

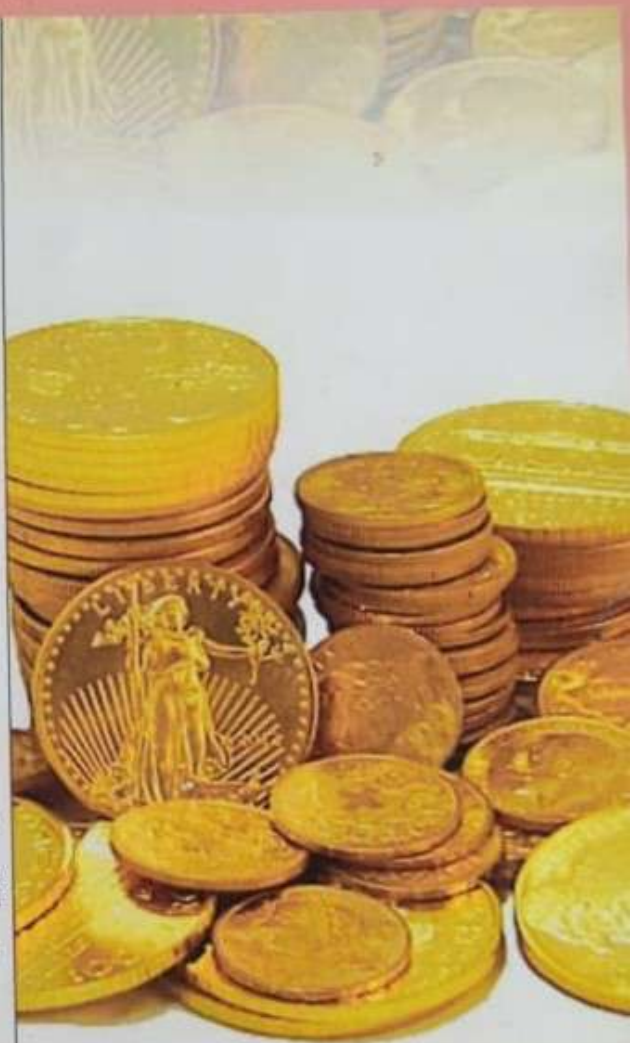


# SOKOTO

## Journal of Management Studies

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## Impact of Leadership Styles on Succession Planning in Small and Medium Enterprises in Lagos State, Nigeria

AREMU, NUHA SALIHU, AND JIMOH, ADAMS LUKMAN\*

### Abstract

*Nigeria's economy is dominated by Small and Medium Enterprises (SMEs) in Agriculture, Manufacturing, Commerce, Industry and Services. Despite the active involvements by SMEs in Nigeria economy high mortality rate among established SMEs is a matter of major concern. The main purpose of the study is to determine impact of leadership styles on succession planning of selected SMEs in Lagos state, Nigeria. The study specifically determined the impact of Transformational Leadership and Transactional Leadership on Succession Planning in SMEs. This study adopted an explanatory research design. The population of the study was 11,663 registered SMEs in Lagos state and Yamane formula was used to determine the sample size of 387. The study employed primary source of data collection and the respondents were the business owners and managers of the company. Single Regression analysis was used to test the formulated hypotheses. The study comes out with the following findings: ( $R=0.806$ ,  $R^2=0.649$ ,  $(0.000) < 0.5$ ) this indicates that the model as fitted explains 64.9% of the variability in succession planning and ( $R=0.778$ ,  $R^2=0.605$ ,  $P (0.000) < 0.5$ ). This implies that 60.5% variation in the dependent variable (succession planning) is explained by the independent variables used in the model. The study concludes that transformational and transactional leadership are major and significant determinants of succession planning in SMEs. It is therefore important for organizations to build a culture of strong leadership whereby employees show effective leadership at all levels and leaders should teach and mentor their followers and show faith in their capabilities to succeed.*

**Keywords:** Leadership Styles, Succession Planning, Small and Medium Enterprises

### Introduction

Nigeria's economy is dominated by Small and Medium Enterprises (SMEs) in Agriculture, Manufacturing, Commerce Industry and Services etc. Small and Medium Enterprises started in 1946 when the essential paper No. 24 of 1945 on "A Ten year plan of development and welfare of Nigeria was presented (Ever since, SMEs have gained prominence and mention as a seed bed of innovations, inventions and employment generation or creation (Aremu&Adeyemi, 2010).

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SMEs in Nigeria are seen as the backbone of all economies and are a key source of economic growth, dynamism and flexibility.

A study conducted by the Federal Office of Statistics shows that 97% of all businesses in Nigeria employs less than 100 employees, implying that 97% of all businesses in Nigeria are, to use the umbrella term, "small businesses". The SME sector provides, on average, 50% of Nigeria's employment, and 50% of its industrial output. Indeed, there appears to be an agreement that the development of SMEs in Nigeria is a step towards building a vibrant and diversified economy (Mahmoud, 2005).

For SMEs to survive, there is always need for good leadership, good managerial skills, human resource management and a succession strategy that envisions the exit of founders; or others, who at one time or another, reached the helm of company leadership and authority - company politics notwithstanding. According to Marshall (2001) the issues surrounding succession planning are much more complex than simply passing the business along to the oldest son. A study by Sorenson (2000) shows that leadership style that the business founder employs plays a critical role in successful succession planning.

Wren (2005) states that, the family business leadership should foster good communication among members and with non-members employees and should also provide for orderly succession. Also these factors are the most important in counteracting the strong emotions that can arise. At home, responsibilities and rights are different than at work and this should be kept in mind at all times small and Medium Enterprises (SMEs) are engines of economic development through contribution of jobs and poverty reduction.

Despite the potential importance of SMEs in any economy, high mortality rate among established SMEs is a matter of major concern in developing economies. International Finance Corporation (IFC) reported in 2012 that only 2 out of every 10 newly established businesses survive up to the first five years. The report was corroborated by Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) that only 15% of newly established businesses survive the first five years. This is a pointer to the fact that there is a problem. The indispensable role of succession planning in SMEs therefore makes it imperative to study the extent to which leadership styles in succession planning can enhance small and medium enterprises survival. Although some studies have been carried out on succession planning in SMEs, research on impact of leadership styles on succession planning

## **Organizational Performance**

Organizational performance is a critical concept that encompasses the ability of an organization to achieve its objectives efficiently and effectively. It serves as a barometer for measuring the success and sustainability of an organization. Organizational performance can be understood as the extent to which an organization achieves its strategic goals, delivers value to stakeholders, and operates efficiently. It is a multidimensional concept that goes beyond financial metrics and encompasses various aspects of performance which are broadly categorized in to two main folds: Financial and non-financial (Smith & Johnson, 2018; Adams & Turner, 2019).

## **Theoretical review**

### **Social Exchange Theory**

Social Exchange Theory, proposed by George C. Homans in 1958, is a foundational concept in the field of social psychology and sociology. This theory seeks to explain social interactions and relationships by focusing on the rational decision-making processes individuals engage in when assessing the costs and benefits associated with their actions within social contexts. At its core, Social Exchange Theory posits that individuals engage in social interactions with the expectation of receiving rewards or benefits while minimizing costs. These rewards can be tangible, such as financial gain or material possessions, or intangible, including emotional support, companionship, or a sense of belonging. Conversely, individuals seek to minimize the potential costs or negative outcomes associated with their actions, such as time, effort, emotional distress, or personal sacrifice.

The theory suggests that individuals engage in a continuous process of assessing the balance between the rewards and costs in their social interactions. If the perceived rewards outweigh the costs, individuals are more likely to engage in or continue the interaction, forming and maintaining relationships. However, if the costs begin to outweigh the rewards, individuals may withdraw from the interaction or relationship. Social Exchange Theory's relevance spans various aspects of human behavior and relationships. Here are some key areas where it has found application:

Social Exchange Theory helps explain the dynamics of interpersonal relationships, including friendships, romantic partnerships, and family relationships. It highlights how individuals make decisions regarding the maintenance or termination of these relationships based on perceived rewards and costs.

In the context of economics and organizations, the theory can be applied to analyze employment relationships. Employees assess the rewards (e.g., salary, benefits, job satisfaction) against the costs (e.g., work hours, stress) when deciding whether to stay with a particular job or seek alternative employment.

### **Organizational Culture Theory**

Organizational Culture Theory, initially proposed by Edgar Schein in the 1980s, is a framework that examines the deeply ingrained beliefs, values, norms, and shared assumptions that shape an organization's identity and guide the behavior of its members. Schein's work has been influential in understanding how culture influences organizational dynamics, decision-making, and employee behavior. At its core, Organizational Culture Theory contends that an organization's culture is a powerful force that can influence employee attitudes, motivations, and actions. Culture is often described as the "way things are done around here" and encompasses not only explicit policies and procedures but also the unwritten rules and norms that govern daily interactions within the organization.

Organizational Culture Theory (OCT) is pivotal when studying the impact of informal groups on organizational performance in the manufacturing industries. OCT underscores the significance of

in SMEs is relatively recent, especially in Nigeria. This study therefore, examines the impact of leadership styles on succession planning in SMEs in Lagos state, Nigeria.

## **Literature Review**

### **Concept of leadership**

According to Kruse (2013) Leadership is a process of social influence, which maximizes the efforts of others, towards the achievement of a goal. A process whereby an individual influences a group of individuals to achieve a common goal (Northouse, 2007). Leadership is the ability to evaluate and or forecast a long term plan or policy and influence the followers towards the achievement of the said strategy (Adeoye, 2009). According to Charles (1992) "A leader shapes and shares a vision which gives point to the work of others."

### **Concept of Succession Planning**

Succession planning is the process of assessing and auditing the talent in the organization in order to answer three fundamental questions: Are there enough potential successors available? Are they good enough? And do they have the right skills and attributes for the future? (Armstrong, 2006). Suh, Yun-Hee and Park (2008), succession planning prepares the company and the employee for future needs. According to Charan, Drotter and Noel (2001), succession planning is a process of identifying and developing internal people with the potential to fill key business leadership positions in the company.

### **Concept of Small and Medium Enterprises**

The Central Bank of Nigeria (2001) in a stand-alone definition defines an SME according to asset base and between #5 million and #500 million, and staff strength between 11 and 300 employees. The National Economic Reconstruction Fund (NERFUND) also defined SMEs as enterprises with assets excluding land, plus cost of project not exceeding ₦40 million (CBN, 2013). In the Central Bank of Nigeria (CBN) Monetary and Credit Policy Guidelines (2006), SMEs is defined as an enterprise with fixed assets excluding land but including working capital not exceeding ₦40 million. The revised current SMEs guidelines have however, modified this definition by removing the upper restriction on the number of employees and expanding the capital base of SMEs to ₦500 million.

The Nigerian concepts of SMEs are somewhat divergent but the Central Bank of Nigeria agrees with the Small and Medium Industries and Equity Investment Scheme (SMEIS, 2006) in their definition of a SME as any enterprise with a maximum asset base less than ₦200 million (equivalent of about \$1.43 million) excluding land and working capital, and with the number of staff employed not less than 10 (otherwise will be a cottage or micro-enterprise) and not more than 300 (CBN, 2001). Moreover, this definition for SMEs was based on the revised definition by the National Council on Industry in 2001. For the purpose of this study, the definition given by CBN will be adopted. Therefore, a small and medium enterprise (SMEs) is an enterprise that has asset base (excluding land) of between ₦5 million and ₦500 million and labour force of between 11 and 300.

### **Transformational Leadership and Succession Planning**

Transformational leadership aims at inspiring and motivating followers to align their goals and beliefs to those of the organization and perform more than what is expected from their contracts thus creating a sense of viable succession planning. In contrast to transactional leadership, some researchers have generally conceptualized transformational leadership as the top end of a continuum or hierarchy of social exchange, in which the high quality exchange mutually stimulates and elevates leaders and followers, transforming (Northouse, 2009). Recent findings highlight more specific effects of transformational leadership on succession planning. In general, transformational leadership facilitates communication, allowing employees to speak out to their peers and to their leaders without fear of retaliation (Liu *et al.*, 2010). Braun *et al.* (2013) found that transformational leaders that promote an open climate for discussion are more trusted both at the individual and the team level, resulting in higher level of achievement in succession planning. Epitropaki and Martin (2013) found that transformational leaders foster smoother and more relaxed communications and negotiations hence a more viable succession planning initiative.

### **Transactional Leadership and Succession Planning**

Transactional leadership assumes that leaders and followers have different goals and the convergence of these different goals occurs through the strategic use of monetary rewards. Generally, researchers have conceptualized transactional leadership as the bottom end on a continuum or hierarchy of social exchanges. Transactional leadership also draws heavily on task-oriented behaviours (Yukl, 2013; Northouse, 2009) Transactional leadership relies on the fulfillment of

contractual obligations by rewarding achievements and punishing deviations from acceptable standards for example by rewarding an employee through promotions the employee may feel considered in the future ownership of the company hence this sets out a viable plan for the future succession of the company (Rainey, 2009).

As one may expect from a task-oriented leadership style, transactional leadership has a positive influence on future succession plan of a company (Bass *et al.*, 2003). In particular, the increased quality of internal communication through goal setting, monitoring, and feedback ensures that knowledge is exploited at the organizational level and converted into future assets that generate revenues for a succession plan (Bryant, 2003). The technical nature of a transactional approach allows both leaders and members to critically examine each facet of this leadership style. The more the leader and the followers agree on the transactional aspects of the job, the higher the positive influence on performance, organizational commitment, trust in the leader, and corporate citizenship behaviours and future succession plan (Whittington *et al.*, 2009). It has been noted, however, that followers subject to transactional leadership exhibit less sense of obligation towards their leader and less desire to reciprocate, often using hard tactics such as direct confrontation and upward appeals to access resources not implied in their contract (Epitropaki & Martin, 2013).

## **Empirical review**

Abdulazeez, Hakeem and Bisayo (2014) conducted research on leadership styles and organizational performance in Nigeria SMEs. A survey of two hundred and sixty eight small and medium enterprises was undertaken. Data generated were analyzed by means of descriptive and inferential statistics. The results found that the Nigerian SMEs are more autocratic and less participative as the power distance between business owner and employees is very wide. The study further revealed an insignificant relationship between leadership style and organizational effectiveness. Hence, it is concluded that leadership style among Nigerian SMEs is not a major factor in determining organizational performance.

Also Musa and Semasinghe (2014) examined leadership succession problem in small family businesses in Nigeria. The study used both primary and secondary source of data. The data was analyzed through statistical package for social science SPSS and found that most founders of family-owned firms failed to embark on succession planning due to fear of losing control of the business to

subordinate or any member of the family. In addition to their findings, they also discovered that the problem of inheritance among family members militate against the continuity of SMEs enterprises.

Nicolas (2015) conducted research on effect of leadership styles on succession planning in SMEs in Kenya. The study used Cluster sampling technique to select the sample size of 335 SMEs. The primary data on the other hand was obtained from questionnaires. Cronbach's alpha was used to determine reliability. Descriptive statistics such as frequency distribution, percentages, means and standard deviations was calculated and data presented in form of tables, graphs and charts was used. Inferential statistics was used to draw implications from the data with regard to the regression model. The study findings indicated that directive leadership transformational leadership and transactional leadership has a positive and significant effect on succession planning. However, participative leadership has no significant effect on succession planning.

In a study conducted by Ajay and Erich (2012) in Johannesburg a combination of both qualitative and quantitative methodology was applied to get response from 15 companies out of the total companies. The study found that there was a gap between perceived and actual status of succession planning in the small and medium enterprises studies and there is major room for improvement in this area.

### **Theoretical Framework**

The situational or contingency theory proposes that the effectiveness of a certain leadership style is situational or contingent, meaning that it will be effective in some circumstances but not in others. Those aspects of the situation that enhance the effects of the leader or nullify them are called situational moderator variables (Yukl, 2002). Therefore, the contingency theory assumes that there is no universally appropriate leadership style or one-best-way. The first comprehensive contingency theory of leadership was proposed by Fiedler (Fiedler, 1964, 1967), who determined the situation using three aspects: the leader member relations, the position power, and the task structure. The efficiency of a leadership style depends on the situational favorability. The situational favorability results from weighing and combining the three situational aspects.

Trait theory emphasizes the personal qualities of leaders and focus attributes that distinguish leaders from non-leaders. Three kinds of traits are physical factors height, appearance, age, etc. aspects of personality self-esteem, dominance,

emotional stability, conservatism, etc., and aptitudes general intelligence, fluency of speech, creativity, etc., assuming that the differential traits could be identified by empirical research. However, the basic premise of the trait approach is that a person must possess a particular set of traits in order to be identified as a leader could not be supported. A person does not become a leader by virtue of the possession of some combination of traits, but the pattern of personal characteristics of the leader must bear some relevant relationship to the characteristics, activities, and goals of followers (Judge, 2004).

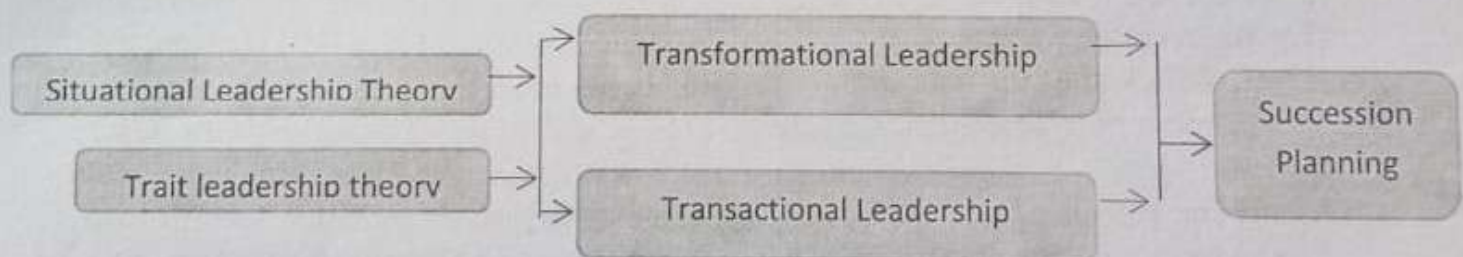
The study adopted situational theory because the contingency or situational theory assumes that there is no universally appropriate leadership style or one-best-way and both the transformational and transactional leadership styles are different approach to leadership. Therefore, the theory is relevant and suitable for the study.

### Conceptual Model for the study

Figure 1: Conceptual framework of Leadership styles on succession planning

Independent variables

Dependent variable



Source: Adapted from Nicolas (2015)

Situational theory and Trait theory provide the basis of the study independent variable which are: transformational leadership, transactional leadership. The theories assume that two different types of leadership style affect succession planning in SMEs. These variables lead to the conceptual framework of the study as illustrated above.

## Methodology

### Research Design

This study adopted an explanatory research. In most instances, explanatory research attempt to capture attitude or patterns of past behavior (Hagan, 2000). This design is best for investigating impact of leadership styles on succession planning among SMEs.

The study focuses on the impact of leadership styles on succession planning in SMEs in Lagos state. Lagos State registered SMEs businesses were chosen because the state is prided as having the largest SMEs businesses in Nigeria. The coverage of the information that was gathered was limited to register SMEs in Lagos state, Nigeria. The data for the study covers the period of 2005 to 2015 (10 year).

The Regression Model is given below as:

$$Y = \beta_0 + \beta_1 X_1 + E$$

Where:

Y = Dependent variable

$\beta_0$  = Intercept of the model.

$B_1$  = Coefficient of the independent variable in the model.

$X_1$  = element of independent variable

E = Error term.

Model for hypothesis 1:  $SUCES = \beta_0 + \beta_1 TRANSF + E$

Model for hypothesis 2:  $SUCES = \beta_0 + \beta_1 TRANSA + E$

Where:

SUCES = Succession Planning (dependent variable).

SUCES = Succession Planning (dependent variable)

$\beta_0$  = Intercept of the model.

$B_1$  = Coefficient of the independent variable in the model.

TRANSF = Transformational Leadership (Independent variable)

TRANSA = Transactional Leadership (Independent variable)

E = Error term.

### **Population of the study, Sampling frame and Sample Size**

Population for the study is 11,663 registered SMEs in Lagos State. The random sampling technique was used to ensure that every member of the population has an equal chance of being included in the sample. 387 sample size was determined using Yamane (1967) formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where n = Sample size

N = Population size (11,663)

e = Level of error (5%) or (0.05)

I = a theoretical constant

### **Method of Data Collection and Analysis**

The study used structured questionnaire as data collection instrument. The items of the questionnaire were adapted from the work of Nicolas (2015) on effect of leadership styles on succession planning in SMEs in Kenya. The study established the face and content validity of the items used. Likert scale of five points was used to enable the respondents give their opinions to items in the questionnaire based on the following grades: Strongly Agree (SA) = 1, Agree (A) = 2, Undecided (UN) = 3, Disagree (D) = 4, and Strongly Disagree (SD).

Data was analyzed through the use of SPSS (Statistical Package for Social Science) software. All the analyses were conducted using 5% level of significance. Descriptive methods were employed in analyzing qualitative data where frequencies and proportions were used in interpreting the respondent's perception on issues that was raised in the questionnaire so as to answer the research questions. Descriptive statistics such as frequency distribution, percentages, means and standard deviations were calculated.

## Data Presentation and Analysis

**Table 1: Questions addressing transformational leadership expressed in percentages**

| Transformational Leadership Responses                              | SA % | A %  | U %  | D %  | SD % | Mean     | Std Dev. |
|--------------------------------------------------------------------|------|------|------|------|------|----------|----------|
| I show acceptance and positive regard for others                   | 41.3 | 43.6 | 11.3 | .3   | 3.5  | 1.811047 | 0.904666 |
| I am polite and considerate, not arrogant and rude                 | 44.5 | 35.8 | 15.4 | 4.4  | 0.0  | 1.796512 | 0.856727 |
| I treat each employee as an individual                             | 25.0 | 36.3 | 31.7 | 7.0  | 0.0  | 2.206395 | 0.897593 |
| I remember important details about the person (like their Name!)   | 27.9 | 38.1 | 20.9 | 13.1 | 0.0  | 2.19186  | 0.988767 |
| I am patient and helpful when giving instructions or Explanations  | 32.0 | 44.2 | 16.6 | 6.7  | .6   | 1.997093 | 0.89865  |
| I provide sympathy and support when the person is anxious or Upset | 35.8 | 39.2 | 11.9 | 8.7  | 4.4  | 2.06686  | 1.103218 |
| I express confidence in the person when there is a difficult task  | 30.2 | 47.7 | 16.0 | .3   | 5.8  | 2.037791 | 0.999284 |
| I provide assistance with the work when it is needed               | 26.5 | 49.7 | 17.7 | 2.6  | 3.5  | 2.069767 | 0.926333 |
| I am willing to help with personal problems                        | 38.1 | 38.7 | 17.7 | 5.5  | 0.0  | 1.906977 | 0.879012 |

**Source:** Field survey, 2016.

Table 1 Shows how the questions addressing transformational leadership. It is evident from the result that the mean score for all the variables are less than '3' which stipulated the benchmark for accepting the statement or not. Analysis on the percentage also back up the mean score as the majority of the respondents strongly agree or agree to each of the variables addressing transformational leadership.

**Table 2: Questions addressing transactional leadership expressed in percentages**

| Transactional Leadership Responses                                      | SA % | A %  | U %  | D % | SD % | Mean     | Std Dev. |
|-------------------------------------------------------------------------|------|------|------|-----|------|----------|----------|
| I show faith in the capabilities of the follower to succeed             | 25.9 | 38.4 | 27.9 | 7.6 | .3   | 2.180233 | 0.914454 |
| I always teach and mentor followers                                     | 30.5 | 50.0 | 12.5 | 4.7 | 2.3  | 1.982558 | 0.909771 |
| I love what he/she does and ensure that our values are aligned with the | 31.1 | 42.4 | 14.2 | 8.7 | 3.5  | 2.110465 | 1.052281 |

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organization

|                                                                                               |      |      |      |      |     |          |          |
|-----------------------------------------------------------------------------------------------|------|------|------|------|-----|----------|----------|
| I do on-site observation                                                                      | 24.4 | 50.3 | 14.5 | 10.8 | 0.0 | 2.116279 | 0.89922  |
| I make difficult decisions that are aligned with the business visions, mission and objectives | 39.8 | 46.5 | 11.9 | 1.7  | 0.0 | 1.755814 | 0.727407 |

**Source:** Field survey, 2016.

Table 2 Shows how the questions addressing transactional leadership. It is evident from the result that the mean score for all the variables are less than '3' which the stipulated benchmark for accepting the statement or not. Analysis on the percentage also back up the mean score as the majority of the respondents strongly agree or agree to each of the variables addressing transactional leadership.

**Table3: Questions addressing succession planning expressed in percentages**

| Succession Planning Responses                                                        | SA % | A %  | U %  | D %  | SD % | Mean     | Std Dev. |
|--------------------------------------------------------------------------------------|------|------|------|------|------|----------|----------|
| There is no conflict between stakeholders on who should take over the business       | 47.4 | 34.6 | 14.5 | 3.2  | 3.2  | 1.744186 | 0.842543 |
| There is high commitment and involvement of the management/owners                    | 26.2 | 28.2 | 28.8 | 13.7 | 3.2  | 2.395349 | 1.109504 |
| The owners regularly review talent of the successor                                  | 33.4 | 44.2 | 13.1 | 7.3  | 2.0  | 2.002907 | 0.970403 |
| The business have never been left without a leader                                   | 23.5 | 49.7 | 17.2 | 6.4  | 3.2  | 2.159884 | 0.96318  |
| There has been understanding among stakeholders on who should take over the business | 26.5 | 43.9 | 16.6 | 10.5 | 2.6  | 2.188953 | 1.025503 |
| Whoever take over the business is respected by all stakeholders                      | 39.0 | 41.3 | 14.8 | 4.9  | 0.0  | 1.857558 | 0.846912 |
| The business stills runs well with the new successor                                 | 31.4 | 41.9 | 18.3 | 6.7  | 1.7  | 2.055233 | 0.95976  |
| We love the new successor                                                            | 27.9 | 49.7 | 14.8 | 6.7  | .9   | 2.02907  | 0.880149 |

**Source:** Field survey, 2016.

The above table shows the-questions addressing succession planning. It is evident from the result that the mean score for all the variables are less than '3' which the

stipulated benchmark for accepting the statement or not. Analysis on the percentage also back up the mean score as the majority of the respondents strongly agree or agree to each of the variables addressing succession planning.

Hypothesis one

H<sub>0</sub>: there is no significant effect of transformational leadership on succession planning in SMEs

**Table 4: Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .806 <sup>a</sup> | .649     | .648              | .96213                     |

Source: Authors computation, 2016

a. Predictors: (Constant), Transformational Leadership

The correlation coefficient (R) equals 0.806, indicates a positive relationship between the variables. The R-Squared statistic indicates that the model as fitted explains 64.9% of the variability in succession planning. This established that effective use of Transformational Leadership on succession planning will have effect on the survival of SMEs.

**Table 5: ANOVA**

| Model |            | Sum of Squares | Df  | Mean Square | F       | Sig.              |
|-------|------------|----------------|-----|-------------|---------|-------------------|
| 1     | Regression | 584.970        | 1   | 584.970     | 631.929 | .000 <sup>b</sup> |
|       | Residual   | 316.586        | 342 | .926        |         |                   |
|       | Total      | 901.555        | 343 |             |         |                   |

Source: Authors computation, 2016

a. Dependent Variable: Succession Planning

b. Predictors: (Constant), Transformational Leadership

Also the p-value of (0.000) which is less than the level of significant at the 0.05 indicates that the result is statistically significant; therefore the null hypothesis is rejected. Therefore, it can be concluded that there is a significant effect of transformational leadership on succession planning in SMEs.

**Table 6: Regression Coefficient**

| Model                         | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. |
|-------------------------------|-----------------------------|------------|---------------------------|--------|------|
|                               | B                           | Std. Error | Beta                      |        |      |
| (Constant)                    | .965                        | .116       |                           | 8.287  | .000 |
| 1 Transformational Leadership | .819                        | .033       | .806                      | 25.138 | .000 |

**Source:** Authors computation, 2016

a. Dependent Variable: Succession Planning

The regression coefficient of the above equation for the model implies that unit change in transformational leadership will exert a positive effect on succession planning.

### Hypothesis two

H<sub>0</sub>: there is no significant effect of transactional leadership on succession planning among SME

**Table 7: Model Summary**

| Model Summary |                   |          |                   |                            |  |
|---------------|-------------------|----------|-------------------|----------------------------|--|
| Model         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |  |
| 1             | .778 <sup>a</sup> | .605     | .603              | .94258                     |  |

**Source:** Authors computation, 2016

a. Predictors: (Constant), Transactional Leadership

The correlation coefficient (R) equals 0.778, indicates a positive relationship between the variables. The R-Squared statistic indicates that the model as fitted explains 60.5% of the variability in succession planning. This established that effective use of Transactional Leadership on succession planning will have effect on the survival of SMEs.