Sustaining Transport Business: Analyzing Succession Planning for Family - Owned Transport Enterprises

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Abstract: In the context of business, succession involves the transfer of leadership for the purposes of continuing operations. This paper’s primary goal is to address the importance of succession planning in relation to transport business sustainability. It is revealed that, Succession is based on culture and customs, that one is selected from the family members to take over the business regardless of competence and experience which leads to business sustainability failure. Study show the factors of succession includes culture setup, lack of succession planning knowledge and succession crisis. Finally, it is recommended that succession planning must reflect true succession management process.

Keywords: Succession, Strategic succession planning, sustainability, Family business, entrepreneurship

1. Introduction

Business sustainability is a concept that acts for anticipating incidents that will influence mission - critical functions and processes for the organization and ensured that it responds to any event in a planned operation (Rick & Jacobs, 2013). Also, business sustainability is defined as managing the triple bottom - line process by which the company manages their financial, social and the environmental risks, obligation and opportunities (DesJardine & Practima, 2014). However, it has been noted that many transport companies appear to lack a properly integrated approach towards business sustainability and its planning. The integrated approaches include entrepreneurship education for business succession, business management and leadership skills (Singstat, 1998; Gibb & Buchanan, 2006; Mainoma & Arua, 2011).

In a nutshell, an effective Business Sustainability plan is crucial to transport enterprises as it helps them with crisis adaptability, which is the key to continuity and survivability of the company. The concern of this paper is to evaluate the reasons that influence the failure of sustainability in transport business in Tanzania by taking a study of transport businesses in Njombe and Iringa Regions. The paper addresses to whether succession plan could be an answer to transport family business sustainability. Transportation sustainability is all about carrying several emergency plans to hedge against risks and to reduce the associated impacts, business failures and losses (Jacob, 2013). Business sustainability may be referred as internalizing ability to have a focused response management to deal with the situation once the consequences are known. The extent to which a company has embedded business sustainability can play a decisive role in its ability to react in a business environment with emerging crises, contingencies and uncertainties (Dye & Beckhard, 1986; Low & Sio, 2010). The term business sustainability can also refer to the identification and protection of critical business processes and resources required in maintaining an acceptable level of business. Protecting such resources and preparing procedures to ensure the survival of the organization in times of business disruption. There are three major resources considered in business sustainability, human resources, financial resources and physical and movable resources. This paper concentrates on human resources management as a factor for transport business failures/successes for sustainability.

2. Theoretical and Literature Review

The business sustainability today takes part of its company development programmes. The majority of managers reflect a particular interest in the critical theory of sustainability development as developed by John Wiley (Springett, 2003). This theory of sustainability states that business sustainability is a function of three dimensions namely economic, social and environmental performance. By development of this theory researcher have been placing interests on sustainable development. The concern of researchers on business sustainable development regards economic, social and environmental performance and the theory is termed as the triple bottom - line theory of sustainability (Springett, 2003). A Study by Colbert and Kurucs when criticizing the theory asserts that a company that uses triple bottom - line approach had better sustainability as compared other counterparts (Colbert & Kurucs, 2007).

The strength of the theory is that its basis of sustainability for companies deeply concentrates into the three dimensions which are economical, social and environmental as the basis of sustainability. The theory seems to be a summary of other sustainability theories. However, the weakness of the theory regardless of considering economical, social and environment orientation, HR issues have not been considered as an issue in sustainability. Also, it is argued that the theory does not expose the role of managers clearly to business sustainability. The theory considers the business sustainability in the area of economic, social and environmental setting. This paper adds literature on consideration of Human Resources as any important element for business sustainability efforts. It is the concern of this paper, therefore to deal with one element of HR for
sustainability, succession planning for the family transport businesses.

2.1 Human Resources and its Importance to Sustainability

The importance of human resources for a sustainable organisation cannot be neglected by any firm. The rapid increase in globalisation of business has created a stiff competitive environment where one effective way to remain in competition is for an organisation to develop and improve the workforce (Astrachan & Kolenko, 1994). Organisation flexibility is vital for survival in the competitive markets as the customers’ trends changes rapidly; as a result firms have a great need to recruit and retain skilled workforce with multiple competences and experiences. This means to retain those developed within a firm with trained experience to be a strategy. Employee’s commitment and loyalty to the firm are also important management issue for sustainability (Olomi, 2004; Banfield & Kay, 2008; Senyucel, 2009). For employees to be loyal and committed need retention strategies, the strategy includes the assurance of an employee for being promoted to higher levels. To do so, succession planning could be a solution for retention.

2.2 Succession Planning

Succession Planning is the transfer of a business management that results from the owners’ wish to retire or to leave the business for some reasons. Succession can involve a transfer to members of the owner’s family, employees, or external buyers. Successful succession results in business continuity, at least in the short and medium term (Martin, et al., 2002; Harveston, et al., 1997). Thus, in broad terms, strategic succession planning is a process through which companies plan for the future transfer of ownership and/or top management. However, care should be exercised so as not to confuse succession planning with replacement planning. While replacement planning is often referred to as a means of risk/crisis management aimed at reducing the likelihood of catastrophe from the unplanned loss of key personnel. Succession planning entails a longer term and more extensive approach towards the training and replacement of key individuals (Rothwell, 2001; Jacobs & Ip, 2012).

Succession planning (SP) 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 ( Jacobs & Ip, 2012). In this context, SP encompasses not only top - level management also a width of other levels of employees. It can cover issues such as the procedures necessary for a successful transfer, legal and financial considerations, psychological factors, leadership development, and exit strategies.

Despite the acknowledged importance of transport business to individual person and nation at large, little is known about the role of succession planning process. Several studies have been done in Human resource succession planning in other fields. This paper concentrates to reviewing succession planning for transport business. Very few studies have been done to see the need of succession planning for transport business specifically for family business. One of this papers’ primary goal is to address this gap and add knowledge by looking at limiting factor for succession planning in transport business which is assumed among the causes of transport failure for sustainability. However, human resource as part and parcel of the business success and sustainability will be addressed to merge with the concept of succession planning.

The need to improve our understanding of succession planning and its determinants is suggested by statistics showing that only 30% of family businesses survive past the first generation and only 10% to 15% survive to a third generation (Dye & Beckhard, 1986; Idris & Ahmed, 2012). This paper also identifies the theoretical succession problems of transport business which causes failure and jeopardizes the concept of going concern in transport business when the founder retires from management or is incapacitated.

2.3 Succession Planning for Transport Business

When an organisation is planning for continuity and sustainability, there is a need to put in place a strategic succession planning. In the transport business, it is important therefore to have a strategic plan at all levels as it provides a broad range of solutions to the firms’ complex problems generated by changes of business environment and changes of customer needs (Senyucel, 2009; Idris & Ahmed, 2012).

For a transport business to be successful it needs to include succession planning which looks at the internal and external environment of the firm and achieves competitive advantages over its rivals. Firms can gain competitive advantage by adapting fast to changes that occur in the environment. Gaining competitive advantage requires short term and long term planning for organisation’s flexibility and innovation which comes from the people who work in the organisation (Senyucel, 2009). This requires aligning organisational goals and processes with employees’ needs and capabilities in a systematic way. For a transport business, there is a need of having succession planning in place which enhances various training development and learning opportunities to benefit employees as motivation. When the employees are motivated it is obvious they might be comfortable and loyal to the firm.

Succession planning is critical to transport business because in return, firms are more likely to gain competitive advantages and there is strong possibility that, overall performance and the relationship between the employees and the organisation will be improved. In other words, succession planning enables decisive role in determining the future success or failure of employees’ performance and the firm as a whole. It is important therefore that, succession planning has to be aligned with the firm’s strategic plan otherwise a healthy strategic fit cannot be achieved.

3. Methodology

The research design of this study was explanatory which attempted to explain the reason as to why transport
businesses have higher failure rate as the founder opts to handover to next generation voluntarily or because of incapacity. Carefully by judgement selected sample of 70 transport enterprises (Sole proprietors) were subjected to open – ended questionnaire and interviewed by trained interviewers. The transporters interviewed were selected from Njombe, Mufindi and Iringa urban within Njombe and Iringa Regions. The reason of selection from Njombe and Iringa regions was the people’s response to the government call for private business to establish businesses including transportation. The transporters qualifying under study were those in transport business for more than 5 years of operation. The collected data was analysed by the use of content analysis to group related ideas and give meaning to interpretation. The results will be used to design training and preparation of model for sustainable transport business and contribute to the country’s economy.

4. Data Presentation and Discussions of Finding

The main objective of the study focused on investigating factors that influence the higher failure rate of transport business operations in Njombe and Iringa regions. Specifically to evaluate the use of succession is planning for improved business sustainability in Njombe and Iringa regions taking a study in Njombe, Mufindi and Iringa urban districts.

4.1 Age and Sex of respondents

The profile of age for succession planning is paramount. The study established that 33% of transporters were in the age group 36 - 45 years followed by age group 46 - 55 years with 29% age group 56 - 65 years and age group above 66 years had 4% and 6% respectively. The age groups 36 - 45 years and 46 - 55 years are reliable for taking challenges and risks for a long time. This has been supported by Edwards that, age group between 36 - 45 years are said to be think tankers to cope with challenges in the business environment (Edwards, 2014). It is known that in Tanzania for example, one with age above 60 years has to retire from work. Therefore, the trend of transporters age in the study area is reliable for succession planning preparation and possible handover to next generation.

Good representation of all workforce (men and women) is a key to any development at all levels (URT, 2002). Both men and women in all sector settings have to contribute equally to the development of either family or nation. It is important to note gender issues in the transport business. This study wanted to establish whether the sector has a good composition of male and female in its operation. This has been so as to abide by the international movement to take all measures to support women in business. Rutashobya (1995) in the paper, Women in Business committed the emphasis of increasing the number of interventions to support women to speed up the processes of development and growth of women - owned enterprises from informal to formal small and medium enterprises in Tanzania.

Results from the study showed that (59) 84% of respondents were male and only (11) 16% were female. The number of men is very big compared to women respondents in the study area. Therefore, this data shows that most of the business undertakings in transport business were managed by men.

The findings confirm that, there was a low percentage of women running transport businesses. This conforms to the report by Conrad & Melnik, (2009) which point out that in developing countries, a disproportionate share of women - owned business in micro, small or medium enterprises is not conducive.

Women must be empowered as ambassadors of business management and contribute to socio - economic progress if transport business is to be sustainably developed. Sustainable efforts require partnership across gender equity (Dowards, 2013). When women are empowered and earn income, they invest back into family and community compared to the majority of men. For sustainable development, both men and women should participate in a business undertaking. Hence, the right of equal participation in business for men and women brings in business development and sustainability. Studies show that men perceive women as a great risk in senior management posts, and then they fail to give women responsibilities that could help them grow in leadership talents. This concept has been documented by Breton - Miller & Miller (2003), and Dowards (2013). However, most women who have been given the opportunity to leadership have made wonderful performance in terms of business continuity and growth.

4.2 Transport business and registration

Tanzania’s trade development policy addresses the issue of legal registration of businesses as being one of the problems for business growth in Tanzania. All the 70 transport businesses were sole - proprietorship/family business registered by Tanzania Revenue Authority and SUMATRA in the names of the founder - owner. Only 11 respondents 15% declared to have registered with the business names registration (BRELA). A family transport business here refers to transport firm in which its members of the family hold responsibility, shares its residuals and which doesn’t separate ownership and management. The transport businesses under study implied that the founder or his appointed family member can run the transport business for the benefit of the whole family. It is noted that a business should be registered by the business name registration as stipulated in the business policy (URT, 2002).

The government of Tanzania has developed a promising policy on SMEs, within which the policy statement states: “The government will enhance implementation of programmes aimed at simplification and rationalisation of procedures and regulations so as to encourage compliances and minimize transactional costs. With the statement, the strategy for this being: is to simplify business registration and licensing procedures” (URT, 2002).

It is important to register transport businesses which will help the transporters to access financial assistance from government and other financial institutions. Registration of business will also simplify the process of collecting tax revenue by the government for other development activities.
However, when a business is registered, the business will gain reputation with customers and clients, especially people who have never worked in business before, need assurance that it is a legitimate business. A potential client may suspect your business of being not operational if your company is not properly registered. When a business is on file with the state, it could put your clients at ease when making a decision about whether it is worth to spend money with the company.

4.3 Succession of family business

The respondents were asked whether they know strategic succession planning of which 63 respondents (90%) said they don’t know. However, the same statistics confirmed that they don’t use strategic succession planning for future preparation of sustainability. In organisation theory, succession is the process of transferring management control from one generation of leaders to the next generation including the dynamics before, during and after the actual transitions. A Succession of the family business is an important aspect for business continuity and sustainability. Transport businesses involve lots of investment which need careful management during the process of operation. Succession planning can cause a crisis to family financial power if not handled with care. A Succession of transport business is a process over years rather than being adhoc activity. The process involves planning, selection and preparation of the next generation to take over business systematically and avoid business failure.

Management of succession plan can be a crisis rather than a process. The crisis explains succession variables forced by death or disability of the former manager of business. Decision of inheritance/succession of a business can be reached by an outsider/consultants or family council (Idris & Ahmed, 2012). This crisis succession planning is one which is taking place in Njombe and Iringa regions. The owners are not ready to take part of appointing and training successors in advance. The process of succession of transport business is critical to the owners as they confess that majority of transport failure after the owner manager transfers to the next generation is caused by none-preparation of heirs.

In order to ensure the long-term prosperity of succession to family members, promotion and mentoring are essential for developing and maintaining the founder’s entrepreneurial values and drive. The point is emphasized by Astrachan & Kolenko (1994), who noted that successful heirs are generally observed to be well-prepared in terms of educational background and experience, and to have spent a number of years working at all levels within the company concerned. Successful family transitions also enjoy positive family relationships with limited conflict, rivalry and hostility, and good levels of trust (Astrachan & Kolenko, 1994; Morris et al., 1996; Mainoma & Arua, 2011).

In transport family firms under study, the preference for sons rather than daughters to succeed often means that provisions for daughters to become successors is neglected and in some cases, leading to intense sibling rivalries which result in harmful effects to both the organization and family relationships. Gender discrimination has also been reported by respondents as the culture inhibits them to include women in the process as they will have to be taken up for marriage to other families. The climate seems to be firmly entrenched male domination when it comes to succession (Achumba & Nkikuru, 2012).

Evidence exists to substantiate the belief that the presence of alert organizational planning and preparation for succession is among the most important factors in ensuring effective succession for business sustainability. Family succession in the broadest sense can be a highly emotional and controversial issue, which can lead to major gaps within the family and the business as participants. To maintain family and organizational cohesiveness, owner - manager must develop planning processes and mechanisms that provide a valid structure for the transference of leadership (Dye & Beckhard, 1986; Idris and Ahmed, 2012).

In the transport business, the succession was given as passing of properties to a person upon death of the owner of the property. It is this concept which was observed to the respondents in the study area. It is not new in the business world that the owner must die, but is all about preparing for an heir for management purposes for enhanced business sustainability. The owner manager can opt to retire and enjoy the rest of his life after a hectic of working life.

Planning for strategic succession usually includes an identifiable set of elements, all of which must indicate the actual succession event. The proposed elements that would most typically be included in such a plan: (1) identifying the pool of potential successors; (2) designating of the successor; (3) notifying the successor (Kesner & Sebora, 1994). The elements described to provide a framework for understanding the tasks required for a suitably comprehensive succession - planning process. For example, giving consideration to several possible successors might indicate that a more comprehensive succession process is undertaken than when only one successor is considered. However, the owner - managers can use the same elements to choose a successor from outside the family members. The heir of transport business can be a driver or any employee who has been selected through the elements. In Tanzania, Business is transmitted to a male heir who is being nominated by a family council without consideration of the relevant skills, competence and leadership skills needed to run the business.

The extended family system also creates severe pressures on the proposed successor and the family business, as cultural practices and customary law give them a claim to the properties of their departed relatives. The extended family which includes uncles, aunts, nephews and cousins are also deemed legitimate claimants to a shared estate of the enterprise founder. The head of the extended family has powers and high influence in the sharing of the estate of the founder – owner during the family council.

It was learned that succession process for transport business has several challenges which the owner managers experience. Succession challenges can arise from internal or external sources. Hereunder is the analysis of transport
business based on internal problems which included culture analysis, lack of succession planning and the succession crises.

4.4 Culture influence

Culture is a complex concept which includes knowledge, beliefs, art, morals, customs and any other capacities and habits acquired by members of the society. This can be inherited from generation to generation as norms (Idris & Ahmed, 2012; Iguisi, 2012). Culture is the entire way of life a society is experiencing including their products. Society is then composed of individuals who share a culture as material or non - material. To be a member of society means one shares and adheres to culture patterns. In this sense, a society is more than the sum of its members. Membership in a society necessarily involves sharing a way of life and engaging in similar patterns of thought and behavior (Astrachan & Kolenko, 1994; Idris and Ahmed, 2012).

Humans are not born with pre - determined solutions to most of the life’s problems, they use culture as a toolbox that provides answers that are learned and shared. Culture provides material and nonmaterial solutions to different problems: buildings art, how to find food, deal with social relationships and the knowledge of human mortality, heal sickness and express emotions. This is the material culture. Non - material culture comprises the software of society. Specificnon - materials culture are the shared ways of thinking that are shared by members of society such as language, beliefs systems, customs, myths, music, scientific knowledge or political ideas. In other words, culture provides ready - made but variable formulas on how to be a human being in a given society.

The problem faced by human societies change over time, as such, culture is dynamic as new solutions are needed. Understanding culture for the purpose of small business development and sustainability is extremely important. This is because the presence of economic, political and technological development is not necessarily producing the desired results, particularly if some cultural factors remain as barriers to business development and sustainability.

Transport business is not isolated; it works within culture setups. It was learned that in Iringa and Njombe the rules of culture and law on succession are uniform that the family businesses are not based on best inheritor. The business owners do not have testate, which means the transport owners do not have written will before one retires from business management. It is only based on the first born boy of the family; if the family has no boy or the boy is teen another one from the family will take over the business waiting for the boy to grow up. The selection of the business successor does not depend on experience or competence of the one selected. The cultural law of inheritance seems to cause the closure and failure of business as the one inherited is from a theory of intestate. This is the state that, the founder – owner did not put down in writing the process of succession of the transport business before he retired from business operation. This can be concluded that culture has a role in the succession planning for transport business sustainability. Culture setup must be based on the elements of succession planning incorporating them in planning for sustainability of business.

4.5 Lack of succession planning

Transport business owners often perceive that management succession planning is a tedious paperwork exercise that fails to produce candidates with the capabilities to lead required business change. A traditional planning and review process, however well documented, does not necessarily lead to needed results. The desire for new competencies and rapid business transformation often leads owners instead to unusual choices internally or external recruiting. Succession decisions made as vacancies occur are therefore addressed as make or buy choices (develop internally or recruit externally).

Transport owners ask, “Why should we try to groom talent when it is ever more difficult and when requirements are rapidly changing, uncertain and expensive? Whyto bother to spend precious time on succession planning?” It is the questions which make owners not bother to prepare business succession planning (Idris and Ahmed, 2012). Transportsers establishes business and assumes all the responsibilities without involving any family member including spouses. It has come into minds that, the majority of the transporters do not trust any member of the family on the assumption that they mightily misuse the transport resources.

Despite the transporters knowledge for sure that it will happen a time of retirement either voluntary or otherwise, in most cases nothing is done as preparatory measures. The retirement of the founder doesn’t mean the end of the transport business according to the theory of continuity and going concern. It is established that transportsers structures and creates a business to reflect their personality. The owner manager insight into and control creation of process cannot be transferred to his successor when the owner is alive. The severity of the strategic succession problem in transport business is the heart of transport business failures.

4.6 Succession crisis

A Succession crisis is a situation whereby fear and resistance is generated within the workforce as a result of the uncertainty about what the new leadership will be for the future. It is said to be important for the management to make sure there is a plan for a business successor. When there has been no written will “testate” of the founder manager the succession is said to be in crisis. Considerable evidence exists to substantiate the belief that the presence of conscious organizational planning and preparation for succession is among the most important factors in ensuring effective succession for business sustainability (Kesner & Sebora, 1994).

To maintain family and organizational cohesiveness, management must develop planning processes and mechanisms that provide a valid structure for the transference of leadership. Succession planning framework for the transition in leadership from one generation to the next gains additional legitimacy if well prepared and shared among the members. The transport owners have the role in
helping bring children into family business. It is learned that transporters delay the process of bringing children until it is too late. Failure of the older generation to trust their heirs and pass on the detailed understanding and confidence of business life delays succession of the business. The Crisis comes as the children become executive without adequate on the job experience. The older generation needs to avoid the pitfalls if they desire the transport business to be sustainable by the use of succession planning.

5. Conclusion

One of the fundamental missions of a family business is to pass the business to subsequent generations for sustainable income generation. A substantial amount of literature has addressed issues of succession planning processes as being a factor to sustainable business. Results suggest that succession planning influences success or failure of the family firms for sustainability. Considering the contribution of transport sector towards the economic development of a country; it is significant that there should be a paradigm shift towards transport business succession planning. The transport sector, despite the increasing family income it is also important for creation of employment and improving the standard of living of the local population.

The main objective of business establishment is to serve the community at present and future times. No business is established and intends to end within a short time. Continuity theory states the importance of establishing businesses and become successful while continuing to save the intended market for long. It is learned that one of the factors for sustenance is the preparation of succession plan. A succession planning will ensure the survival of operation beyond the founder’s life. That is the founder strategically prepares one set of heirs to proceed with business operation after the founder’s retirement. From the set of the pool, one will be selected to lead the business hence the business becomes sustainable.

6. Recommendations

In view of the foregoing the following recommendations are made:
1) The entrepreneurs in transport business must act proactively by crafting succession planning early enough. The succession planning must reflect true succession management process. The founder must choose the best person to succeed as the family business has to be sustainable.
2) The government policies and programmes must address the cultural values that stimulate and positively promote small business and entrepreneurship development initiatives.
3) There should be a strategic planning process which is modelled in a way that will help the business community to follow for sustainable business.

References


