



## **DO ENTREPRENEURS IN AKWA IBOM STATE PRACTICE SUCCESSION PLANNING?**

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**ABSTRACT:** *There is little evidence to show that Nigerian leading Organizations undertake Succession Planning. Extant literature has pointed out that failure to practice succession planning leads to failure to take advantage of the diversity that Nigeria has, as almost all recent public appointments are disputed and sometimes end in court. More disturbing is that the growth of Nigerian Institutions remain abysmal as lack of succession planning reduces the scope for leadership development and planning, leading to problems of business continuity and growth. Hence, this study seeks to examine if entrepreneurs in Akwa Ibom State practice succession planning and the type of succession planning they practice. Using a purposive sampling method, 129 Employees of selected organizations were examined. Findings reveal that entrepreneurs in Akwa Ibom State, do some extent practice succession and that majority of them practice more of internal succession plan using a feedback system, active learning, job assignments, performance review, coaching, mentoring and training among others to enable employees take over key vacant positions in the firm.*

**KEYWORDS:** Entrepreneurship, Entrepreneurs, Succession Plans, Nigeria

### **INTRODUCTION**

One of the major problems confronting businesses in Nigeria has been the transfer of ownership and management to the next generation. It is widely accepted that the possession of a succession plan is crucial for the success and longevity of a business (Fahed-Sreih and Djoundourian, 2008, Onwuka et al., 2017; Ohuabunwa, 2015, Dauda, 2013). Lack of proper succession planning can have direct effect of causing the collapse of businesses especially when owners leave the business upon retirement or by death (Onwuka et al., 2017, Basil, 2005,). The future performance of any company is reliant on the thoroughness and vigor of today's succession planning (Seymour, 2008) hence, developing a comprehensive long-term succession plan is a critical element for survival of a business (David and Terence, 2003). Unfortunately, many business owners have founded and built their businesses without giving much thought to what will happen when it is time to retire or when they are incapacitated (Kellermanns and Eddleston, 2006). There is little evidence to show that even Nigerian leading organizations undertake succession planning (Dauda, 2013). Extant literature has pointed out that failure to practice succession planning leads to failure to take advantage of the diversity that Nigeria has, as almost all recent public appointments are disputed and sometimes end in court (Onuoha, 2013). More disturbing is that the growth of Nigerian Institutions remain abysmal as lack of succession planning reduces the scope for leadership development and planning, leading to problems of business continuity and growth. Hence,



this study seeks to examine if entrepreneurs in Akwa Ibom State practice succession planning and the type of succession planning practices they practice.

## LITERATURE REVIEW

The future of organizations may change due to several reasons like retirements, promotions within the organization, serious illness, death or any voluntary departure from the organization to follow a career elsewhere. To cover such changes, organizations must have a key employees' replacement plan. Succession planning is considered as a suitable effort in this regard (Sambrook, 2005). Succession planning has been defined in many ways. Tropiano (2004) states that it is a strategic, systematic and deliberate effort to develop competencies in potential leaders through proposed learning experiences such as targeted rotations and educational training in order to fill high-level positions without favoritism. Garman and Glawe (2004) assert that it is an organized process comprising the identification and preparation of potential successor to assume new role. Birch (2006) sees it as an exit strategy that transfers a business from the senior generation to the younger generation, to employees, or to outsiders through the sale of the business. Collins (2009) defines it as a process that can provide seamless leadership transition across the organization.

Succession planning is considered a very important process in the case of unexpected or expected leadership vacancy in the event of retirement, departure to another organization, death or disability (Dye 2005). There is lack of awareness in companies of the long-term impact of ignoring succession planning (Pandey and Sharma, 2014). Edward (2008) points out that not identifying key position is one of the biggest blunder organizations make. Research has shown that 67% of companies do not have a succession plan and 45% have no executive development plan in place (Khumalo, & Harris, 2008). Rothwell (2005) posits that an organization that lacks a formal succession plan is fraught with; unfilled key positions in a timely manner, delays and high cost of external candidates sought to fill key positions, constant horror of turnover at key positions, unready potential replacements that lack essential skills as most qualified talent are not retained. Pandey and Sharma (2014) adds that lack of succession plans in an organization leads to chaos, poor image, bad publicity to stakeholders which may finally spirals to bad revenues and loss of customers.

### Types of Succession Planning

There are mainly two types of succession planning which are internal and external succession planning. Internal succession planning is a process where vacancies for a position are filled from within the organization (Inyang and Akpama, 2010). Organization should plan to ensure that internal qualified candidates are available to fill in the gap (Bonczek and Woodard 2006) during vacancy instead of a state of chaos or possibly closing down of the business when unexpected event occurs that leads to a vacancy. Sometimes selection from within the organization to fill a vacant position could be based on seniority, experience, merit or a combination of these factors (Inyang and Akpama, 2010). The Internal succession process involve nurturing employees within the organization to occupy a position in the firm of which they are already familiar with the history, culture, values and background of the firm (Bunce, 2013). Fink (2011) asserts that internal grooming has the potential of limiting recruitment faults as the inner strengths and weaknesses of the successor are known thereby minimizing



the costs of recruiting widely, reducing the time spent on learning about the firm by the employee and as well curbs employee turnover. Pennell (2010) posits that internal succession plan motivates other employees and paves way for a seamless leadership transition. Ram Charan (2011) had stressed on need of good leaders grown out of a company itself rather than hiring them as such, hiring should be stressed at lower levels only, but leaders should grow out of an organization. Santorin's (2004) research found that those organizations that had internal relay succession model had a higher return on investment over time. However, Miodonski and Hines (2013) asserted that internal succession is very expensive due to the cost of internal training and development of talents. Cairns (2011) added that internal succession may likely promote favoritism.

External succession planning is the process of recruiting employees outside the organization to take over the management of a business (Inyang and Akpama, 2010). Katz (2012) posits that this type of succession planning is used when organization make drastic strategic and operational changes due to low performance in the organization. Ghosh et al (2013) pointed out that external succession hampers performance in that the new employee have to go through the learning curve in understanding the philosophy of the firm. Gandossy and Verma (2006) supported that recruiting from outside is dangerous as it makes the internal employee feel unvalued thus making them unenthusiastic and inactive.

### **Succession Plan Practices**

Baruch and Peiperl (2000) explained that succession management is an important characteristic of effective career management. They categorized succession management as active planning along with performance review, counseling by managers and human resource. They found that the active planning process were strongly related with dynamic open and proactive climates and were especially associated with organizations that relied heavily on internal labor market. Kim (2003) in his study concluded that succession management practices should emphasize employee self-improvement by promoting cross-functional and cross sector job assignments, executive coaching and mentoring. Conger and Fulmer (2003) argued that the effectiveness of succession management system is strongly dependent on its respond to the needs of the users. Shipman (2007) study investigated how four Kentucky healthcare organizations identified potential leaders using mentoring to address succession plan, retain employees and prepare for workforce diversity and develops leaders with the organization. Krauss (2007) in his study recommended identifying, assessing and developing high potential leaders in the organization with the use of mentoring, job rotation, a feedback system and rewarding performance. Groves (2007) identified mentoring, 360-degree feedback system, executive coaching, networking, job assignments and active learning as one of the best practices of leadership development in succession planning. Byham, Smith and Paese (2002) proposed an alternative model of grooming executive talents for succession which include the use of mentoring, coaching, training and special developmental activities while Romejok (2008) suggested mentoring and training among others as employee characteristics for succession planning.



## RESEARCH METHODS

Using a purposive sampling method, 124 employees of five branches of three selected organization in Uyo Akwa Ibom State were examined. The respondents were of the management, supervisory and sales attendant's level who will be knowledgeable about the subject matter of the study and may also be involved in the succession planning activities of the organization examined. Of the 129-questionnaire distributed, 124 were returned in a usable form which was used in the analysis.

### Analysis

The aim of the study was to identify if entrepreneurs in Akwa Ibom State practice succession and what type of succession plan is practiced by them. Using the organizations investigated, the following are the results of the investigation

**Table 1: Operation of Succession Plan in the Organizations**

Operation of Succession Plan in the Organization	Frequency	Percentage (%)
YES	103	83%
NO	21	17%
<b>TOTAL</b>	<b>124</b>	<b>100%</b>

Table 1 above shows if the organizations investigated operated any form of succession plan practices in the State. The analysis on table 1 above shows that 103 respondents responded in the affirmative indicating the highest percentage (83%) of responses that succession plan practices exist and is being operated by their organizations while only a few (21) of the respondent were of the opinion that their organizations did not practice succession planning indicating the lowest percentage (17%) of responses.

**Table 2: Types of Succession Plan Practiced by the Organizations**

Type of Succession Plan Practice	Frequency	Percentage
INTERNAL	91	73%
EXTERNAL	33	27%
<b>TOTAL</b>	<b>124</b>	<b>100</b>

Table 2 above shows the types of Succession plan practiced by the organizations investigated in the State. The analysis on table 2 above shows that 91 respondents indicated that their organization practiced internal succession plan as indicated by the highest percentage (73%) of their responses as compare to the lowest percentage (27%) of responses of 33 respondents who indicated that their organization only practice external form of succession planning.

**Table 3: Succession Plan Practices carried out by the Organizations**

S/N	Succession Plan Practices	Frequency/Percentages			TOTAL
		YES	NOT SURE	NO	
1	Mentoring	103 (83%)	6 (5%)	15 (12%)	<b>124 (100%)</b>
2	Training	99 (80%)	2 (2%)	23 (18%)	<b>124 (100%)</b>
3	Networking	98 (79%)	7 (6%)	19 (15%)	<b>124 (100%)</b>
4	Coaching	103 (83%)	6 (5%)	15 (12%)	<b>124 (100%)</b>
5	Feedback	114 (92%)	6 (5%)	4 (3%)	<b>124 (100%)</b>
6	Job Assignments	107 (86.3%)	3 (2.4%)	14 (11.3%)	<b>124 (100%)</b>
7	Rewarding Performance	107 (86%)	4 (3%)	13 (11%)	<b>124 (100%)</b>
8	Performance Review	103 (83%)	13 (11%)	8 (6%)	<b>124 (100%)</b>
9	Active learning	112 (90%)	6 (5%)	6 (5%)	<b>124 (100%)</b>

On further enquiries, respondents pointed out that, the mode of succession plan practices used by their organizations include the ones listed in Table 3 above. On *mentoring*, 103 respondents representing 83% strongly affirmed the use of mentoring in their organization to promote succession planning with only 15 respondents representing 12% negating the use of such tool in their organization while only 6 respondents representing 5% were unsure of its use in their organization. The use of *training* and *Networking* as a succession plan practice in the organizations investigated were strongly affirmed by 99 and 98 respondents representing 80% and 79% respectively, negated by 23 and 19 respondents representing 18% and 15% respectively while 2 and 7 respondent representing 2% and 6% respectively were unsure of its use in their organizations.

*Coaching*, the use of *feedbacks* and *job assignments* as succession plan practices in the investigated organizations were strongly affirmed by 103 (83%), 114 (92%) and 107 (86.3%) respondents respectively. Only 15 (12%), 4 (3%) and 14 (11.3%) respondents respectively negated the use of such tools while 6 (5%), 6 (5%) and 3 (2.4%) respondents respectively were unsure of the use of such tools in their organizations. The succession plan practices of *rewarding performance*, *performance review* and *active learning* was strongly affirmed by 107, 103 and 112 respondents representing 86%, 83% and 90% respectively. Only 13, 8 and 5 respondents representing 11%, 6% and 5% respectively negated the use of such practices in their organization while 4, 13 and 6 respondents representing 3%, 11%, and 5% respectively were not sure of such practices in their organizations.

## DISCUSSION OF FINDINGS

The study sought to identify if entrepreneurs in Akwa Ibom State Practice succession and the type of succession plan that is practiced by them. From the analysis above, the results found is discussed as follows:

1. **Operation of Succession plan in the Organizations:** The result of the analysis indicated that majority of entrepreneurs in Akwa Ibom State practice succession planning as indicated by the highest percentage (83%) of responses by the respondents who affirmed



that their organization practiced succession planning while only a few entrepreneurs do not practice succession planning in their organization as indicated by the low percentage (17%) of respondents who did not affirm that their organization practice succession planning. The result contradicts the findings by Dauda (2013) and Onuoha, (2013) who found limited evidence of succession planning in Nigerian organizations.

2. **Type of Succession Plan Practiced by the Organizations:** The result of the analysis indicated that majority of entrepreneurs in Akwa Ibom State practice more of internal succession plan as indicated by the highest percentage (73%) of responses by the respondents who affirmed that type of succession plan to be in existence in their organization while only a few entrepreneurs practice external form of succession planning in their organization as indicated by the low percentage (27%) of respondents who affirmed to the existence of that type of succession plan in their organization. The result aligns with the study of Bonczek and Woodard (2006), who advocated the use of internal succession planning to fill in gaps during vacancy instead of allowing a state of chaos or possibly closing down of the business. It aligns with the work of Pennell (2010), Fink (2011) and Ram Charan (2011) who also advocated that the use of internal succession would limit the faults found in recruitment, curb employee turnover and motivate other employees towards leadership aspirations as the firm allows in grown leadership emergence. In addition, Santorin's (2004) research concluded that those organizations that had internal relay succession model had a higher return on investment over time.

Given that the result showed that only a few entrepreneurs may be practicing external succession, this may be due to the danger inherent in this type of succession plan as posited by Ghosh et al (2013) that external succession hampers performance and makes the internal employee feel unvalued thereby making them unenthusiastic and inactive (Gandossy and Verma (2006)

3. **Succession Plan Practices carried out by the Organizations:** The result of the analysis showed that each organization carried out some measures as part of its succession plan practices. Such measures included the use of mentoring, training, networking, coaching, a feedback system, the use of job assignments, rewarding performance, performance review and active learning which all received the highest percentage of Responses from the respondents. The findings align with the study by Baruch and Peiperl (2000) on the use of performance review by the management for succession planning inside the firm. It aligns with the work of Kim (2003) who emphasized on job assignments, coaching and mentoring for succession planning. The result is supported by the work of Shipman (2007) who found the use of mentorship as one of the tools used to develop leaders within the organization. The findings are associated with the work of Krauss (2007) on mentoring, a feedback system and rewarding performance as a means of identifying leaders within the organization. The result is also supported by the work of Groves (2007) on the use of mentoring, feedback system, coaching, networking, job assignment and active learning as one of the best practices in developing leadership in succession planning.



## CONCLUSION

The aim of this paper was to identify if entrepreneurs in Akwa Ibom State practice succession and what type of succession plan they practiced. From the result of the analysis done, it can be concluded that entrepreneurs in Akwa Ibom State do practice succession planning. The descriptive analysis indicated that internal succession planning is most practiced by the entrepreneurs in the state compared to the external succession planning. The analysis also revealed that practices such as mentoring, training, coaching, feedback system, job assignments and active learning among others are the measures used by these entrepreneurs. The findings of this study add new knowledge to the entrepreneurship literature especially as it concerns the context of the study in that due to lack of succession, organizations died prematurely with a lot of agitation for positions which did not allow the organizations to harness the power and strengths of the diversity of the nation. Hence, the study shows that entrepreneurs are beginning to understand that their organization can stand the test of time if they practice succession mostly from within the organization to sustain the culture and values of the organization while helping employees to feel more valued as they grow to earn good standing in the organizations.

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