. The result of the analysis in this study shows that succession planning and management development significantly affects business longevity of SMEs in Plateau State. Furthermore, the study found that management development significantly mediates the relationship between succession planning and business longevity of SMEs in Plateau State. Firstly, succession planning significantly affects business longevity of SMEs in Plateau State. The findings of the study revealed that preparing managers to take on greater responsibilities in the future will have significant influence on the business longevity of SMEs in Plateau State especially when it is clear that no leadership role is permanent. Successors need training and development and attractive career paths to stay in business for the foreseeable future, thereby increasing the longevity of the business. This finding is in line with the findings of Garg & Weele (2012) and Deshwal (2015). Secondly, succession planning significantly affects management development of SMEs in Plateau State. This reveals that a well thought-out structure of succession planning will assist SMEs in promoting continued survival and prosperity. Succession planning when properly done will have part of its component as management development, and vice versa. This finding is in tandem with the discovery of Ahmad, Mohamed, and Abdul Manaf (2017) who noted the importance of employee development and improved morale for the management of SMEs. Thirdly, management development significantly affects business longevity of SMEs in Plateau State. The findings of the study revealed that management development infuses better management practices, stronger internal auditing, greater opportunities for growth, and new strategic outlook. This is in line with Amagoh (2009) who noted that leaders who integrate management development as part of the organizational culture enhances management

effectiveness, and produces leaders who can deal adequately with business challenges now and in the future. Lastly, management development mediates the relationship between succession planning and business longevity of SMEs in Plateau State. The finding shows that even though succession planning and business longevity have a significant relationship, the mediating role of management development further strengthens that relationship. This is in line with the findings of Mumford and Gold (2004) and Givannoni, Maraghini, and Riccaboni (2011).

Conclusions

SMEs contribute immensely to the total wellbeing of an economy through job creation, GDP improvement, entrepreneurship development, poverty reduction. Despite the importance of SMEs and its positive economic impact on the Nigerian economy, their longevity is often short hence succession planning and all practices leading to succession is important. From the findings, we conclude that succession planning and management development significantly affects business longevity of SMEs in Plateau State. For a business to survive beyond generations, it must inculcate a strategy for succession planning as a deliberate structure that will produce people who will manage the business in the case of loss of any principal member. On the other hand, developing the successor in the strategic planning of the business has the potential to improve his/her knowledge and skills, thereby further enhancing the realization of succession, and longevity of the firm. Furthermore, management development is essential for everyday survival of the firm.

The study recommends that proactive measure of succession planning should be put in place to mitigate the damage caused by the abrupt loss of a principal member; the idea of succession planning should be deliberate and well thought out; businesses must ensure that management development is part of its succession planning process; both succession planning and management development should be started deliberately early enough to give participants time to grow; and, government through their business regulatory body should ensure that succession planning and management development is part of the necessary requirement for businesses.

This study focused on SMEs succession planning, management development and business longevity. Further studies should focus on other variables that explain business longevity. Also, future researchers should consider other variables which are different from the variables used in this study, as well as carry out similar study in other states within Nigeria.

This study will contribute to existing theories, and further enhance existing concepts (succession planning, management development, business longevity). The study contributes to knowledge by providing useful information to business owners, employees and potential successors on how to plan for succession, train, mentor, manage, grow and sustain the business beyond generations. The study contributes to the SMEs in Plateau State via government policies that will help businesses inculcate succession planning and processes into their everyday business.

References

- Ahmad, R., Mohamed, A. M., & Abdul Manaf, H. (2017). The relationship between transformational leadership characteristic and succession planning program in the Malaysian public sector. *International Journal of Asian Social Science*, 7(1), 19-30.
- Akani, V. C. (2015). Management succession planning and corporate survival in Nigeria: A study of Banks in Port-Harcourt. *Management*, 7(27).
- Akpan, P. L., & Ukpai, K. A. (2017). Succession planning and survival of small scale businesses in Benue State. *International Journal of Scientific and Research Publications*, 7(2), 408-411.
- Amagoh, F. (2009). Leadership development and leadership effectiveness. *Management decision*, 47(6), 989-999.
- Austin, D. W. (2018). Sustaining a family business beyond the second generation (Doctoral dissertation, Walden University).
- Conger, J. A., & Fulmer, R. M. (2003). Developing your leadership pipeline. *Harvard Business Review*, 81(12), 76-84.
- Conger, J. A., & Nadler, D. A. (2004). When CEOs step up to fail. *MIT Sloan Management Review*.
- Deloitte. (2015). Business succession planning: Cultivating enduring value. <https://www2.deloitte.com/ca/en/pages/deloitte-private/articles/business-succession-planning-creating-enduring-value.html>
- DeRue, D. S., & Myers, C. G. (2014). Leadership development: A review and agenda for future research.
- Deshwal, P. (2015). Succession planning: the right people, for the right job, at the right time. *International Journal of Advanced Research in Management and Social Sciences*, 4(11), 57-67.
- Garg, A. K., & Van Weele, E. (2012). Succession planning and its impact on the performance of small micro medium enterprises within the manufacturing sector in Johannesburg. *International Journal of Business and Management*, 7(9), 96.
- Giovannoni, E., Maraghini, M. P., & Riccaboni, A. (2011). Transmitting knowledge across generations: The role of management accounting practices. *Family Business Review*, 24(2), 126-150.
- Gronn, P., & Ribbins, P. (1996). Leaders in context: Postpositivist approaches to understanding educational leadership. *Educational Administration Quarterly*, 32(3), 452-473.
- Hopkins, K., Meyer, M., Shera, W., & Peters, S. C. (2014). Leadership challenges facing nonprofit human service organizations in a post-recession era. *Human Service Organizations: Management, Leadership & Governance*, 38(5), 419-422.
- Mumford, A., & Gold, J. (2004). *Management development: Strategies for action*. CIPD Publishing.
- Mupotola, M. (2020, December). Small businesses key to economic growth in Africa. In *International Trade Forum* (Vol. 2020, No. 4, pp. 20-21). United Nations.
- National Bureau of Statistics (NBS) & Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). (2017). National Survey of Micro Small and Medium Enterprises (MSMEs). Retrieved December 9, 2019 from smedan.gov.ng/downloads/
- Nmadu, T. M. (2012). *Managing Human Resources in the 21st Century and Beyond: Context and Concepts*. Africa Christian Textbooks (ACTS).
- PricewaterhouseCoopers (PwC). (2020). PwC's MSME Survey 2020, Building to Last, Nigeria report. Retrieved September 1, 2023, from <https://www.pwc.com/ng/en/assets/pdf/pwc-msme-survey-2020-final.pdf>
- Quinn, T. (2002). Succession planning: Start today. *Principal Leadership*, 3(2), 24-28.

- Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) & National Bureau of Statistics (NBS). (2021). 2021 MSME Survey Report. Retrieved September 3, 2023 from smedan.gov.ng/downloads/
- Theus, I. C. (2019). Strategies for succession planning and leadership training development for nonprofit organizations (Doctoral dissertation, Walden University).
- United States Small Business Administration. (2019). Small Business Profile. Retrieved September 3, 2023, from <https://www.sba.gov/sites/default/files/advocacy/LA0>.
- Williams, D., & Jones, O. (2010). Factors associated with longevity of small, family-owned firms. *International Journal of Entrepreneurship*, 14, 37.
- World Bank. (2021). Small and Medium Enterprises (SMEs) Finance: Improving SMEs' access to finance and finding innovative solutions to unlock sources of capital. Retrieved September 3, 2023, from <https://www.worldbank.org/en/topic/smefinance>
- Yamane, T. (1967). *Statistics, An Introductory Analysis*, 2nd Ed., New York: Harper and Row.