An Assessment of the Influence of Selected on the Performance of Small to Medium Sized Family Owned Businesses in the Zimbabwe Retail Sector

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Abstract: The study attempted to assess the factors that are affecting business performance of small to medium sized family owned businesses in the Zimbabwean retail sector. The objective was to establish the effect of innovation, management skills, succession planning and corporate governance on family owned SMEs in Zimbabwe. The study sought to complement other previous studies that were carried out in other different contexts by producing evidence on the same phenomenon from a developing country context. The study adopted a quantitative approach. A self-administered survey was conducted to collect data that was analysed using descriptive, correlation and regression analyses. The results showed that the most significant factors affecting business performance in order of predictive power were innovation, proper management skills, succession planning and corporate governance. The findings have implications to family business managers and owners in Zimbabwe who are encouraged to be innovative, properly manage, practise succession planning and be guided by business morals in managing their enterprises. Whilst the factors ensuring the success of Small and Medium sized enterprises have extensively been examined, there is dearth of research on family business success factors especially in a developing country like Zimbabwe.

Keywords: SMEs; family business; innovation; succession planning; corporate governance

JEL Classification: M10

1. Introduction

Family businesses are the oldest form of business organization (Bienayme, 2009) and they continue to hold a key place in all economies (Nordqvist & Melin, 2010). Governments have acknowledged the impact of family owned SMEs on job creation, improvement of people’s standards of living and hence an overall impact on the economy (McCartan-Quinn & Carson, 2003). However despite the efforts by the Zimbabwean government and other bodies to render k2support to the family owned

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SMEs through various support programmes, SMEs in the country continue to close shop, a trend that is affecting most African countries. About 75% of new family owned SMES that are started eventually fail to become established firms (Fatoki & Garwe, 2010) and most family business in the SME sector have stagnated without growing (Hove & Tarisai, 2013). The survival and longevity of family businesses is a cause of concern if family businesses must be a major contributor to the social and economic well-being. Research has estimated that only 14% of family businesses make it beyond the third generation. In South Africa only one in four family businesses survived to the second generation whilst only one in ten makes it to the third generation and Zimbabwe is seemingly following the same trend (McCartan-Quinn & Carson, 2003). The lifespan of family firms is far from smooth as two thirds fail in the transition to the second generation and their growth rate is very low (Lester & Canella, 2006). It is this rate of failure of businesses in the family business SMEs sector that has become a concern and the basis of this study to bring out the factors that these businesses need to adopt in order to reverse the alarming mortality rates. The purpose of this study was to assess the success factors essential for the long term survival of family owned SMEs. The general objective of the study is to assess the success factors that contribute to the long term survival of small to medium sized family owned businesses in the Zimbabwean retail sector.

The specific objective was to establish the effect of innovation, management skills, succession planning, and corporate governance on the long term survival of family businesses in the Zimbabwean retail sector. The study sought to test the following hypotheses:

H1: Innovation positively influences the performance of small to medium sized family enterprises

H2: Management skills have a positive impact on the performance of family owned SMEs

H3: Succession planning ensures the success of family run SMEs

H4: Proper corporate governance practices have a positive influence on family run businesses

This research is a significant contribution to the understanding of growth and survival of small to medium sized family owned businesses and will aid in management, policy making and as contribution to scholarly source in advancing the call for adoption of factors that will reverse the death or failure of most family business. The results will help equip family business owners with knowledge necessary to improve growth and survival their enterprises.

The study will contribute to the expanding knowledge base of the family business by developing a conceptual framework that assists owners/managers of family businesses to ensure the success and growth of their firms.

2. Family Business

Family businesses are an important part of the world's economy and the backbone of the economic systems in most countries. In fact they make up more than 60% of all companies in Europe and the USA and account for about 50% of employment (Kellermans & Eddleston, 2010). Family businesses have become a predominant form of business organization around the world and they contribute extensively to global wealth creation (Burkart *et al*, 2003).

Miller and Le Breton Miller (2008) report that several businesses founded by families as very small enterprises have grown into world class businesses. However, some family businesses especially those that are small and medium sized face unique challenges (Zumilah, 2010).

Most of the documented information on the rise and fall of family businesses has covered mainly organizations that are big in the different industrial sectors. While there are numerous examples of family owned businesses that have prospered over multiple generations, even prosperous family firms rarely survive beyond three generations (Chami, 2001).

The rise and fall of family businesses in the retail sector are rising but most of them remain undocumented. But what could be contributing to this failure of family owned businesses? Some succumbed to family wrangles after death of owner whilst some faced financial challenges along the way whereas some had other factors contributing to their failure. This research will therefore focuses on the small to medium sized family businesses in the retail sector so as to assess the factors that family businesses need to embrace so as to grow and survive in the long term.

2.1 Business Success

Business success has been defined in many ways. Maes, Sels and Roodhooft (2005) note that several performance, success or survival models appear in literature. Small business success can be measured by financial and non – financial criteria although the former has been given more attention in literature. Most used performance indicators in literature include earnings, employment and growth where growth is defined as any element of growth (growth in profit, earnings and number of employees. (Peake & Marshall, 2011).

In a bid to explain success many family business researchers have used a wide variety of factors. Owner characteristics in terms of financial, human and capital have been adopted by different researchers to explain business performance success and survival (Anderson & Miller, 2003, Baron & Markman, 2003, Stafford, Bhargava, Danes, Haynes, & Brewton, 2010, Montgomery, Johnson, & Faisal, 2005). According to Lee, Jasper and Fitzgerald (2010) and other authors firm characteristics have also influenced business success and survival. Walker and Brown (2004) asserts that financial criteria are usually considered to be the most suitable measure of business success. However because many small business owners are motivated to start a business on basis of lifestyle or personal factors which make non- financial goals alternative measures of success in the small business sector. All businesses must be financially viable on some level in order to continue to exist. However some business have no interest in growth which implies that financial gain is not their primary or only motivation and that there must be other non – financial criteria to measure the success of these businesses.

Watson and Everett (1999) considered success or failure of a business to de dependent on a number of factors. They measured success of a business by the continuance in operation or longevity of the enterprise although financial performance (profitability, sales amd market share) can be used. Walsilczuk (2000), notes that small business growth and success measurement is difficult to assess and can be measured objectively or subjectively. Objective measures are often referred to as "hard" information since they are quantifiable measures that impact fulfillment of specific objectives e.g. sales or profits whereas subjective measures are "soft" and often include evaluative or trait information e.g. self evaluation on performance in relation to others.

3. Conceptual Model and Hypothesis Development

In order to empirically test the influence of succession planning, innovation, corporate governance and management practices on the long term survival of small to medium sized family businesses a conceptual model has been developed premised on the family business literature reviewed. The conceptual framework is grounded on four major theories which are Systems theory, Agency theory, Resource- based theory and the Stewardship theory all making significant contributions which provide a solid foundation for the current study. In this conceptualised model succession planning, innovation, corporate governance and management practices are the independent variables whereas survival business success measured subjectively as longevity or survival is the dependent/ outcome variable. Figure 3 depicts this conceptualized research model.

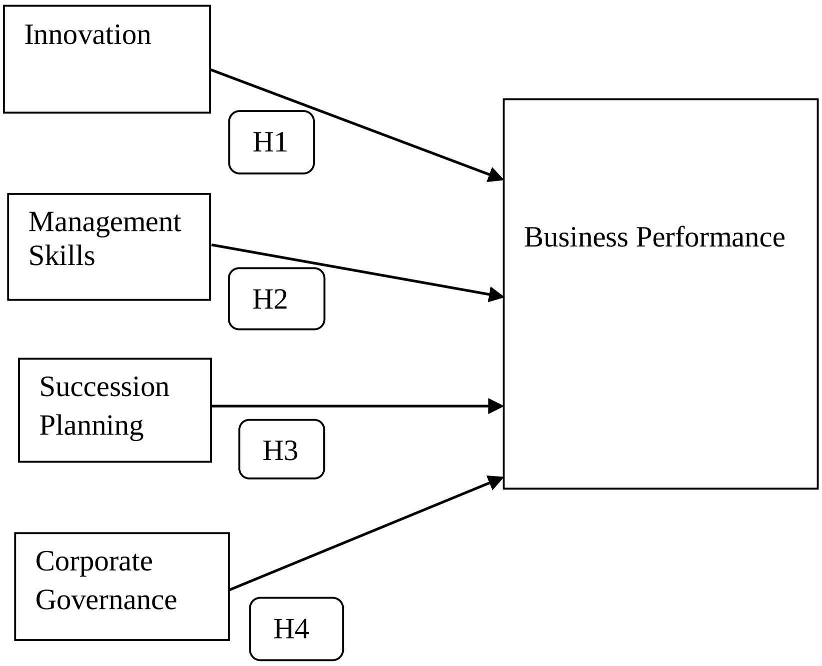

Figure 1. Conceptual Model

4. Research Methodology

The study adopted the quantitative research design which helped in qauntify the impact of innovation, management skills, succession planning and corporate governance on the success of family owned businesses and to generalise the results to a wider population (Zindiye , Roberts - Lombard, & Herbert, 2008).

4.1. Population and Sampling Techniques

The target population was small and medium sized family businessES in the retail sector of Harare, Zimbabwe. A number of attempts were made to obtain a database of family businesses from relevant offices and associations, however all efforts were in vain as a representative sample could not be obtained. The researcher had to resort to convenience sampling and in particular to the snowballing technique. This is a non probability sampling method that was adopted to identify probable family businesses in the reail sector who were eager to contribute. Through this exercise a list of 200 family businesses was compiled as an outcome of these efforts.

4.2. Research Instrument

A self–administered questionnaire with standardised questions was employed which gave the researcher confidence that all the questions will be interpreted the same way by all respondents (Robson, 2000). The self-administered questionnaire was either hand delivered or emailed to respondents. For both methods an informative and well articulated cover letter was attached to the questionnaire with objectives and importance of the study well explained.

A five point Likert scale was devised ranging from 1=Strongly Agree to 5=Stongly Disagree. Using the Likert scale standardised response items made the responses easily comparable amongst respondents. It also eliminated response bias and made coding and analysis directly from the questionnaire possible (Cant 2003).

5. Results

A total of 120 questionnaires were distributed personally by the researcher and out of these 78 questionnaires were successfully returned. These responses gave an overall response rate of 65% with a frequency of (n=78) which was quite remarkable considering the difficulty of getting respondents to participate voluntarily and timely in field research.

Statistics were obtained from the respondents indicating various demographic characteristics that included age, gender, position in organisation academic qualification, type of retail business, employee numbers and years in business existence. These were analysed in isolation and presented as below.

The majority of respondents are in the groceries and clothing retail business (n=16) 21%, followed by agriculture (n=14), 18%, Hardware followed closely at (n=13) 17%, followed by Pharmaceuticals at (n=10) 13% and lastly Food & Beverages (n=9) 9%.

The results above show that most small to medium family businesses are concentrated in the clothing, groceries, agriculture and hardware sectors of retail. These are areas that require minimum capital, have low barriers to entry, few regulatory requirements and are less technical compared to the pharmaceuticals and food and beverage sectors. With regard to gender, of the 78 respondents (n=43) 55% were males and (n=35) 45% were females.

5.1. Reliability Test

Table 1. Reliability Statistics

Variables	**Number of Items**	**Cronbach's Alpha value**
Innovation	12	0.737
Management Skills	9	0.738
Succession Planning	8	0.737
Corporate governance	6	0.735
Performance	6	0.730
Overall Cronbach's Alpha	**41**	**0.746**

As shown by the results in Table 1, the internal consistency of the overall reliability test gave a Cronbach's Alpha coefficient of 0.746 which is greater than the acceptable benchmark of 0.6 the reliability test involved checking each variable in the study for validity confirming if the items loaded were sufficient to make the questionnaire instrument reliable. In the results shown in Table 1 all the variables yielded an alpha value greater than 0.6 with Innovation (0.737), Management skills (0,738), Succession planning (0.737), Corporate governance (0,735) and performance (0.730). implying that all the variables in the study are reliable and valid to the instrument. Further checks were done on face and content validity were achieved by seeking expert advice which enhanced the validity of the instrument. A pilot study was also conducted with a maximum of 20 respondents to check for adequacy and reliability of the questionnaire instrument. The pilot study results aided in adjusting the items in the instrument to fully represent each variable.

5.2 Correlation Analysis

Spearman's rank correlation "rho" was adopted. This is a non–parametric rank based statistical test that is unevenly distributed data. Correlation takes range from -1.0 for a perfect negative relationship to +1.0 for a perfect positive relationship. The table below shows the level of association between the independent variables and performance as the dependent variable.

Table 2. Correlation Analysis

Factors	**1**	**2**	**3**	**4**	
Innovation **1**	1				
Management Skills **2**	.319**	1			
Succession Planning 3	.280**	.439*	1		
Corporate Governance 4	.416**	.674*	.386**	1	
Performance Measure 5	.557**	.552**	.524**	.317**	1

**. Correlation is significant at the 0.01 level (2-tailed).

According to the results in Table 2, it is evident that there is a strong positive relationship between independent variables and performance: innovation (r=0,557**, p<0.01), management skills (r=0.552**, p<0.01), succession palnning (r=0.534**, p<0.01), and corporate governance (r=0.317**, p<0.01).

5.3. Regression Analysis

With results on correlation analysed, the researcher sought to do a further regression analysis as correlation analysis simply measured the association or strength of the relationship between the independent variable and the dependent variable. Regression analysis allowed the researcher to determine the predictive relationship between variables. A regression model was therefore computed to show how succession planning, management skills, innovation and corporate governance as independent variables predict performance/ survival of small to medium sized family businesses. Table 3 below shows the predictive power of each independent variable on family business performance.

Table 3. Regression Analysis

Independent Variables	**Std. Error**	**Beta**	**t-value**	**Sig.**
(Constant)	0.586	2.139	0.179	0.039
Innovation	0.462	0.221	1.543	0.013
Management Skills	0.675	0.249	2.266	0.026
Succession Planning	0.353	0.041	0.286	0.028
Corporate Governance	0.208	0.029	0.208	0.018

R=0.794; R Square = 0.687; Adjusted R Square = 0.591; F = 132.24. * significant at p<0.05

Results from the regression analysis show that the goodness of fit is satisfactory with an (Adjusted R square = 0.591). This means that the independent variables (succession planning, innovation, management skills and corporate governance) have a 59% explanatory power of the variance in business performance/ success.

However 41% of the influences of business performance in small to medium family business is explained by other factors which creates a gap for future research.

The βeta values revealed that management skills followed by innovation have more predictive power and are more significant in explaining the contributions of the factors to the performance of small to medium family businesses at ($\beta = 0.249$, $p<0.05$) and ($\beta = 0.221$, $p<0.05$) respectively. Succession planning and corporate governance though are significant and explain the contributions of the factors to business performance, their influence or predictive power is very low at ($\beta = 0.041$) and ($\beta = 0.029$).

6. Discussion of Results

The view of innovation's positive impact was consistent with the findings by Bayus & Argarwal (2006) who brought out the facet that survival beyond the first few years is positively associated with the innovative intensity of the industry. In support of this the findings on the positive impact of management skills on family business success, Worku (2009) management skills development enabled efficiency in managing these enterprises. Lerner and Wulf (2007) also state that there is a significant association between management skills and efficiency of small family firms and long term survival, profitability and viability. With regards to succession planning, the results of this study are consistent with Gilding (2010) who view succession planning as critical in small family business continuity. The results of this study showing the positive impact of corporate governance on small family business success is consistent with Jayashree (2006), who posited that firms with effective governance are more likely to carry out strategic and succession planning hence on average grow faster and live longer. Governance also assists in relationship management hence sharpening management skills and creating a soild structure that is open to innovation, therefore this variable embraces all the other variables in the study.

7. Recommendations

Capacitating family business owners with management training courses may help to improve their management skills. Family business owners and their employees need to be aware of knowledge and talent management as it is a key resource for the viability of a business. Family businesses need to identify the potential successor in family members to succeed and not only assume that it is the male heir who will take over the business. There is also need to practice proper corporate governance practices to ensure that all transactions are professionally and ethically done. Family businesses need to adopt family governance structures with a certain degree of formalization if they are to function well. There is need for them to make effort to document the organizational structure, clearly spell out roles and responsibilities of each family business member and enforce accountability.

8. Research Limitations

There are a number of limitations to the study. Firstly there was lack of a comprehensive sampling frame and lack of a comprehensive database which meant that the sample selected may have not been representative. Secondly with resources limiting the survey could not be spread around the whole country therefore study was restricted to the province of Harare. A quantitative research design was employed for the study. It will be worthwhile to carry out the same study using triangulation methodology which uses both quantitative and qualitative paradigms.

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