

**EFFECT OF SUCCESSION PLANNING ON PERFORMANCE OF SELECTED
LIVESTOCK PRODUCTS BASED CORPORATE FIRMS IN KENYA**

By

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DECLARATION

This research project is my original work and has not been submitted for an award of a degree in any other University.

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This research project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

I dedicate this study to my family the bedrock upon which my life revolves around.

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I thank the Almighty God for granting me good health and for His grace throughout the entire course. I also wish to specially thank my supervisor Dr. Michael Njogo for his effective supervision, guidance, availability and professional advice as I undertook this research project. My gratitude also goes to all the lecturers who taught me in the MBA programme for enriching my research with knowledge. My appreciation also goes to my family and friends for their moral support during my entire studies. I also thank my colleagues and family for their moral support and encouragement during my entire studies.

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DEFINITION OF TERMS

Succession planning: This is a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement (Rothwell, 2010).

Talent retention: This is a voluntary move by an organization to create an environment which engages employees for a long term and involves deliberate actions/strategies by the organization to prevent its high potential employees from leaving the organization (Pandey & Sharma, 2014).

Organizational performance: This refers to the degree to which a firm's organizational objectives are being or have been accomplished (Abor & Biekpe, 2013).

Internal hiring: This refers to the recruitment of individuals from within the organization to assume leadership/managerial positions that arise when key personnel leave the organization (Bernthal & Wellins, 2013).

External hiring: This refers to the recruitment of individuals from outside the organization to fill leadership/managerial vacancies that arise when key personnel leave the organization (Bernthal & Wellins, 2013).

Bench strength readiness: This refers to the percentage of management that has been identified as ready for promotion (Avanesh, 2011).

ABSTRACT

For organizations to survive and excel in today's highly dynamic and competitive business environment, they must have a dynamic and high potential group of employees at all organizational levels. Succession planning seeks to enable organizations develop general competencies and leadership potential at all levels of the organization for their survival and growth. Senior management staff development is becoming an increasingly critical and strategic issue for most of the organizations owing to the current highly dynamic operating environment. However, despite the fact that most of the executives are increasingly aware of the need to focus on succession planning, very few are actively developing key organizational staff as part of their business strategy. This study sought to examine the effect of succession planning on performance of selected livestock products based corporate firms in Kenya. Specifically, the study explored the effects of turnover of high potential staff, internal versus external replacements and bench strength readiness on the performance of selected livestock products based corporate firms in Kenya. The study adopted a descriptive research design. The target population of the study was 300 selected livestock products based corporate firms in Kenya. The study employed both stratified and simple random sampling techniques in sample selection. The study sample size was 30 firms. In data analysis, quantitative data was analyzed using descriptive statistics through the use of frequencies, percentages, mean and standard deviation using the Statistical Package for Social Sciences (SPSS, version 23.0). The study also conducted regression and correlation analysis to test the relationship between the study variables. The study findings revealed a significant negative relationship ($p = -0.831$) between turnover of high potential staff and the firms' organizational performance; a significant positive relationship ($p = 0.712$) between internal versus external replacements and the firms' organizational performance and a significant positive relationship ($p = 0.774$) between bench strength readiness and the firms' organizational performance. The study concluded that turnover of high potential staff as a succession planning construct negatively impacted on the organizational performance of the selected livestock products based corporate firms in Kenya over the 5 year period. The study also concluded that internal versus external replacements and bench strength readiness as succession planning constructs positively impacted on the organizational performance of the selected livestock products based corporate firms in Kenya over the 5 year period. The study recommends that the selected livestock products based corporate firms in Kenya should enhance their talent retention strategies in order to be able to engage their core management staff for the long term. The study recommends that the selected livestock products based corporate firms in Kenya should institute strong internal career progression policies that offer existing competent organizational personnel the opportunity to take up managerial positions that may arise within the organization. The study recommends that the selected livestock products based corporate firms in Kenya should support the continuous development of its core staff in terms of managerial skills and competence in order to ensure that they have an adequate human resource pool ready for promotion.

Keywords: Succession planning, turnover of high potential staff, internal versus external replacements, bench strength readiness and organizational performance

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In the past, organizations replaced their key staff after they left the organization (Bernthal & Wellins, 2013). One of the common mistakes that the early organizations made was to replace employees rather than to develop them (Cheng, 2016). Other problems that arose from the replacement process, in the early years, included that, in many cases, it was difficult to find the right employee for a new vacancy in a short time period and where the organizations could not find the right person from within, the organizations had to hire from outside, which further increased the replacement costs (Drotter & Charan, 2011). Over the years, organizations have realized that they can discover their future key staff from within using succession planning (Groves, 2013).

Succession planning (SP) as understood today began in the late 1960s and early 1970s, when leading organizations adopted formal succession planning methods. For decades, the concern of succession planning was about the exact people, not skills and talents, who are needed for the organization's future (Rothwell, 2010). Over that period, the only purpose of SP was to tag and identify the needed successors to replace the outgoing key staff for a specific job. The target of SP in this ancient perspective was the top leaders and business owners in the large organizations (William, 2015). This affirms that, in the early corporate years, succession planning was not accorded the attention it deserves in light of the critical role that employees play in an organization's success (Pandey & Sharma, 2014).

Today, SP is no longer just about replacing the key executives but also entails strategic talent management, in which an organization ensures the availability at all times of a

competent labour force that can help it to perpetually adapt, respond and succeed in a dynamic business environment (Nwosu, 2014). In today's business environment where competition is stiff, work is fluid, environment is unpredictable, organizations are flatter, and the organizational configuration frequently changes, the old view of SP by defining specific people for a specific job does not work (Mehrabani & Mohamad, 2011). For organizations to survive and excel in today's highly dynamic and competitive business environment, they must have a dynamic and high potential group of employees at all organizational levels (Groves, 2013). SP today seeks to enable organizations develop general competencies and leadership potential at all levels of the organization for their survival and growth (William, 2015).

The demographic reality in organizations today is that they will have a shrinking pool of labor from which to draw on their key staff (Bolton & Roy, 2014). This could be due to the fact that most of the senior positions in the organizations are held by persons nearing their retirement yet the organizations have not invested adequately on suitable successors. This will significantly impact on their operations at all levels (Garg & Van Weele, 2012). It is this reality that has pushed SP to be an important issue in today's organizations (Cheng, 2016). Once viewed as a cost, SP is today treated as an investment that can increase an organization's competitive advantage and hence is integrated into the organizational strategy (Bozer, Kuna & Santora, 2015). SP requires considerable commitment from executive leaders, but if well implemented it can result in an organizational environment with increased staff aptitude (Jantti & Greenhalgh, 2012).

1.1.1 Succession Planning

Rothwell (2010) defined SP as a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement. Bolton and Roy (2014) defined it as a process which ensures the continued effective performance of an organization by establishing a process to develop and replace key staff over time. In the words of Drotter and Charan (2011), SP is perpetuating the enterprise by filling the pipeline with high-performing people to assure that every leadership level has an abundance of these performers to draw from, both now and in the future. Seniwoliba (2015) sees SP as a process by which one or more successors are identified for key posts (or group of similar key posts), and career move and/or development activities are planned for these successors. The main aim of SP is to ensure that suitable managers are available to fill vacancies created by promotion, retirement, death or departure and to ensure that a cadre of managers is available to fill new appointments that may be created in the future (Ali, Mehmood, Ejaz & Ashraf, 2014).

Gandhi and Kumar (2014) identified SP as a critical strategic approach to ensuring the continued existence of essential knowledge and abilities of staff especially when key employees leave the organization. At the center of successful succession planning exists a firm commitment to leadership development programs that go beyond the normal staff development activities and interventions (Gandhi & Kumar, 2014). For succession planning to yield the desired outcomes, it must focus on codifying organizational knowledge and expertise amongst organizational employees, empowering employees to follow development paths, and stimulating learning within the organization (Ali *et al.*, 2014). SP increases the

availability of experienced and capable employees that are prepared to assume current and future key jobs as they become available (Drotter & Charan, 2011). SP can best be understood as any effort designed to ensure the continued effective performance of an organization through the development, replacement and strategic application of its key personnel over time (Mohammad & Pirzad, 2016).

Succession planning as a concept comprises various constructs that support leadership continuity in an organization's key positions (Rothwell, 2010). Such constructs include talent retention which entails deliberate actions/strategies by an organization to prevent its high potential employees from leaving the organization (Pandey & Sharma, 2014); internal/external hiring which involves the recruitment of individuals from within/outside the organization to assume leadership/managerial positions that arise when key personnel leave the organization (Bernthal & Wellins, 2013) and bench strength readiness which refers to the percentage of management that has been identified as ready for promotion (Avanesh, 2011). Other constructs of SP but which are closely associated with HR elements include staff training (equipping the staff with necessary knowledge and skills), performance management (measuring employee outcomes against set goals) and staff compensation (rewarding of employees based on their contribution to the organization) (Jantti & Greenhalgh, 2012).

1.1.2 Organizational performance

Avanesh (2011) described organizational performance measurement as a process of assessing progress towards attainment of pre-determined organizational goals including information on the efficiency with which resources are transformed into goals and services, the quality of those outputs and outcomes, and the effectiveness of the organizational operations in terms of

their specific contributions to organizational objectives. According to Garg and Van Weele (2012), organizational performance encompasses three specific areas of firm outcomes that include financial performance (e.g. shareholder return), customer service social responsibility (e.g. corporate citizenship) and employee stewardship (e.g. staff training and development). Past studies have used financial and non financial metrics to measure organizational performance. The financial measures include profitability, liquidity, gearing and activity ratios. Non-financial measures include productivity, quality, efficiency, and the attitudinal and behavioral measures such as commitment, intention to quit, and satisfaction (Cheng, 2016).

Financial performance refers to the degree to which a firm's financial objectives are being or have been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Ishak *et al.*, 2013). The most popular measures of financial performance are return on equity (ROE) and return on assets (ROA). The ROE measures accounting earnings for a period per dollar of shareholders' equity invested. It is a product of the profit margin and the asset turnover. ROA doesn't distinguish between capital raised from shareholders and that raised from creditors. The financial performance analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and profit and loss account (Abor & Biekpe, 2013).

1.1.3 Livestock Products Based Firms in Kenya

The livestock products based corporate firms in Kenya fall under the livestock sector of Kenya's economy. The livestock sector contributes about 12% of Kenya's GDP and accounts for 40% of the country's agricultural GDP. The livestock sector also employs close to 50% of the agricultural labour force. About 60% of Kenya's livestock herd is found in the arid and semi-arid lands of the country and it is estimated that 10 million Kenyans living in these areas derive their livelihood largely from the livestock. Existing statistics further indicate that within the arid and semi-arid lands of Kenya, the livestock sector accounts for 90% of employment and more than 95% of households' income (KNBS, 2014). Livestock plays an important role in Kenya's socio-economic development and significantly contributes towards household food and nutritional security. The significance of the livestock sector in Kenya's economic growth and development is emphasized in various government policy documents including the Poverty Reduction Strategy Paper of 2003-2007, the Strategy for Revitalizing Agriculture of 2004-2014, Kenya Vision 2030 and the National Livestock Policy. Majority of the livestock firms in the country deal with meat, milk and egg products mainly from cattle, sheep, goat, pigs and poultry while a few deal with hides (FAO, 2015).

Like any other corporate firms in the country, livestock products based firms in Kenya have had to cope with disputes related to succession planning. This is as evident in leadership struggles reported in Kenya Creameries Co-operative, Kenya Meat Commission and several other privately owned livestock based corporates in the country. In view of this and given the significance of the livestock sector to Kenya's economy, this study sought to explore how

succession planning influences the organizational performance of firms operating in the livestock sector in Kenya.

1.2 Statement of the Problem

Succession planning is critical to an organization's continued existence as it entails the selection of talented employees to replace key organizational personnel who leave the organization because of retirement, reassignment or other reasons (Bolton & Roy, 2014). Senior management staff turnover rates have risen over the years. For instance, in a global CEO succession study, Favaro, Karlsson and Neilson (2012) noted that in 2011, 14.2 percent of CEOs at the world's top 2,500 companies were replaced. This number was sharply higher than the previous year's turnover rate of 11.6 percent. Senior management staff development is becoming an increasingly critical and strategic issue for most of the organizations owing to the current highly dynamic operating environment (Garg & Van Weele, 2012). Recent emerging trends in the corporate world emphasize the need to invest in the active development of company leaders (Cheng, 2016). However, despite the fact that most of the executives are increasingly aware of the need to focus on SP, very few are actively developing key organizational staff as part of their business strategy (Odengo, 2016).

Locally, several studies have focused on succession planning and organizational performance. For instance, Wang'ombe (2013) among International NGOs in Kenya; Adhiambo (2014) among selected health service NGOs in Winam Division in Kisumu County; Nekesa (2013) on Nzoia Sugar Company, Kenya and Odengo (2016) on Kenya Power and Lighting Company with these studies reporting a positive and significant relationship between succession planning and organizational performance. However, the

current study was different in that it was based on the livestock sector in the country (which was an area not covered before) and was also based on different SP constructs (turnover of high potential staff, internal versus external replacements and bench strength readiness) rather than the ones applied in the aforementioned studies (which were talent attraction, staff training & development, performance appraisal, staff compensation and organizational structure). Further, the local livestock sector is of great significance to the Kenyan economy given its contribution of about 12% of Kenya's GDP and given that the sector accounts for close to 50% of the country's agricultural labour force. The sector also accounts for over 90% of employment and 95% of households' income among Kenyans living in the arid and semi-arid lands (KNBS, 2014).

1.3 Research Objectives

1.3.1 General Objective

This study sought to examine the effect of succession planning on performance of selected livestock products based corporate firms in Kenya

1.3.2 Specific Objectives

- i. To investigate the effect of turnover of high potential staff on the performance of selected livestock products based corporate firms in Kenya
- ii. To explore the effect of internal versus external replacements on the performance of selected livestock products based corporate firms in Kenya

- iii. To examine the effect of bench strength readiness on the performance of selected livestock products based corporate firms in Kenya

1.4 Research Questions

- i. What is the effect of turnover of high potential staff on the performance of selected livestock products based corporate firms in Kenya?
- ii. What is the effect of internal versus external replacements on the performance of selected livestock products based corporate firms in Kenya?
- iii. What is the effect of bench strength readiness on the performance of selected livestock products based corporate firms in Kenya?

1.5 Justification of the Study

The beneficiaries of the study are:

Management of the individual firms

The management of the selected livestock products based organizations in the country would realize the significance of succession planning on their firms' performance. This may in turn inform the kind of human resource policies and practices they would need to institute to secure effective succession planning.

Policy makers

The findings of this study may benefit the policy makers (that is, the government) by providing insights as to the role of succession planning on the performance of livestock

products based firms in the country. This may in turn inform the formulation of effective policies and regulations to govern succession planning in the sector.

Other corporate firms

Succession planning is not unique to firms in the livestock products based industry and therefore other corporate firms in other sectors of the economy may benefit from this study as it highlights the significance of succession planning on their performance. This may in turn inform their decisions regarding the kinds of HR strategies required for effective SP.

Scholars and academicians

This research adds to the existing field of knowledge about the relationship between succession planning and organizational performance and provides other scholars and academicians with a basis for further research on the subject.

1.6 Scope of the Study

The study was limited to selected livestock products based corporate firms in Kenya as the study units.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical framework of the study, empirical review based on the study objectives, conceptual framework of the study and operationalization of study variables.

2.2 Theoretical Review

2.2.1 Resource Based View Theory

The Resource Based View (RBV) theory can be traced back to the work of Birger Wernerfelt who developed an article titled “A Resource-Based View of the Firm” in 1984. However, elements of the RBV theory can be found in earlier research work by authors such as Coase in 1937, Selznick in 1957, Penrose in 1959, Stigler in 1961, Chandler in 1962 and Williamson in 1975 where emphasis was put on the importance of firm resources and its implications for firm performance (Armstrong & Taylor, 2014). The RBV theory argues that organizations should not try to achieve strategic fit with the external environment but aim to maximize their internal resources to create and dominate future opportunities (Saqib & Rashid, 2013). The theory’s central proposition is that if a firm is to achieve a state of sustained competitive advantage, it must acquire and control valuable, rare, inimitable and non-substitutable resources and capabilities (Peteraf & Barney, 2012). Within this theory people are viewed as an investment and not a cost and learning, knowledge sharing, innovation and experimentation are encouraged with the employees being involved in decision making (Wright, Dunford & Snell, 2011).

This theory assumes that an organization's workforce is a unique and inimitable resource that can generate a competitive advantage for the organization if effectively harnessed (Saqib & Rashid, 2013). Ali *et al.* (2014) argues that a resource based view approach to strategic human management focuses on satisfying the human capital requirements of the organization. Wright *et al.* (2011) suggests that human resource policies and values of an organization constitute an important non-imitable resource and this is achieved by ensuring that; - the firm has higher quality people than its competitors, organization learning is encouraged, organization-specific values and a culture exist which bind the organization together (and) gives it focus, and the unique intellectual capital possessed by the business is developed and nurtured.

Critiques of this theory argue that the effectiveness of the resource based approach is inextricably linked to the external context of the firm and that the resource based approach provides more value when the external environment is less predictable. Other critiques have argued that the theory's valuable, rare, inimitable, and non-substitutable proposition is neither necessary nor sufficient for a firm's sustained competitive advantage (Armstrong & Taylor, 2014). This theory was relevant to the current study as employees' talent can be a valuable resource to an organization's performance. Thus, retention of high value (potential) employees should be an integral element of an organization's succession planning policies.

2.2.2 Human Capital Theory

Human capital theory was proposed by Schultz in 1961 and later developed extensively by Becker in 1964 as cited in his publication titled "Human Capital: A theoretical and Empirical Analysis to special reference to education". Human capital theory was developed on the

realization that the growth of physical capital was only a small part of the growth of organizational income (Tan, 2014). Economist Theodore Schultz introduced return-on-investment, which highlighted the cost-benefit analysis of staff training and education. Based on Schultz's research on return-on-investment, Becker introduced the concepts of general-purpose human capital and firm-specific human capital that are widely used by human resource development practitioners worldwide to date (Josan, 2013).

Human capital theory suggests that employees' education or training raises their productivity by imparting useful knowledge and skills. This theory postulates that expenditure on training and education is costly, and should be considered an investment since it is undertaken with a view to increasing personal incomes. The human capital approach is often used to explain occupational wage differentials (Campbell, Coff & Kryscynski, 2012). In Becker's view, human capital is similar to "physical means of production", e.g., factories and machines meaning one can invest in human capital (via education, training, medical treatment) and a firm's output depends partly on the rate of return on the human capital one owns. Thus, human capital is a means of production, into which additional investment yields additional output (Armstrong & Taylor, 2014). Therefore by investing in human capital through staff training and development, the organization is able to retain talented workforce who will feel motivated to be part of the firm hence leading to better organizational performance (Rothwell, 2010).

However, there is criticism to this theory based on its assumption that education in fact guarantees employee retention. The theorists clearly did not take into account the transfer of learning. Is the duration of education and training an assurance of retaining the employee

in the organization? Certainly this notion is ideal, but questionable. This is because a highly skilled employee could as well look for a much more paying job (Tan, 2014). This theory was relevant to the current study given that decisions on whether to recruit from inside or outside are informed by the level of employees' skill and knowledge existent in an organization. Thus, where the required competencies are available in-house, then replacement of key personnel can be done through internal hires while if the required competencies are not available in-house, then replacement of key personnel is likely to be done through external hires. In this respect, the current study sought to explore the effect of internal versus external replacements on the performance of selected livestock products based corporate firms in Kenya.

2.2.3 Goal-setting Theory

Goal-setting theory was developed by Latham and Locke in 1968. The theory highlights four mechanisms that connect goals to performance outcomes, including: i) direct attention to priorities; ii) stimulate effort; iii) challenge people to bring their knowledge and skills to bear to increase their chances of success; and, iv) the more challenging the goal, the more people will draw on their full repertoire of skills (Locke & Latham, 2013). The basic premise of goal setting theory is that a person's conscious intentions (goals) are the primary determinants of task related motivation since goals direct our thoughts and actions'. Having goals impels individuals to review the consequences of their behaviour. If they conclude that their goals will not be achieved by their current behaviour, they will either modify their behaviour, or choose more attainable goals (Locke & Latham, 2013).

This theory underpins the emphasis in performance management on setting and agreeing objectives against which performance can be measured and managed. Goal theory supports the agreement of objectives, feedback and the review aspects of performance management (Seniwoliba, 2015). Goal-setting theory asserts that people with specific and challenging goals perform better than those with vague goals, such as ‘do your best’, specific easy goals or no goals at all. Thus, goal setting theory assumes that there is a direct relation between the definition of specific and measurable goals and performance: if managers know what they are aiming for, they are motivated to exert more effort, which increases performance (Locke & Latham, 2013). The reason why goal-setting has a positive effect on performance is that a specific high goal affects choice, effort and persistence. In other words, a specific goal or target increases a person’s focus on what is to be accomplished as opposed to putting it off until a later date. Commitment to a specific high goal also leads to persistence until the goal is achieved (Armstrong & Taylor, 2014).

A good performance management system needs to be underpinned with good objective setting, and organization structure. Individuals need to be clear on what the key results areas are for each position and what is expected of them. Goal setting must also facilitate a bottom-up process, whereby individuals are given the opportunity to agree the goals through open dialogues, and to formulate their own goals within the overall performance management framework (Jackson & Sirianni, 2012). This theory was relevant to the current study given that the study sought to explore the effect of bench strength readiness on the performance of selected livestock products based corporate firms in Kenya. Assessment of bench strength readiness, which represents the percentage of management identified as ready for promotion, is usually based on identified persons’ ability to meet

certain specified organizational goals making performance evaluation an important element of assessing a firm's bench strength readiness.

2.3 Empirical Review

2.3.1 Turnover of High Potential Staff and Organizational Performance

Cook (2015) did a study of succession planning in a Global Electronics Company in the United Kingdom. The researcher adopted a case study research design. Data was obtained through semi-structured interviews of 5 organizational leaders who were responsible for succession planning at the company. Upon analysis of the semi-structured interview data using triangulation with the company's succession planning matrix documents, a primary theme emerged around the relationship between succession planning, talent management strategy and organizational strategy. A close positive relationship was found between talent management strategy and success of the company's succession planning programme. The study recommended that the company should develop strong and effective talent management strategies with the focus of enhancing its succession planning efforts.

Pandey and Sharma (2014) investigated succession planning practices and challenges among Indian organisations. The study adopted a descriptive survey design and targeted senior management employees of the selected organizations as the study respondents. Study data was collected using interviewer-administered questionnaires and analyzed using both descriptive and inferential statistics. The study noted that talent retention was a primary concern in majority of the Indian organizations studied and recommended that the organizations should develop sound employee retention strategies aimed at retaining highly skilled personnel and at the same time building up on under-performers. Lack of

advancement opportunities, poor work-life balance, inadequate reward and recognition were identified as common reasons for departure among all employees.

Ishak, Ismail and Abdullah (2013) studied CEO succession and firm performance using evidence from Publicly Listed Malaysian firms. A match-paired t-test and Wilcoxon signed-rank test were used to determine if there was a change in firm performance following CEO succession. The overall results showed that performance improved following post-succession. The study found significant improvements in the performance of the Publicly Listed Malaysian firms that experienced turnovers and subsequently selected new talents as successors. The study noted that CEO turnovers that were followed by internal successions enhanced firm performance. On the elements of succession planning that greatly influenced firm performance, talent retention strategies ranked highly. The study concluded that as CEO succession impacted firms' future performance, the succession planning process should be a priority for the firms.

Nwosu (2014) did a study on succession planning and corporate survival of selected Nigeria firms. The population of the study was the staff of five blue-chip companies from different sectors in Nigeria Stock exchange while the sample size was determined using Taro Yameni formula. Weighted mean and Z-test were used as methods of data analysis and hypothesis testing. The study results revealed that there was a significant positive relationship between talent retention and survival of Nigerian firms. The study also found that staff mentoring, effective communication within the organization, proper delegation of duties and authority and sound staff welfare programs can help enhance talent retention in Nigerian firms.

Owusu (2012) did a study on an examination of the effects of employee retention strategies on the performance of selected rural banks in Ashanti Region in Ghana. The study aimed at identifying the causes of employee turnover, to examine the various employee retention strategies available at the selected rural banks and to assess the effects of the retention strategies on the performance of the selected rural banks. The study was based on primary data collected through questionnaires. Both simple random and purposive sampling approaches were employed to select the study respondents. The study revealed that the management of the rural banks used competitive salary package, guaranteed job security, challenging and interesting job opportunities and good training and development opportunities were the main strategies to retain employees in the banks.

Adhiambo (2014) did a study on the influence of succession planning practices on performance of selected health service non-governmental organizations in Winam Division of Kisumu County in Kenya. The study adopted a descriptive survey research design. The study targeted employees of nine NGOs in Winam Division. Purposive and stratified sampling techniques were used in sample selection. Study data was collected using a structured self-administered questionnaire. The study used descriptive statistics to analyze quantitative data using Statistical Package for Social Science (SPSS) application version 19 while qualitative data was analyzed through content and context analysis. The study found that there was a significant and a strong positive relationship ($r=0.794$) between human resource planning attributes such as talent retention and performance of health service NGOs in Winam Division. The study concluded that human resource planning was a key SP practice that enhanced organizational performance.

2.3.2 Internal versus External Replacements and Organizational Performance

Garg and Van Weele (2012) studied succession planning and its impact on the performance of small micro medium enterprises within the manufacturing sector in Johannesburg, South Africa. The study adopted a survey research design and utilized a combination of both qualitative and quantitative methodologies to get responses from 15 companies. The study identified succession planning as one of the most pressing issues for the small micro medium enterprises within the corporate governance sphere in South Africa. The study found that there was a gap between perceived and actual status of succession planning in the small micro medium enterprises studied and there was major room for improvement in this area. Further the small micro medium enterprises did not put plans in place to groom, train and develop their top managers in-house and hence resorted to hiring from outside. The study pointed that good succession planning can add value to the small micro medium enterprises, making them become more sustainable.

Ali *et al.* (2014) did a study on the impact of succession planning on employee's performance using evidence from Commercial Banks of Pakistan. The study was based on a survey to explore a conceptual model linking succession planning and employee's performance in commercial banks of Pakistan. The banks' staffs formed the study respondents with questionnaires being the research tools. Five point likert scales were used to measure the response from the respondents. The study applied a quantitative approach to investigate the relationship between the study variables. The study results showed a significant positive relationship between internal replacement of the banks' core staff and the performance of employees.

Cheng (2016) in a review of preparing for top management changes with a special focus on the relationship between succession planning processes and succession outcomes established that companies that continually prepared their employees to take up higher roles and responsibilities were more likely to experience lower turnover rates among non-managerial employees. He further asserted that, a firm would further reduce its labour turnover rate if it applied a non-discriminatory promotion policy to more employees across the organization. Similarly, in a study of the trends in leader development and succession, Bernthal and Wellins (2013) asserted that effective succession management calls for organizations to adequately equip their core workforce with necessary skills and competence required to assume managerial roles that may fall vacant. They further argued that internal recruitments of senior management staff increase worker motivation and commitment to the organization, reducing their tendency to think about other job opportunities.

Mehrabani and Mohamad (2011) investigated succession planning as a necessary process in today's organizations. The study was premised on the argument that today's environment is changing rapidly making organizations to face serious unpredictability and uncertainty. The study argued that, in this unstable environment, organizations need to rely on the most important assets: their people. The study noted that organizations need to strategize to motivate and connect their employees in order to create a competitive advantage and achieve higher profitability. The study further noted that organizations may consider methods like succession planning and management to promote their employees' knowledge, skills, talents, and capabilities to tackle problems created by the challenging environments. Succession planning can greatly reduce the skills gap within companies as management can identify potential skills gaps and develop employees accordingly.

Wang'ombe (2013) did a study on the effects of succession planning strategy on the performance of International Non-Governmental Organizations in Kenya. The study adopted a descriptive research design utilizing both primary and secondary data. Data analysis was carried out using qualitative and quantitative techniques with the aid of SPSS 20. The study results revealed that internal recruitment of senior management staff as a SP strategy had a positive relationship with the performance of the International Non-Governmental Organizations in Kenya. In conclusion, the study findings indicated that internal hiring of required expertise as a succession planning technique was a major contributor towards the performance of International Non-Governmental Organizations in Kenya. The study thus recommended that International Non-Governmental Organizations in the country should consider granting their internal staff first priority in their SP endeavours especially in cases where the required competence is available within the organization.

Odengo (2016) studied the influence of succession planning practices on performance of Kenya Power Limited Company (KPLC). The study adopted a descriptive research design. The study had a target population of 1000 KPLC employees and a sample size of 100 employees of KPLC. Primary data was collected through the administration of questionnaires. Data analysis was conducted through descriptive statistics such as frequencies, percentages, means and standard deviation and inferential statistics - correlation and regression analysis using the Statistical Package for Social Sciences (SPSS). The study established that both internal and external hiring of top management team formed an integral component of succession planning strategies at KPLC.

2.3.3 Bench Strength Readiness and Organizational Performance

Avanesh (2011) did a study on succession planning and its impact on organizational performance in the IT sector in Bangalore India. A descriptive cross-sectional design was applied. The study targeted employees of IT firms in Bangalore as study respondents. Data collection was done using questionnaires. Two-tailed t-test and Pearson correlation coefficient together with a simple linear regression were employed in data analysis. The study findings showed that succession planning in the studied population was rather weak. Moreover, the study established that the percentage of management staff that would be identified as being currently ready for promotion within the studied firms was small. As such the study called for enhancement of succession planning practices among the IT firms in Bangalore India.

Adwoa (2014) investigated succession planning as a tool for organizational development using a case of University of Education, Winneba - Kumasi Campus in Ghana. The study employed descriptive case study research design. Quota sampling technique was adopted in choosing the study respondents. Data were gathered with the aid of questionnaires and interviews. Both qualitative and quantitative techniques were adopted in analyzing the data. The study revealed that University of Education, Kumasi Campus had a succession plan policy in place to fill key roles in the institution. The University was able to achieve this mainly through continued staff training and development and performance evaluation programmes that ensured that its core staff had the requisite competence to assume higher positions. Succession planning implementation was found to be integrated in the University's organizational policy.

Akinyele (2015) did a study on succession planning and its impact on organizational survival in Nigeria using the case of Covenant University. The study adopted both case study and cross-sectional research designs. The study targeted top and middle level management staff of Covenant University as the study respondents. Study data was gathered through questionnaires and personal interviews. Pearson correlation coefficient was used for testing the study hypotheses. The study results showed that succession planning had a significant impact on organizational survival in Nigeria. The study confirmed that internal recruitment of key personnel as an element of succession planning had a significant positive impact on the organizational survival of Covenant University.

Mkama (2013) did a study on the assessment of banking succession planning in ensuring its continuity using a case of Mkombozi Commercial Bank PLC in Tanzania. This was a case study where the staff of Mkombozi Commercial Bank Plc formed the study respondents. The implementation of succession planning was evaluated in terms of organizational objectives, top management participation and support as well as top management recruitment sources at various levels of the organization. The study employed questionnaires and interviews in data collection. The data were analyzed using descriptive statistics such as percentages and means. The results of study showed that majority of the respondents were highly satisfied with the way succession planning was implemented in their organization. This was mainly attributed to the bank's staff being offered an opportunity to assume higher responsibilities that arose within the bank.

Adhiambo (2014) did a study on the influence of succession planning practices on performance of selected health service non-governmental organizations in Winam Division of

Kisumu County in Kenya. The study adopted a descriptive survey research design. The study targeted 480 employees of general and management staff of nine NGOs in Winam Division. The study used purposive and stratified sampling techniques in sample selection. Data was collected from study participants using a structured self-administered questionnaire. The study used descriptive statistics to analyze quantitative data using Statistical Package for Social Science (SPSS) application version 19 while qualitative data was analyzed through content and context analysis. The study established that there was a positive relationship between external recruitment of core personnel and performance of health service NGOs in Winam Division.

Odengo (2016) studied the influence of succession planning practices on performance of Kenya Power Limited Company. The study adopted a descriptive research design. The study had a target population of 1000 KPLC employees and a sample size of 100 employees of KPLC. Primary data was collected through the administration of the questionnaires. Data analysis was conducted through descriptive statistics such as frequencies, percentages, means and standard deviation and inferential statistics used both correlation and regression analysis using the Statistical Package for Social Sciences (SPSS). The study findings revealed a strong positive relationship between internal replacement of key staff and the performance of KPLC. Internal replacement of organization's core personnel was thus identified as a critical SP practice at KPLC.

According to a study by Abolaji and Kolade (2011) on succession planning and organizational survival using empirical evidence in Nigerian private tertiary institutions, the study noted that decisions on whether to recruit from inside or outside are not always a

straight forward matter. The study concluded that it is not always easy to tell whether an internal or external replacement of key management personnel will have a positive or negative effect on organizational performance due to other variables that may come into play. Similarly, according to a study by Ali *et al.* (2014) on the impact of succession planning on employee's performance using evidence from Commercial Banks of Pakistan, there is contestation regarding whether to replace core management staff from within or outside. The effect of either an internal or external recruitment of a senior manager replacement on organizational performance could go either way – positive or negative.

2.4 Knowledge Gap

Existing literature provides a mix of results regarding the influence of SP on organizational performance. While studies by the likes of Avanes (2011), Mehrabani and Mohamad (2011), Ishak *et al.* (2013), Ali *et al.* (2014) and Wang'ombe (2013) reported a strong positive correlation between SP and organizational performance, studies by Nwosu (2014) and Pandey and Sharma (2014) reported that SP had a negative impact on employee productivity which in turn led to decreased organizational performance. On their part, Magasi (2016) and Garg and Van Weele (2012) reported that SP did not have any significant effect on organizational performance. This illustrates lack of consensus among the empirical studies as to the effect of SP on organization performance and hence there was need for further research on the subject.

Locally, a number of studies have focused on SP and organization performance. For instance, Adhiambo (2014) on selected health service non-governmental organizations in Winam Division, Kisumu County, Kenya; Nekesa (2013) on Nzoia Sugar Company, Kenya;

Odengo (2016) on Kenya Power Limited Company and Rotich (2014) on family-owned supermarkets in Nairobi County. Whereas these studies enriched the researcher’s understanding on the subject of SP and organizational performance, none of the studies focused on the effect of succession planning on performance of livestock products based corporate firms in Kenya which is the research gap that the current study sought to fill.

2.5 Conceptual Framework

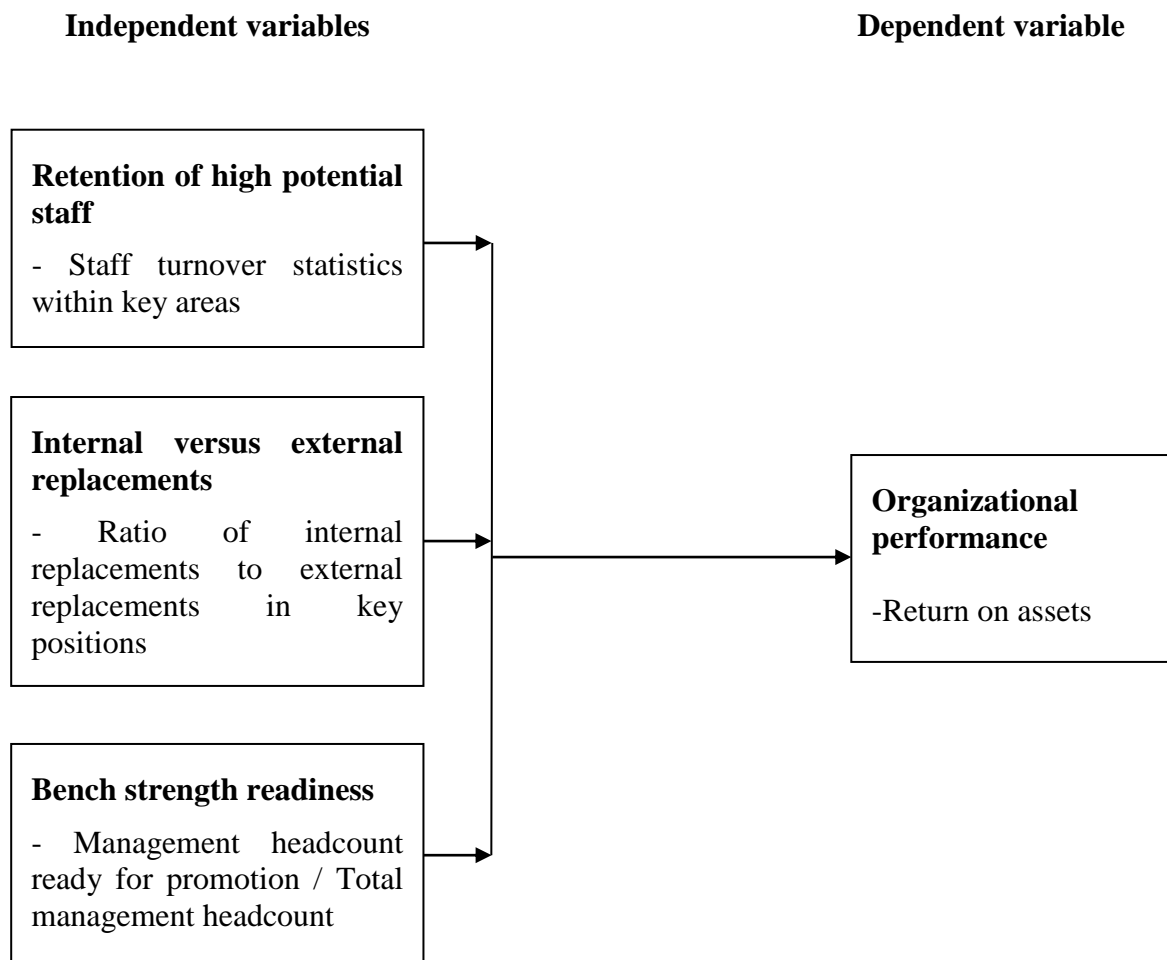


Figure 2.1 Conceptual framework

2.6 Operationalization of Variables

The operationalization of the study variables was as summarized in Table 3.1 below.

Table 3.1 Operationalization of Variables

Study variable type	Variable	Operationalization	Measurement scale	Hypothesized direction
Dependent variable	Organizational performance	Net income / Total assets	Ratio	-
Independent variables	Turnover of high potential staff	Number of key management personnel who have left / Total number of management staff	Ratio	Inverse
	Internal versus external replacements	Internal replacements in key positions / External replacements in key positions	Ratio	Positive
	Bench strength readiness	Management headcount ready for promotion / Total management headcount	Ratio	Positive

Source: Researcher (2017)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that the researcher used to conduct the study. The research methodology is presented in the following order: research design, target population, sampling and sampling procedure, research instrument, validity and reliability of the instrument, data collection procedure and data processing and analysis.

3.2 Research Design

This study used a descriptive research design. This was because descriptive research design is appropriate where the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions (Cooper and Schindler, 2011). The design was suitable since it helped the researcher to describe the state of affairs, with respect to the effect of SP on organization performance of the selected livestock products based firms in Kenya, as it existed without manipulation of variables.

3.3 Target Population

Target population in statistics is the specific population about which information is desired (Kothari, 2004). According to Denscombe (2014), a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated. The target population of this study was selected livestock products based corporate firms in Kenya. According to the Ministry of Agriculture, Livestock and Fisheries there were a total of 300 livestock products based firms in Kenya registered with the Ministry as of 2016. This formed the study's target population.

3.4 Sampling and Sampling Procedure

The study had a sample size of 30 livestock products based firms in Kenya derived from the target population of 300 firms registered with the Ministry of Agriculture, Livestock and Fisheries. This was based on Mugenda and Mugenda (2009) who postulated that for descriptive studies, 10 – 30 percent of the total population is adequate for statistical reporting.

The sample size distribution was as illustrated in Table 3.2.

Table 3.2 Sample size distribution

Type of Product it handles	Target population	Sample size %	Sample size
Meat	124	10	12
Milk	88	10	9
Eggs	56	10	6
Hides	32	10	3
Total	300	10	30

Source: Ministry of Agriculture, Livestock and Fisheries, 2016

The study employed both stratified and simple random sampling techniques in sample selection. Stratified sampling procedure was used to categorize the firms on the basis of the livestock products they dealt with (as depicted in Table 3.2 above) while the simple random sampling technique was applied across the strata as it accords each element in a population an equal probability of being sampled hence eliminating representative biasness (Mugenda & Mugenda, 2009).

3.5 Data Collection

For the purpose of this study, the researcher used secondary data. The secondary data was obtained from the annual financial and management reports of the selected livestock products based firms in Kenya for a period of 5 years between 2012 and 2016. The study period of 5 years enabled the researcher to gather sufficient data on the study variables thereby being able to establish the trend in SP practices and organizational performance among the selected firms.

3.6 Diagnostic Tests

3.6.1 Hausman Test

The Hausman test in panel data analysis is generally the accepted way of choosing between fixed and random effects models. The Hausman test detects endogenous regressors (predictor variables) in a regression model. Endogenous variables have values that are determined by other variables in the system. Having endogenous regressors in a model causes the ordinary least squares estimators to fail, as one of the assumptions of OLS is that there is no correlation between the predictor variable and the error term. Instrumental variables estimators can be used as an alternative in this case. However, before one can decide on the best regression method, one is required to figure out if the predictor variables are endogenous. This is what the Hausman test does (Bell & Jones, 2015).

In panel data analysis (the analysis of data over time), the Hausman test helps one to choose between fixed effects model and random effects model. The null hypothesis was that the preferred model is random effects while the alternate hypothesis was that the model is fixed effects. Essentially, the test looks to see if there is a correlation between the unique

errors and the regressors in the model. The null hypothesis is that there is no correlation between the two. The hausman test therefore tests the null hypothesis that the coefficients estimated by the efficient random effects estimator are the same as the ones estimated by the consistent fixed effects estimator. If they are insignificant, meaning that P-value, Prob. > 0.05, then it is safe to use random effects. However, if the P-value < 0.05, one should use fixed effects (Hsiao, 2014).

3.6.2 Normality

As part of exploratory data analysis, test for normality of distribution of the response variable was conducted. Normality of the data was tested using the Shapiro – Wilk test. The significance level for this study was $\alpha = 5\%$. For $P \geq 0.05$ normality was assumed while for $P < 0.05$ deviation from normality was assumed. In case the data was found not to be normal, the study would perform a non-parametric version of the test, which does not assume normality (Ghasemi & Zahediasl, 2012).

3.6.3 Heteroscedasticity

The non existence of heteroscedasticity (or simply, homoscedasticity) which refers to the assumption that the variability in scores for one continuous variable is roughly the same at all values for another continuous variable (Garson, 2012) constitutes another assumption of multivariate analysis. To test for heteroscedasticity in this study, the researcher used using the Breuch-pagan / cook-weisberg test. For the Breusch-Pagan / Cook-Weisberg test, the null hypothesis is that the error variances are all equal while the alternative hypothesis is that the error variances are a multiplicative function of one or more variables. For the Breusch-Pagan / Cook-Weisberg test, homoscedasticity is evident when the value of “Prob > Chi-squared” is

greater than 0.05 (Bera & Jarque, 2012). To deal with the heteroskedasticity problem if detected, the researcher would try to respecify the model or transform the variables given that sometimes heteroskedasticity results from improper model specification evidenced by choice of wrong variables or using variables whose effects may not be linear (Garson, 2012).

3.6.4 Multicollinearity

Multicollinearity in the study was tested using variance inflation factor (VIF) and Tolerance. The reciprocal of tolerance known as the variance inflation factor (VIF) shows how much the variance of the coefficient estimate is being inflated by multicollinearity. A VIF for all the independent and dependent variables of between 1 and 10 indicated no multicollinearity while a VIF of > 10 and < 1 indicated multicollinearity problem (Maddala & Lahiri, 1992). The Tolerance Statistics values below 0.1 also indicated a multicollinearity problem. To deal with the problem of multicollinearity if detected, the researcher would obtain more data on the variables concerned if possible or ultimately remove the highly correlated predictors from the model (Garson, 2012).

3.7 Data Processing and Analysis

The quantitative data gathered through close ended questions was analyzed through descriptive statistics using the Statistical Package for Social Science (SPSS version 23.0) and presented through percentages, frequencies, mean and standard deviation. Tables were used to present the study findings.

For the purpose of analyzing the relationship between the study variables, the study used both correlation and panel data regression analysis. Correlation analysis was applied in the study

as it allows the quantification of the strength of the relationship between the independent variables and dependent variable. Panel data regression analysis helped the researcher to analyze the existing relationships between the study's independent variable and the dependent variable. The key benefit of using regression analysis lied in its ability to indicate the extent to which changes in the independent variables affect the dependent variable. It was also able to indicate the relative strength of the different independent variables' effects on the dependent variable.

The panel data regression model used was as follows;

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon_{it} \dots\dots\dots \text{Equation 3.1}$$

Where;

Y = Organizational performance (which is the dependent variable)

X₁ = Turnover of high potential staff

X₂ = Internal versus external replacements

X₃ = Bench strength readiness

β₀ = Constant

β₁ - β₃ = Coefficients of independent variables

i = The 30 sampled livestock products based firms in Kenya from the 1st to the 30th

t = Time period in years, starting from year 1 to year 5 [that is, 2012 - 2016]

ε = Error term

Further, the t-test with a critical value of 1.96 and a p value of 0.05 was used to test the significance of the effect of turnover of high potential staff, internal versus external replacements and bench strength readiness on the organizational performance of the selected livestock products based companies in Kenya. According to Kothari (2004) an independent variable has a significant effect if the t statistics is greater than + or – 1.96 or if the p value is less than 0.05.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis and findings of the study as set out in the research methodology. The results were presented on the effect of succession planning on performance of selected livestock products based corporate firms in Kenya. The study data was collected from the annual financial and management reports of the 30 selected livestock products based firms in Kenya for a period of 5 years between 2012 and 2016 based on the study variables.

4.2 Descriptive Statistics

4.2.1 Organizational Performance of the Selected Livestock Products Based Corporate Firms in Kenya

The study evaluated the organizational performance of the selected livestock products based corporate firms in Kenya over the 5 year period between 2012 and 2016. The results are as shown in Table 4.3.

Table 4.3 Organizational performance (ROA) of the selected livestock products based corporate firms in Kenya

Year	N	ROA	
		Mean	Std. Dev.
2012	30	1.22	1.788
2013	30	1.26	3.014
2014	30	1.40	2.279
2015	30	1.51	4.745
2016	30	1.63	2.413

Based on Table 4.3 above, the lowest ROA value for the selected livestock products based corporate firms in Kenya was a mean of 1.22 in year 2012 while the highest ROA value for the selected livestock products based corporate firms in Kenya was a mean of 1.63 in year 2016. This represented a positive change in the ROA mean values of 33.6% over the 5 year period. The steady rise in ROA mean values over the 5 year period indicates that the organizational performance of the selected livestock products based corporate firms in Kenya improved over the 5 year period.

4.2.2 Succession Planning Variables

To study the succession planning of the selected livestock products based corporate firms in Kenya, the study extracted data on turnover of high potential staff, internal versus external replacements and bench strength readiness of the firms over the 5 year period between 2012 and 2016. The findings are as illustrated in Table 4.4.

Table 4.4 Succession Planning Components

		Turnover of high potential staff		Internal versus external replacements		Bench strength readiness	
Year	N	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
2012	30	0.102	2.891	0.334	5.761	0.072	3.212
2013	30	0.082	3.045	0.398	4.802	0.089	2.792
2014	30	0.066	1.609	0.437	4.023	0.114	3.076
2015	30	0.061	3.182	0.470	2.945	0.124	2.551
2016	30	0.043	2.547	0.518	3.901	0.138	2.862
Aggregate change (%)		(-) 57.8		55.1		91.7	

For the turnover of high potential staff values of the selected livestock products based corporate firms in Kenya, the study found that there was a negative aggregate mean change of 57.8% as depicted by the decline in mean values from 0.102 in 2012 to 0.043 in 2016. This implies that on average the selected livestock products based corporate firms in Kenya were able to better retain their high potential staff members over the 5 year period. The findings depicted that the turnover of high potential staff inversely related to the organizational performance of the selected livestock products based corporate firms in Kenya over the 5 year period.

For the internal versus external replacement values of the selected livestock products based corporate firms in Kenya, the study found that there was a positive aggregate mean change of 55.1% as depicted by the increase in mean values from 0.334 in 2012 to 0.518 in 2016. This

implies that on average the selected livestock products based corporate firms in Kenya were able to increase the proportion of internal staff who assumed management positions that fell vacant, instead of recruiting from outside, over the 5 year period. The findings depicted that the increased internal replacement of management positions positively related to the organizational performance of the selected livestock products based corporate firms in Kenya over the 5 year period.

For the bench strength readiness values of the selected livestock products based corporate firms in Kenya, the study established that there was a positive aggregate mean change of 91.7% as depicted by the increase in mean values from 0.072 in 2012 to 0.138 in 2016. This implies that on average the selected livestock products based corporate firms in Kenya were able to improve their bench strength readiness (that is, the proportion of management staff ready for promotion) over the 5 year period. The findings depicted that increased bench strength readiness positively related to the organizational performance of the selected livestock products based corporate firms in Kenya over the 5 year period.

4.3 Inferential Statistics

4.3.1 Correlation Analysis

The study performed the Pearson correlation analysis to assess the relationship between the study variables. The results are as illustrated in Table 4.5.

Table 4.5 Correlation Matrix

		Organizational performance	Turnover of high potential staff	Internal versus external replacements	Bench strength readiness
Organizational performance	(r) Sig. (2-tailed)	1			
Turnover of high potential staff	(r) Sig. (2-tailed)	-.708*	1		
Internal versus external replacements	(r) Sig. (2-tailed)	.624*	.127	1	
Bench strength readiness	(r) Sig. (2-tailed)	.669*	.142	.055	1
		.000	.292	.176	

*Correlation is significant at the 0.05 level (2-tailed)

Results of the Pearson correlation as shown on Table 4.5 above indicate that there is a significant negative correlation between turnover of high potential staff and organizational performance ($r=-0.708$, p value <0.05); a significant positive correlation between internal versus external replacements and organizational performance ($r=0.624$, p value <0.05) and a significant positive correlation between bench strength readiness and organizational performance ($r=0.669$, p value <0.05). In general, the findings indicate that there exist an inverse correlation between turnover of high potential staff and organizational performance and a positive correlation between internal versus external replacements and bench strength readiness as succession planning constructs and organizational performance of the selected

livestock products based corporate firms in Kenya. This agreed with Owusu (2012) and Mehrabani and Mohamad (2011) who identified internal management replacement decisions and bench strength readiness as some of the factors that had a significant positive impact on organizational performance while high turnover of core management staff adversely affects organizational performance.

4.3.2 Tests of the Model and Data

4.3.2.1 Hausman Test

The study applied the Hausman Test to choose between fixed and random effects models by evaluating whether there were endogenous regressors in the regression model. The null hypothesis was that the preferred model is random effects (meaning, there is no correlation between the error term and the regressors in the model) while the alternate hypothesis was that the model is fixed effects (that is, there is a correlation between the error term and the regressors in the model). The significance level for this test was $p = 5\%$. For $p \geq 0.05$ the null hypothesis would be accepted while for $p < 0.05$ the alternate hypothesis would be accepted. The Hausman test results were as shown in Table 4.6.

Table 4.6 Correlated random effects – Hausman test

Test summary	Chi Sq. Statistic	df	Sig.
Cross section random	3.418	3	.612

Table 4.6 above indicates that the significance value for the Hausman test was 0.612. Given that the p-value of Hausman test was greater than the chosen alpha level of 0.05 then we

accept the null hypothesis that the preferred model is random effects. This implies that there is no correlation between the predictor variables and the error term.

4.3.2.2 Tests of Normality

As part of exploratory data analysis, tests for normality of distribution of the response variables were conducted. The normality of the data was tested using the Shapiro – Wilk test at a significance level (p) of 5%. For $p \geq 0.05$ normality was assumed while for $p < 0.05$ deviation from normality was assumed. The normality tests results were as shown in Table 4.7.

Table 4.7 Tests of Normality

Variables	Shapiro-Wilk		
	Statistic	df	Sig.
Turnover of high potential staff [X ₁]	.914	30	.822
Internal versus external replacements [X ₂]	.871	30	.791
Bench strength readiness [X ₃]	.944	30	.858
Organizational performance [Y]	.716	30	.646

Table 4.7 above indicates that the significance values for the Shapiro-Wilk tests were 0.822 for turnover of high potential staff, 0.791 for internal versus external replacements, 0.858 for bench strength readiness and 0.646 for organizational performance. This implies that since the p-value of Shapiro-Wilk tests was greater than the chosen alpha level of 0.05 then we accept the hypothesis that the data came from a normally distributed population. The results of the tests are therefore of a normally distributed population.

4.3.2.3 Heteroskedasticity Tests

Heteroskedasticity occurs when the variance of the error terms differ across observations. This test is useful to examine whether there is difference in residual variance of the observation period to another period of observation (Godfrey, 1996). To test for heteroscedasticity in this study, the researcher used using the Breuch-pagan / cook-weisberg test. For the Breusch-Pagan / Cook-Weisberg test, the null hypothesis is that the error variances are all equal while the alternative hypothesis is that the error variances are a multiplicative function of one or more variables. For the Breusch-Pagan / Cook-Weisberg test, homoscedasticity is evident when the value of “Prob > Chi-squared” is greater than 0.05 (Bera & Jarque, 2012). The results for the heteroskedasticity tests were as shown in Table 4.8.

HO	Constant variance
Study variables	Turnover of high potential staff, internal versus external replacements and bench strength readiness

Table 4.8 Test for Heteroscedasticity

HO	Variables	Chi ²	Prob. > Chi ²
Constant Variance	X ₁ X ₂ and X ₃	31.88	.149

Table 4.11 shows that the constant variance (Chi² = 31.88) is insignificant (P = 0.149). Thus we fail to reject the null hypothesis and conclude that the error variance is equal thus heteroscedasticity is not a problem in the study data. Hence, we accept the null hypothesis that there is no difference in residual variance of independent to dependent variables tested.

4.3.2.4 Multicollinearity Tests

Multicollinearity is a test that evaluates whether the independent variables are highly correlated. The primary concern is that as the degree of multicollinearity increases, the regression model estimates of the coefficients become unstable and the standard errors for the coefficients can get wildly inflated. Multicollinearity in this study was tested using Variance Inflation Factor (VIF) and Tolerance. For the purpose of this study, a VIF for all the independent and dependent variables of between 1 and 10 indicated no multicollinearity while a VIF of > 10 and < 1 indicated multicollinearity. Further, Tolerance Statistics values below 0.1 indicated a multicollinearity problem (Maddala & Lahiri, 1992). The multicollinearity tests results were as shown in Tables 4.9 to 4.11 below.

Table 4.9 Multicollinearity between turnover of high potential staff and internal versus external replacements and bench strength readiness

Coefficients ^a			
Model	Collinearity Statistics		
	Tolerance	VIF	
1	Internal versus external replacements	.418	4.290
	Bench strength readiness	.602	3.072

a. Dependent Variable: Turnover of high potential staff

Table 4.10 Multicollinearity between internal versus external replacements and turnover of high potential staff and bench strength readiness

Coefficients ^a			
Model	Collinearity Statistics		
	Tolerance	VIF	
1	Turnover of high potential staff	.805	1.588
	Bench strength readiness	.977	2.941

a. Dependent Variable: Internal versus external replacements

Table 4.11 Multicollinearity between bench strength readiness and turnover of high potential staff and internal versus external replacements

Coefficients ^a			
Model	Collinearity Statistics		
	Tolerance	VIF	
1	Turnover of high potential staff	.341	2.638
	Internal versus external replacements	.522	3.306

a. Dependent Variable: Bench strength readiness

From the results of the multicollinearity tests shown in Tables 4.9 to 4.11 above, there was no multicollinearity among the independent variables since their VIF values lied between 1 and 10.

4.4.4 Regression Analysis

In order to determine the effect of turnover of high potential staff, internal versus external replacements and bench strength readiness as SP constructs on performance of the selected livestock products based corporate firms in Kenya, the study conducted a multiple regression analysis. The results are as summarized below;

Table 4.12 Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.892 ^a	0.796	0.773	.9952

Predictors: (Constant), turnover of high potential staff, internal versus external replacements and bench strength readiness

According to Table 4.12 above, R square is the coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variables. From Table 4.12 above, the value of R square was 0.796 which means that 79.6% variation in the performance of the selected livestock products based corporate firms in Kenya was due to variations in turnover of high potential staff, internal versus external replacements and bench strength readiness. Hence, 20.4% of variation in the performance of the selected livestock products based corporate firms in Kenya was explained by other factors not in the model or not focused on in the current study.

Table 4.13 ANOVA (Analysis of Variance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112.088	3	37.36267	35.121	.0000 ^a
	Residual	28.723	27	1.063815		
	Total	140.811	30			

a. Predictors: (Constant), turnover of high potential staff, internal versus external replacements and bench strength readiness

b. Dependent Variable: Organizational performance

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. The "F" column provides a statistic for testing the hypothesis that all $\beta \neq 0$ against the null hypothesis that $\beta = 0$ (Weisberg, 2005). From the findings the significance value is .0000 which is less than 0.05 thus the model is statistically significant in predicting how turnover of high potential staff, internal versus external replacements and bench strength readiness as SP constructs affect the organizational performance of the selected livestock products based corporate firms in Kenya.

Table 4.14 Regression analysis results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.793	.812		4.671	.0001
Turnover of high potential staff [X ₁]	-.831	.286	.368	2.906	.0072
Internal versus external replacements [X ₂]	0.712	.329	.189	2.164	.0395
Bench strength readiness [X ₃]	0.774	.310	.227	2.497	.0189

Based on the regression results shown on Table 4.18 above, the regression model becomes;

$$Y = 3.793 + -.831 X_1 + 0.712 X_2 + 0.774 X_3 + \varepsilon$$

From the regression equation above, taking all factors (turnover of high potential staff, internal versus external replacements and bench strength readiness) constant at zero, organizational performance of the selected livestock products based corporate firms in Kenya would be 3.793. The results further indicate that a unit increase in the turnover of high potential staff would lead to a 0.831 decrease in the firms' organizational performance; a unit increase in internal versus external replacements would lead to a 0.712 increase in the firms' organizational performance while a unit increase in bench strength readiness would lead to a 0.774 increase in the firms' organizational performance. At 5% significance level [or 95% level of confidence], turnover of high potential staff had a 0.0072 level of significance; internal versus external replacements had a 0.0395 level of significance while bench strength

readiness had a 0.0189 level of significance. All the variables were significant ($p < 0.05$) with the most significant factor being turnover of high potential staff followed by bench strength readiness and internal versus external replacements, respectively.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusions and recommendations of the study based on the study objectives. The chapter also highlights suggested areas for further research. The study sought to establish the effect of succession planning on performance of selected livestock products based corporate firms in Kenya.

5.2 Summary

5.2.1 Turnover of High Potential Staff and Organizational Performance

The study found out that there was a steady decrease in the turnover of high potential staff of the selected livestock products based corporate firms in Kenya as reflected by the decrease in mean values from 0.102 in year 2012 to 0.043 in year 2016. The regression analysis results further revealed that there existed a significant negative relationship (with a beta value of -0.831) between turnover of high potential staff and the firms' organizational performance, implying that a decrease in turnover of high potential staff was associated with improved organizational performance among the selected livestock products based corporate firms in Kenya over the 5 year period.

This agreed with Bolton and Roy (2014) who in a review of securing the future through succession planning argued that turnover of an organization's core staff has a negative effect on its performance especially in light of the fact that the cost of replacing workers is high, finding skilled employees can be difficult as well, and investments in training are currently less secure. This also concurred with Avanes (2011) who argued that one of the ways to

enhance organizational performance is to retain an organization's high potential staffs. Similarly, Akinyele (2015) argued that acquisition, development and retention of talent form the basis for developing competitive advantage in many industries and countries.

5.2.2 Internal versus External Replacements and Organizational Performance

The study found out that there was a steady increase in the internal versus external replacements of the selected livestock products based corporate firms in Kenya as reflected by the increase in mean values from 0.334 in year 2012 to 0.518 in year 2016. The regression analysis results further revealed that there existed a significant positive relationship (with a beta value of 0.712) between internal versus external replacements and the firms' organizational performance, implying that an increase in internal versus external replacements (that is, proportion of management positions filled internally rather than externally) was associated with improved organizational performance among the selected livestock products based corporate firms in Kenya over the 5 year period.

This was consistent with Ali *et al.* (2014) who argued that firms can improve their profitability through motivating their core staff by offering them the opportunity to fill key management positions that may arise within the firm. This also agreed with Bernthal and Wellins (2013) who argued that firms with stronger internal career progression policies often outperform those firms with weak internal career progression policies as internal recruitments of senior management staff increase worker motivation and commitment to the organization.

5.2.3 Bench Strength Readiness and Organizational Performance

The study found out that there was a steady increase in the bench strength readiness of the selected livestock products based corporate firms in Kenya as reflected by the increase in mean values from 0.072 in year 2012 to 0.138 in year 2016. This implies that on average the selected livestock products based corporate firms in Kenya were able to improve their bench strength readiness (that is, the proportion of management staff ready for promotion) over the 5 year period. The findings depicted that increased bench strength readiness positively related to the organizational performance of the selected livestock products based corporate firms in Kenya over the 5 year period.

The regression analysis results further revealed that there existed a significant positive relationship (with a beta value of 0.774) between bench strength readiness and the firms' organizational performance, implying that an increase in bench strength readiness (that is, the proportion of management identified as ready for promotion) was associated with improved organizational performance among the selected livestock products based corporate firms in Kenya over the 5 year period.

This was consistent with Adwoa (2014) who found that firms with better bench strength readiness exhibited stronger performance compared to those with poor bench strength readiness. The findings also agreed with Mkama (2013) who in a study of banking succession planning using a case of Mkombozi Commercial Bank PLC in Tanzania found that majority of the study respondents were highly satisfied with the way succession planning was implemented in their organization and this was mainly attributed to the bank's staff being offered an opportunity to assume higher responsibilities that arose within the bank. This also

agreed with Cook (2015) who observed a close positive relationship between bench strength readiness as a talent management strategy and organizational performance.

5.3 Conclusions

Given the steady decrease in the turnover of high potential staff over the 5 year period and the corresponding increase in the organizational performance of the selected livestock products based corporate firms in Kenya over the same period, the study concludes that turnover of high potential staff as a SP construct negatively impacted on the organizational performance of the selected livestock products based corporate firms in Kenya over the 5 year period.

Given the steady increase in the internal versus external replacements (that is, proportion of management positions filled internally rather than externally) over the 5 year period and the corresponding increase in the organizational performance of the selected livestock products based corporate firms in Kenya over the same period, the study concludes that internal versus external replacements as a SP construct positively impacted on the organizational performance of the selected livestock products based corporate firms in Kenya over the 5 year period.

Given the steady increase in the bench strength readiness (that is, the proportion of management identified as ready for promotion) over the 5 year period and the corresponding increase in the organizational performance of the selected livestock products based corporate firms in Kenya over the same period, the study concludes that bench strength readiness as a SP construct positively impacted on the organizational performance of the selected livestock products based corporate firms in Kenya over the 5 year period.

5.4 Recommendations

Given that turnover of high potential staff negatively relates to organizational performance of the selected livestock products based corporate firms in Kenya, the study recommends that the selected livestock products based corporate firms in Kenya should enhance their talent retention strategies in order to be able to engage their core management staff for the long term. To further enhance the retention of high potential staff, the study also recommends that the selected livestock products based corporate firms in Kenya should implement strategic human resource policies and processes that provide a work environment that meets the core management staff's needs.

Given that internal versus external replacements (that is, proportion of management positions filled internally rather than externally) positively relates to organizational performance of the selected livestock products based corporate firms in Kenya, the study recommends that the selected livestock products based corporate firms in Kenya should institute strong internal career progression policies that offer existing competent organizational personnel the opportunity to take up managerial positions that may arise within the organization.

Given that bench strength readiness positively relates to organizational performance of the selected livestock products based corporate firms in Kenya, the study recommends that the selected livestock products based corporate firms in Kenya should support the continuous development of its core staff in terms of managerial skills and competence in order to ensure that they have an adequate human resource pool ready for promotion.

5.5 Suggested Areas for Further Research

Since this study explored the effect of succession planning on performance of livestock products based corporate firms in Kenya, the study recommends that similar studies should be done in other corporate firms in other sectors of Kenya's economy for comparison purposes and to allow for generalization of findings on the effect of succession planning on organizational performance among corporate firms in Kenya.

5.6 Limitations of the Study

The study was based on secondary data which suffers from limitations such as the statistics may reflect the biases of those in authority, the way the statistics are measured may change over time and this would make historical comparisons difficult and the existing record on such data may lack authenticity especially where it is not clear who prepared the records and where the records miss critical information.

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APPENDICES

Appendix I: List of Selected Livestock Products Based Firms in Kenya

1. Kenchic Ltd
2. Mara Beef
3. Kenya Meat Commission
4. Alpha Fine Foods
5. Echo Chicks Poultry Ltd
6. Halal Meat Supplies
7. Quality Meat Packers
8. Essense Meat Suppliers
9. Kims Poultry Farm
10. Choice Meat Ltd
11. Farmers Choice Ltd
12. Delamere
13. Limuru Dairy
14. Brookside
15. Aberdares Dairy
16. Palm House Dairy
17. Uplands Dairy
18. Githunguri Dairy
19. Kenya Co-operative Creameries
20. Oriental Dairy
21. Ilara Dairies
22. Premier Dairy
23. Alphazama Ltd
24. Athi River Tanneries
25. Nairobi Tanneries Ltd
26. Aziz Tanneries
27. Sagana Tanneries
28. Bulleys Tanneries
29. Nakuru Tanneries
30. Rift Valley Leather Ltd

Appendix II: Secondary Data on Study Variables

ROA Values of the Selected Livestock Products Based Firms in Kenya

		ROA Values (as a ratio)				
		2012	2013	2014	2015	2016
1	Kenchic Ltd	0.38	0.42	0.69	0.91	1.12
2	Mara Beef	0.64	0.59	0.68	0.82	0.88
3	Kenya Meat Commission	1.11	1.19	1.34	1.47	1.61
4	Alpha Fine Foods	1.09	1.12	1.12	1.09	1.04
5	Echo Chicks Poultry Ltd	2.17	2.03	2.12	2.25	2.4
6	Halal Meat Supplies	2.05	1.61	1.88	1.73	1.93
7	Quality Meat Supplies	1.3	1.34	1.41	1.68	1.82
8	Essence Meat Suppliers	1.66	1.90	2.14	2.20	2.31
9	Kims Poultry Farm	0.24	0.32	0.49	0.64	0.64
10	Farmers Choice Ltd	1.34	1.26	1.47	1.78	1.78
11	Choice Meat Ltd	0.77	1.14	1.30	1.21	1.35
12	Brookside	1.55	1.88	1.72	1.94	2.17
13	Delamere	0.29	0.36	0.38	0.47	0.55
14	Limuru Dairy	0.44	0.52	0.60	0.69	0.76
15	Aberdares Dairy	1.21	1.27	1.34	1.61	1.54
16	Palm House Dairy	2.42	2.69	2.75	2.52	2.76
17	Uplands Dairy	1.38	1.42	1.83	1.79	1.84
18	KCC	0.92	1.21	1.39	1.55	1.71
19	Githunguri Dairy	1.36	1.11	1.06	1.18	1.33
20	Premier Dairy	2.14	1.91	2.23	2.37	2.69
21	Ilara Dairies	1.57	1.57	1.82	2.02	2.18
22	Oriental Dairy	2.28	2.45	2.57	2.74	2.9

23	Alphazama Ltd	0.08	0.14	0.17	0.25	0.36
24	Athi River Tanneries	0.93	0.88	1.10	1.26	1.44
25	Nairobi Tanneries Ltd	1.06	1.31	1.54	1.66	1.79
26	Aziz Tanneries	2.31	2.12	2.42	2.60	2.74
27	Sagana Tanneries	1.44	1.49	1.55	1.69	1.81
28	Bulleys Tanneries	1.09	1.16	1.21	1.28	1.37
29	Nakuru Tanneries	0.77	0.80	0.97	1.12	1.24
30	Rift Valley Leather Ltd	0.63	0.69	0.75	0.83	0.89
	Mean	1.22	1.26	1.40	1.51	1.63

Source: Individual Firms' Annual Financial and Management Reports (2012-2016)

Succession Planning Components Mean and Standard Deviation Values

Year	N	Turnover of high potential staff		Internal versus external replacements		Bench strength readiness	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
2012	30	0.102	2.891	0.334	5.761	0.072	3.212
2013	30	0.082	3.045	0.398	4.802	0.089	2.792
2014	30	0.066	1.609	0.437	4.023	0.114	3.076
2015	30	0.061	3.182	0.470	2.945	0.124	2.551
2016	30	0.043	2.547	0.518	3.901	0.138	2.862

Source: Individual Firms' Annual Management Reports (2012-2016)