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Effects of Conflicts of Interest Rooting from Succession Planning on the Survival of Family Owned Manufacturing Firms in Dar es Salaam Region

Chacha Magasi
College of Business Education
P.O Box 2077, Dodoma, Tanzania

Dr. Emmanuel Tonya
The Open University of Tanzania,
P.O.BOX 23409, Dar es Salaam Tanzania

Dr. Saganga M. Kapaya
The Open University of Tanzania,
P.O.BOX 23409, Dar es Salaam Tanzania

Abstract

Around 70% of global family owned manufacturing firms fail after the first generation, over 86% fail after the second generation, and more than 97% fail after the third generation. Likewise, although Tanzanian family owned manufacturing firms increased by 50% between 1960's and early 1970s, only 13% of them survived to 2015. The study aimed at establishing the sources of conflicts of interest stemming from succession planning and thus hinders the survival of FOMFs and how the proposed problem solving factors relate with the survival of family owned manufacturing firms. Descriptive quantitative research and cross-sectional field survey was employed by this study. The units of analysis were managers, directors and chief executive officers of the family owned manufacturing firms in Dar es Salaam region. The sample size was 384 respondents from 37 family owned manufacturing firms selected by simple random sampling. Multiple linear regression analysis was used for data analysis. External recruitment of the successor and incompetent successor were revealed as the major sources of conflicts of interest rooting from succession planning. Internal recruitment of the successor and successor factors-work fit were revealed as the factors for solving the conflicts of interest between the management and the principal which emanate from succession planning and were empirically tested. The findings show that internal recruitment of the successor has the significant effect on

the survival of family owned manufacturing firms. Furthermore, successor factors-work fit has the positive and significant effect on the survival of family owned manufacturing firms.

Key words: Succession Planning, Conflicts of Interest, Family Owned Manufacturing Firms Family Owned Manufacturing Firms Survival

Non-standard abbreviations

FOB: Family owned Business
FOBs: Family Owned Businesses
FOMF: Family Owned Manufacturing Firm
FOMFs: Family Owned Manufacturing Firms
IRS: Internal recruitment of the successor
SFF: Successor factors –work fit

1.0 Introduction

The family firms such as retail shops, hotel sector, recreational centres, transport sector and manufacturing firms are the most prevalence global business structures and they hugely contribute to the world's economic growth (Zachary, 2011; Magasi, 2016). Family owned manufacturing firms (FOMFs) are the engine of the country's development because they produce products, create employment opportunities, are sources of the government revenues, contributes to GDP growth and encourages creativity and innovation (Saan *et al*., 2018). The manufacturing firms including FOMFs contribute to 27.7% of the national GDP for China and 12.1% for the USA (Morrison, 2018).

In Africa, manufacturing firms including FOMFs contribute to only 1% of global GDP and 10% of African GDP (Weiss & Jalilian, 2015). The stake contribution of the manufacturing firms to Tanzanian GDP is around 8% (Wangwe *et al*., 2014). Tanzania has very low domestic value addition and hence attracting the significant net importation of manufactured goods from international markets (FAO, 2015; WorldBank, 2016; Shah, 2016; Kombe *et al*., 2017). For instance, Tanzania imports about 60% of crude, semi-refined and refined edible oil (FAO, 2015; WorldBank, 2016; Kombe *et al*., 2017).

Studies however report that family owned businesses (FOBs) including the FOMFs are economically underperforming due to low survival problems caused by poor human resources planning and development (Santarelli & Lotti, 2005; Kallmuenzer, 2015; Panda & Leepsa, 2017). Around 70% of global family owned manufacturing firms (FOMFs) fail after the first generation, over 86% fail after the second generation, and more than 97% fail after the third generation (Beckhard & Dyer, 1983; Filep, 2012). Despite the establishment of manufacturing firms including FOMFs increasing by 50% between 1960's and early 1970s in Tanzania (Wangwe *et al.*, 2014), only 13% of the FOMFs survived to 2015 (Maseyi, 2016) due to poor plans and in particular succession planning (Magasi, 2016).

The poor plans resulting from succession planning in FOBs include external recruitment of the successor (Bozer, Kuna, & Santora, 2015; Saan, Enu-Kwesi, & Nyewie, 2018) and handling

power to successor who is incompetent (Block, 2012; Michel & Kammerlander, 2014; Sharma & Agarwal, 2016; Bozer & Santora, 2017). Bozer, Kuna, and Santora (2015) and Alayo, Jainaga, Maseda, and Arzubiaga (2016) assert that the survival of the FOB is negatively affected if its successor is externally recruited. Block (2012) and Sharma and Agarwal (2016) argue that suitable and competent successors may improve the sustainability of the family owned business (FOB). Plethora of existing literatures affirm that external recruitment of the successor and selecting incompetent and unsuitable successor to assume the higher leadership position is the main root cause of the conflicts of interest between the management and the principal which are likely to threaten the survival of the FOBs (Bozer, Kuna, & Santora, 2015; Saan, Enu-Kwesi, & Nyewie, 2018; Block, 2012; Kallmuenzer, 2015; Panda & Leepsa, 2017). The implication is that external recruitment of the successor and selecting the successor whose factors do not fit the relevant work are likely to hinder the survival of the FOBs. However, there is lack of information on how internal recruitment of the successor and successor factors-work fit relate with the survival of the FOMFs across generations elsewhere and in particular Dar es Salaam region.

2.0 Literature review

2.1 Conceptual definitions

Succession planning means identifying the management talent with highest potentials and developing it to fill the key organisational positions whenever they occur (Rothwell, 2010). Conflicts of interest means incompatible interests in thinking and decision making between the management and the principal whereby the principal wants to maximise on firm's long-term goals such profit gain and business survival while the management wants to maximise on individual personal benefits such as irresponsive behaviour and financial gains. A family owned manufacturing firm means a manufacturing firm in which a group of individuals related by blood, marriage, adoption or alliance at least own 51% of the firm's shares and actively manage that firm across generations. FOMF survival means continuation of the FOMF beyond the first generation usually measured by size of market share, number of employees, profit, firm plans and their implementation, generations of ownership and levels of conflict (Esuh, Mohd, & Adebayo, 201; Saan, Enu-Kwesi, & Nyewie, 2018; Vijfvinkel, Bouman, & Hessels, 2011; Tarí, Molina-Azorín, & Heras, 2012; Distelberg & Sorenson, 2009).

2.2 Theoretical review

The purpose of investing in the family owned manufacturing firm (FOMF) is to make profit and satisfy the customers with the quality manufactured products (Ward, 1987; Chi & Gursoy, 2009). In order to successfully make profit and satisfy its customers, the FOMF should sustainably survive through efficiently mananaging the business by cost reduction without compromising the quality of the manufactured products. Studies higlight that external recruitment of the successor (Fama & Jensen, 1983; Bozer, Kuna, & Santora, 2015; Saan, Enu-Kwesi, & Nyewie, 2018) and handling power to successor whose factors are not compatible to the work (Block, 2012; Michel & Kammerlander, 2014; Sharma & Agarwal, 2016; Alayo, Jainaga, Maseda, & Arzubiaga, 2016;

Bozer & Santora, 2017) is thus likely to result in the low productivity and quality of the manufactured products due to mismanagement of the FOMFs (Rivolta, 2018). Mismanagement of the FOMFs may cause poor performance and low survival and therefore result in the conflicts of interest between the principal (owner) and the management (agent).

The agency theory which was first proposed by Jensen and Meckling (1976) suggests how to solve the agency problems and associated costs. Agency theory addresses the problems that face the business firms including FOMFs as a result of separating the ownership and management and puts emphasis on problem reduction and associated costs (Panda & Leepsa, 2017). Separation of the ownership and management results in leads to the principal authorising power to the agent so that the agent acts in the best interest of the principal (Wiseman, Cuevas-Rodríguez, & Gómez-Mejía, 2012). As a result, the conflicts of interests between the agent (management) and the principal (owner) arise due to misalignment of the agent's interest and principal's interest. The reason behind for misalignment of the interests between the principal and the agent is that the principal invests to get the economic benefits for instance profit while the agent favours personal benefits such financial gains (Panda & Leepsa, 2017). Scholars argue that it is economical to internally recruit the successor to hold the key position in the FOBs in order to lower the agency problems. Again, Block (2012) and Michel and Kammerlander (2014) argue that in order to avoid mismanagement of the FOBs, succession process should consider the suitability of the successor individual factors. However, there is little information on how the agency theory relates with the survival of the FOMFs through its proposed constructs, namely internal recruitment of the successor and successor factors-work fit.

2.3 Succession planning constructs

Many studies have been repeatedly done on the factors that impede the business performance in the Tanzanian context and elsewhere (Wangwe *et al*., 2014; Mashenene & Rumanyika, 2014). Most of these studies concentrate on small and medium enterprises. The findings obtained such as poor infrastructure, inadequate technology, lack of capital and lack of markets fail to fit in addressing why there exist differences in performance between the non-family businesses and family businesses. The reason behind is that the family business system consists of interconnected, interrelated and interacting sub-systems, namely the family, business and ownership as shown in figure 1 (Tagiuri & Davis, 1996 ; Gersick, Davis, Hampton, & Lansberg, 1997; Pieper & Klein, 2007) and hence requiring the special treatment.

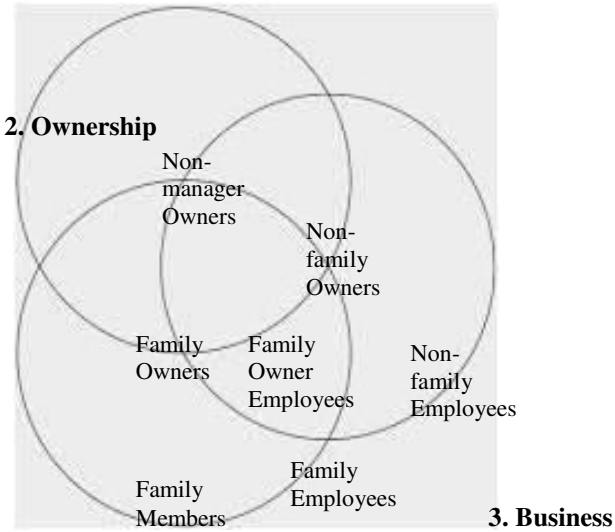

Figure 1: Three-Circle Model of family business

Besides, other features of the family business include strong family involvement, commitment to the localities, overlap between financial and nonfinancial goals, and a deeply ingrained business culture which bases on the founders' values (Paul & Kleiner, 2017). For example, management and leadership styles are quite unique in the FOMFs because it is influenced by the founder's vision, values, beliefs and attitudes. Although literatures state that appropriate human resources are necessary for sustainably improving the productivity and quality of manufactured products, anecdotal information exists on how to acquire them in the FOMFs. Besides, despite studies mentioning that external recruitment of the successor and selecting the successor whose factors are not aligning with the firm affect the survival of the FOBs (Bozer, Kuna, & Santora, 2015; Saan, Enu-Kwesi, & Nyewie, 2018; Sharma & Agarwal, 2016; Alayo, Jainaga, Maseda, & Arzubiaga, 2016; Bozer & Santora, 2017), there is little information to support that argument.

2.3.1 Internal recruitment of the successor

Some studies argue that internal recruitment of the successor is a loss to the firm if compared to external recruitment because of the absence of the new blood and new innovations in the family owned businesses (FOBs) (Sirmon & Hitt, 2003; Adewale, Abolaji, & Kolade, 2011). Other studies suggest that internal recruitment is essential in reducing the conflicts of interest between the management and the principal because it is cost-conscious and builds the strong relationships

among the family members (Fama & Jensen, 1983; Rothwell, 2010; Talpos *et al.,* 2017). Proactive succession ideally retains, develops and continuously improves the capacity of leadership to internal potential successors as a strategy for sustainable differentiation and business continuity (Talpos, Pop, Vaduva, & Kovacs, 2017; DeVaro, 2016; Gitonga, 2014; Rothwell, 2010).

The conflicts of interest and agency cost root from the separation of business ownership from management and information asymmetry (Panda & Leepsa, 2017). Information asymmetries result in *adverse selection* which is the suboptimal selection of the successor who is new to recruitment team due to limited information on successor's abilities, capabilities, behaviour, interests, record and references and it is likely to adversely affect the business (Kallmuenzer, 2015; Bergh, Ketchen, Orland, Heugens, & Boyd, 2019). With regard to existing information, internal recruitment of the successor seems to be important in rescuing the progressive FOMFs failure across generations. However, to the best of the author's knowledge it is unknown how internal recruitment of the successor relates to the FOMFs survival to successive generations. In the course of filling the gap on how internal recruitment of the successor relates with the survival of the FOMFs, the study hypothesises that:

Ho_1: Internal recruitment of the successor has no a significant effect on the survival of family owned manufacturing firms in Dar es Salaam region.

Ha_1: Internal recruitment of the successor has a significant effect on the survival of family owned manufacturing firms in Dar es Salaam region.

2.3.2 Successor factors-work fit

Shamir and Eilam (2005) and Decker, Heinrichs, Rau and Jaskiewicz (2016) opine that desire, commitment, opportunity cost, interests, industry nature and experiences may reasonably affect the decision of the potential successor to join the FOBs. Rothwell (2010) posits that developing and selecting unsuitable and incompetent successors into the key leadership positions leads to progressive growth of mismatch between the collective competencies of successors and the required direction of the firm. Selecting the successor without relying on the person's capability, competence and vision may deteriorate the FOBs growth (Sharma & Agarwal, 2016). Bozer and Santora (2017) report that personal components such as family business socialisation and external experiences are crucial for the commitment of successors to the business and suggest future study on how the personal individual entities relate with the family business survival.

Paul and Kleiner (2017) assert that the person-organisation (P-O) fit is a main component which family firms try to assess in their job applicants from outside the firm and suggest future study on assessing the effect of person –organisation fit (P-O fit) on FOBs performance after the selection process. To fill the gap on how successor factors –work fit relates with the survival of FOMFs elsewhere and in particular Dar es Salaam region, this study assumes that:

Ho_2: Successor factors-work fit has no a significant effect on the survival of family owned manufacturing firms in Dar es Salaam region.

Ha_2: Successor factors-work fit has a significant effect on the survival of family owned manufacturing firms in Dar es Salaam region.

2.4 Conceptual frame work

The study is guided by the conceptual frame work in figure 2. The conceptual framework was derived from theoretical and empirical literature review. The underlying assumption is that each independent variable relates with the dependent variable FOMFs.

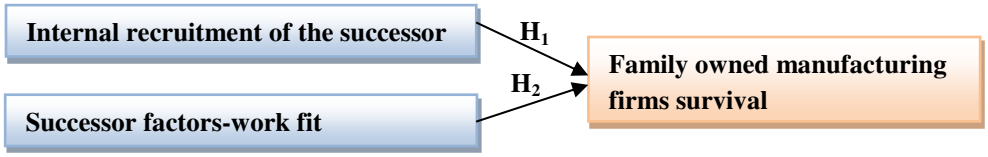

Figure 2: The proposed conceptual framework

Source: Intensive theoretical and empirical literature review

3.0 Materials and methods

The study employed postpositivism research paradigm which usually determines the ultimate outcomes and is a deduction in nature (Creswell, 2014). Quantitative research design was employed because data collection instrument consisted of all closed-ended questions which ultimately generated numerical data. Survey research strategy was adopted since it represents the whole population of the study. The study utilised cross-sectional survey because the data were collected at one point of time of this specific study using structured questionnaires (Kothari, 2009). Data collection was carried out in Dar es Salaam region due to the fact that the owners of FOMFs in this region lack the coordinated efforts on succession planning and are reluctant in preparing the business successors while still energetic (Magasi, 2016). The population of the study was managers, directors and chief executive officers (CEOs) of the FOMFs in Dar es Salaam region because of having detailed information on succession planning process (Ometlic, 2016). The sample size of 384 was calculated using Cochran (1977) formula represented in equation (1) and the sampling technique was simple random sampling to avoid biasness.

$$n = \frac{Z^2}{e^2} * pq \quad \text{.....(1)}$$

Whereby: n stands for sample size, Z refers to critical value of suitable confidence level (in this case being 1.96 for a 95%), p stands for the proportion in the population of interest (in this case being 50%), q is 1-p and e is the acceptable margin of error often set at 0.05.

4.0 Analysis and findings

4.1 Testing assumptions for multiple linear regressions

The tested assumptions for multiple linear regressions were linearity, homoscedasticity, normality, extreme values (outliers) and multicollinearity. In order to meet the linearity

assumption, all variables should not show nonlinear pattern. Hair, Black, Babin and Anderson (2010) argue that linear models predict values that fall in a straight line by having a constant unit change (slope) of the dependent variable for a constant unit change of the independent variable. Scatterplots figures 3 and 4 prove that the relationship between IRS and FOMFs as well as SFF and FOMFs respectively is linear by nature. Besides, if the bivariate correlations for each pair of independent variables is significant shown by asterisk mark (*p< 0.05, **p< 0.01 or ***p< 0.001), the correlation between the variables is linear (Hair, Black, Babin, & Anderson, 2010). Table 1 indicates that the correlations between IRS and SFF is significant (-.079**) and hence proving the presence of nonlinear pattern.

Table 1: Correlational analysis

		Internal recruitment of the successor (IRS)	Successor factors-work fit (SFF)
Pearson Correlation	Internal recruitment of the successor (IRS)	1.000	
	Successor factors –work (SFF)	-.079** (.007)	1.000

**p< 0.01

Source: Field data (2019)

Homoscedasticity deals with the constancy of the residuals across values of the independent variables (Hair, Black, Babin, & Anderson, 2010). SPSS Levene's-test for homogeneity is usually applied to check the equality of variance for a pair of variables (Hair, Black, Babin, & Anderson, 2010). Table 2 shows that the p-value is .570 which is greater than the critical value (.05). Therefore, the null hypothesis that variance of errors are evenly distributed across all levels of the independent variables is accepted an indication of fulfilling the homoscedasticity assumption.

Table 2: Levene's Test of Equality of Error Variances[a]

Dependent Variable: FOMFs			
F	df1	df2	Sig.
1.598	337	1	.570
a. Design: Intercept + IRS + SFF			

Source: Field data (2019)

Correlational analysis was applied to measure on whether multicollinearity exists or not. Presence of multicollinearity creates difficultness in interpreting the variate because of failing to ascertain the effect of any single variable, owing to their interrelationships (Hair, Black, Babin, & Anderson, 2010). Table 1 shows that all correlations coefficient findings obtained from the correlation between IRS and SFF was -.079 showing low negative correlation, an indication of no multicollinearity problems.

Normal distribution of data was also assessed. The histogram figure 5 on the plots of frequency against the regression standardised residual has the standard deviation of 0.997 which is close to the standard deviation of 1.0 for the normal distribution.

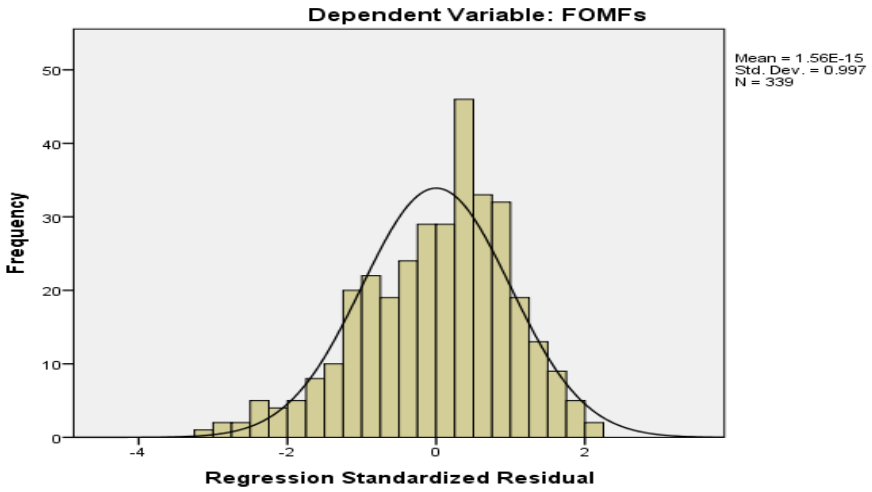

Figure 5: Histogram showing normality figure status

Source: Field data (2019)

Table 5: Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-1.5050911	1.1410459	.2276151	.52525647	339
Std. Predicted Value	-3.299	1.739	.000	1.000	339
Standard Error of Predicted Value	.039	.135	.062	.022	339
Adjusted Predicted Value	-1.5051799	1.1558659	.2271561	.52562147	339
Residual	-1.58399200	1.20902085	0E-8	.72337439	339
Std. Residual	-2.184	1.667	.000	.997	339
a. Dependent Variable: Family owned manufacturing firms survival (FOMFS)					

Source: Field data (2019)

Testing the status of extreme values (outliers) was carried. Table 5 shows that the standardised residuals were between -2.184 and 1.667 which are within the limits of ± 3 expected for normal distribution of data (Mashenene, 2016), an indication that the data were free from outliers.

4.2 Testing reliability and validity of data

4.2.2 Testing reliability

Reliability testing was done to assess on whether the used data collection techniques and analysis procedures would produce the consistent findings if the same study was repeated on another occasion or if the same study was replicated by a different researcher (Saunders, Lewis, & Thornhill, 2012). Table 6

shows that all Cronbach's alpha values for IRS and SFF were greater than the minimum Cronbach's alpha value of 0.7 (Saunders, Lewis, & Thornhill, 2012), proving existence of good reliability.

Table 6: Reliability statistics

Variable	Cronbach's Alpha	N of Items
IRS	0.874	4
SFF	0.954	10

Source: Field data (2019)

4.2.2 Testing validity

To ensure the construct validity, Principal Component analysis (PCA) was run as the extraction method with a direct Oblimin Kaiser Normalisation as the rotation method to determine the factor loading for the measures of each research construct since Westhuizen (2014) adopted the same approach. Appendix indicates that the factor analysis of each individual item loading of IRS and SFF was above the threshold value of 0.5, an indication that constructs validity existed.

4.3 Multiple linear regression analysis

Hair, Black, Babin and Anderson (2010) define R square (R^2) as the correlation coefficient squared which is also called coefficient of determination. Table 7 shows that the R Square for the regression model explains the variability in the FOMFs survival by 64.3%.

Table 7: Model summary for multiple linear regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.804[a]	.646	.643	.74869025	2.422
a. Predictors: (Constant), Internal recruitment of the successor (IRS), Successor factors alignment with the firm (SFF),					
b. Dependent Variable: Family owned manufacturing firms survival (FOMFs)					

Source: Field data (2019)

The implication is that the FOMFs survival is predicted by the model by 64.3% while the rest of the factors not included in the model predict the variability of the FOMFs survival by 35.7%. The standard error of the estimate is 0.748 around the regression model which approximates to the tolerable standard deviation of 1.0 for normal distribution.

Table 8: ANOVA F test assessing the overall model fit

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	99.598	2	49.799	94.641	.000[b]
	Residual	188.901	337	.560		
	Total	288.499	339			
a. Dependent Variable: Family owned manufacturing firms survival (FOMFS)						
b. Predictors: (Constant), Internal recruitment of the successor (IRS), Successor factors-work fit						

Source: Field data (2019)

The aim of ANOVA F test was to assess overall model fit to establish if it achieves acceptable levels on statistical criteria. Table 8 shows that the overall model fit is acceptable since the p-value for the regression model F test is .000 which is less than the critical p-value (0.05) at the confidence level of 95%. Therefore, the model is highly significant to conclude that the two independent variables IRS and SFF together predict the survival of FOMFs.

External recruitment of the successor was ascertained as one of the sources of conflicts of interest between the management and the principal which stem from succession planning and thus hinders the survival of FOMFs. Internal recruitment of the successor was suggested as one of the countermeasures for solving the conflicts of interest between the management and the principal which stem from succession planning and thus affect the survival of FOMFs.

Table 9: Coefficients of multiple linear regression analysis

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.124	.040		3.134	.002
	Internal recruitment of the successor (IRS)	.248	.039	.272	6.347	.000
	Successor factors-work fit (SFF)	.550	.043	.543	12.670	.000

Source: Field data (2019)

The results for multiple linear regressions are indicated in equation (1).

Y=.124+ .248 IRS + .550 SFF +ε…….....….....(1)

Results in equation (1) show a positive (B= .248) effect between internal recruitment of the successor and the survival of FOMFs. The research hypotheses were stated as follows:

Ho_1: Internal recruitment of the successor has no a significant effect on the survival of family owned manufacturing firms in Dar es Salaam region.

Ha_1: Internal recruitment of the successor has a significant effect on the survival of family owned manufacturing firms in Dar es Salaam region.

Table 9 indicates that internal recruitment of the successor has a significant effect on the survival of FOMFs since observed *t* value (p=.000) is less than the critical value (p=.05) at the confidence level of 95%. As a result, null hypothesis (Ho_1) is rejected and alternative hypothesis (Ha_1) is accepted. Therefore, internal recruitment of the successor has the positive and significant effect on the survival of FOMFs. The regression coefficient is positive (.248) implying that the more internal recruitment of the successor is sustainably prioritised, the higher the survival of the FOMFs and the relationship is statistically highly significant (p.=.000).

The results are contrary to Adewale, Abolaji and Kolade (2011) that internal recruitment narrows the thinking capacity and limit the production of exciting and new ideas since inbreeding is encouraged. The implication is that some FOMFs may be poorly performing due persistence of irrelevant, diluted and non-productive experience, culture, values and work ethics among the employees. Consequently, external

recruitment for managers, directors and CEOs becomes a solution for bringing new thinking, fresh ideas, new vision, productive culture and proper work ethics. Sirmon and Hitt (2003) argue that in order for the FOBs to achieve outstanding performance and survival, they must opt for both internal and external recruitment of the successors to get the mixed experiences for broad learning to create new insights and perspectives. Internal recruitment of the successor plays a vital in smooth leadership transition and FOMFs survival to next generation because family members diligently manage the FOMF affairs due to existence of shared strong social emotional relationships and ties and they mainly hold the big business shares.

The results are however in harmony with Bozer, Kuna and Santora (2015) who suggest that internal recruitment of the successors would retain the competent and suitable successors by using less effort and cost and hence improve the business performance. The results are also congruent to DeVaro (2016) finding that internal recruitment motivates employees to develop specialised knowledge and skills geared towards improving firm's growth and personal development because they anticipate long careers with the respective firm.

Likewise, selecting unsuitable successor was ascertained as one of the sources of the conflicts of interest between the management and the principal which stem from succession planning and thus hinders the survival of the FOMFs. Successor factors-work fit was suggested as one of the countermeasures for solving the conflicts of interest between the management and the principal which stem from succession planning and thus affect the survival of FOMFs. The results in equation (2) show a positive (B= .550) effect between successor factors-work fit and the survival of family owned manufacturing firms. The research hypotheses were stated as follows:

Ho_2: Successor factors-work fit has no a significant effect on the survival of family owned manufacturing firms in Dar es Salaam region.

Ha_2: Successor factors-work fit has a significant effect on the survival of family owned manufacturing firms in Dar es Salaam region.

Table 9 indicates that successor factors-work fit has a significant effect on the survival of FOMFs since observed *t* value (p=.000) is less than the critical value (p=.05) at the confidence level of 95%. Therefore, null hypothesis (Ho_2) is rejected and alternative hypothesis (Ha_2) is accepted. Therefore, successor factors-work fit has the positive and significant effect on the survival of FOMFs. The regression coefficient is positive (.550) implying that the more successor factors-work fit is sustainably practised while selecting the successor, the higher the survival of the FOMFs and the relationship is statistically highly significant (p.=.000).

The results are contrary to Were (2016) that senior leaders in Sub-Saharan African FOMFs rarely pass through progressive leadership development ranks since the owner-managers would decide to appoint any family member to occupy executive position regardless of competency level. Consequently, identifying, developing and selecting the FOMF successor whose individual factors do not fit with the relevant work, may create a pool of leaders with irrelevant and incompatible skills, knowledge, experience, attitude and behaviour. This may result in irresponsible behaviours, frequent boycott, disturbed business flow, business inefficiencies, many product rejects, employees' turnover, tarnished firm's image, market loss, financial loss and business loss due to poor leadership. The findings are however in harmony with Block (2012) and Michel and Kammerlander (2014) who assert that family business succession process must critically consider both successor individual entities and business factors to avoid creating successor's divergent goals behaviour and agency costs. Therefore, successor factors-work fit is one of the preconditions for smooth leadership transition and survival of the FOMFs across generations.

5.0 Conclusion and recommendations

5.1 Conclusion

The study aimed at establishing the sources of conflicts of interest originating from succession planning and thus hinders the survival of FOMFs, how to solve the low survival problem and how the proposed problem solving factors relate with the survival of FOMFs. External recruitment of the successor was ascertained as one of the sources of conflicts of interest between the management and the principal which stem from succession planning and thus hinders the survival of FOMFs. Internal recruitment of the successor was suggested as one of the countermeasures for solving the conflicts of interest between the management and the principal which stem from succession planning and thus affect the survival of FOMFs. The regression coefficient is positive (.248) and the relationship is statistically highly significant (p. =.000), implying that sustainable prioritisation in internal recruitment of the successor is very crucial for the survival of the FOMFs across generations.

Furthermore, selecting unsuitable successor was ascertained as one of the sources of the conflicts of interest between the management and the principal which stem from succession planning and thus hinders the survival of the FOMFs. Successor factors-work fit was suggested as one of the countermeasures for solving the conflicts of interest between the management and the principal which stem from succession planning and thus affect the survival of FOMFs. The regression coefficient is positive (.550) and the relationship is statistically highly significant (p. =.000). The findings imply that sustainably practising succession planning basing on successor factors-work fit is critical for the survival of the FOMFs to successive generation.

5.2 Recommendations

For quality succession planning with intention of reducing the conflicts of interest between the management and the principal, FOMFs should identify and develop high-potential employees from within the firm to fill the key organisational positions whenever they arise. Internal recruitment therefore is beneficial since it retains quality talents and high potential employees, reduces uncertainty, information asymmetry and leadership transition costs. Besides, FOMFs should select the successor whose factors are suitable and fit with the relevant work. Valuable and most competent human resources should therefore utilised to implement the new business strategies to reduce the seven wastes in manufacturing, improve business effectiveness and efficiency, increase customer satisfaction and thus enhancing the performance and sustainability of the FOMFs. The seven wastes in manufacturing firms are overproduction, waiting, transportation, over-processing, inventory, motion and defects (JICA, 2015). The overall essence of having the competent and quality successors in the key leadership positions is to increase the FOMFs efficiencies and sustainability.

5.3 Areas for further study

The tested succession planning constructs, namely internal recruitment of the successor and successor factors-work fit, were all found to have the positive and significant effects on the

survival of the FOMFs. Further studies may test if the same constructs will produce the same results in other family owned sectors which are not FOMFs. Since this study involved more than one sectors of the manufacturing firms, future study may deal with only one sector such as paper, paper products and printing, publishing and packaging for homogeneity. In addition, future research can establish the factors which may either moderate or mediate the effects of conflicts of interest stemming from succession planning on the survival of the FOMFs.

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Appendix I: Pattern Matrix for factor analysis

		Component	
Item	**Item statement**	**1**	**2**
IR1	The management prioritises internal recruitment of the successor.		.765
IR2	Owner manager supports internal recruitment.		.812
IR3	Recruitment process of senior leaders is reliable in internal recruitment.		.839

IR4	Employees with good performance record are internally recruited as senior leaders.		.869
SFF1	Management assesses successor's education before developing that successor to be a senior leader.	.854	
SFF2	Management assesses successor's experience before developing that successor to be a senior leader.	.862	
SFF3	Management assesses successor's future goals before developing that successor to be a senior leader.	.848	
SFF4	Management assesses successor's attitude before developing that successor to be a senior leader.	.833	
SFF5	Management assesses successor's self-drive ability before developing that successor to be a senior leader.	.884	
SFF6	Management assesses the successor's stability and consistency before developing that successor to be a senior leader.	.893	
SFF7	Management assesses successor's ability to obey the firm's rules and regulations before developing that successor to be a senior leader.	.854	
SFF8	Management assesses whether successor is creative and initiative before developing that successor to be a senior leader.	.844	
SFF9	Management assesses successor's ability in analysing and understanding issues in details before developing that successor to be a senior leader.	.862	
SFF10	Management assesses the successor's ability to handle multiple tasks before developing that successor to be a senior leader.	.775	

Source: Field data (2019)