

planning. Also the p-value of (0.000) which is more than the level of significant at the 0.05 indicates that the result is statistically significant. Therefore, it can be concluded that there is a significant effect of transformational leadership on succession planning in SMEs. This result is aligned with the view of Nicolas (2015) that transformational leadership has a positive and significant effect on succession planning.

The second Hypothesis seeks to determine whether transactional leadership has any significant effect on succession planning in SMEs. The research findings revealed that the regression coefficient of the table 5.3 equation for the model implies that unit change in transactional leadership will exert a positive effect on succession planning. 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, it was concluded that there is a significant effect of transactional leadership on succession planning in SMEs. This result is aligned with the view of Nicolas (2015) that transactional leadership has a positive and significant effect on succession planning.

The study revealed that leadership styles organization adopts play a critical role in the success of succession planning of SMEs. This is in contrary to the findings by Abdulazeez, Hakeem and Bisayo (2014) who study revealed an insignificant relationship between leadership style and organizational effectiveness. Also stated that leadership style among Nigerian SMEs is not a major factor in determining organizational performance and Musa and Semasinghe (2014) discovered that the problem of inheritance among family members militate against the continuity of SMEs enterprises since the most SMEs are family businesses.

Conclusions and Recommendations

This study is geared towards evaluating the impact of leadership styles on succession planning in SMEs in Nigeria. In management or any leadership role, be it in a corporate or community environment, leadership succession or succession planning has often been a bugbear. Many organizations – large and small – have even disappeared into distraction because of poor or non-existent succession plans. We've often heard that a hallmark of effective leadership would be for the organization to be able to continue growing after they leave. That would be a leader's legacy. The study concluded that both the transformational and transactional leadership has a significant effect on succession planning in SMEs in Nigeria.

In light of the findings of the study, the followings recommendations were made

- i. It is important for leaders to have a clear vision and appeal emotionally to their followers in order for them to be a source of admiration and identification. This will have a "pull effect" on the employees in that they will strive to excel so as to create viable potentials when it comes to the succession of the company.
- ii. Organization at all-time should employ a leader who will teach and mentor their followers and show faith in their capabilities to succeed. Also it is important for the organization to reward exemplary performance among employees so as to encourage all employees at all levels to portray the behavior.

Table 8: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	464.646	1	464.646	522.978	.000 ^b
Residual	303.854	342	.888		
Total	768.500	343			

Source: Authors computation, 2016

a. Dependent Variable: Succession Planning of SMEs

b. Predictors: (Constant), Transactional Leadership

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

Table 9: Regression Coefficient

Model	Unstandardized Coefficients B	Standardized Coefficients Beta	t	Sig.
1 (Constant)	1.158		9.325	.000
Transactional Leadership	.770	.778	22.869	.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 transactional leadership will exert a positive effect on succession planning.

Discussion of findings

The general purpose of this study was to determine impact of leadership styles on succession planning in small and medium enterprises (SMEs) in Lagos state, Nigeria.

The first hypothesis seeks to determine whether transformational leadership has any significant effect on succession planning in SMEs. The findings revealed that regression coefficient of the table 4.3 equations for the model implies that unit change in transformational leadership will exert a positive effect on succession

Table 6: Regression Coefficient

Model	Unstandardized 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

H₀: there is no significant effect of transactional leadership on succession planning among SME

Table 7: Model Summary

Model Summary		Model Summary	
Model	R	R Square	Adjusted R Square
1	.778 ^a	.605	.603

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.

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

H₀: 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 ^a	.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 ^b
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.

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

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	0.3	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

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

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.

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

β_0 = Intercept of the model.

β_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).

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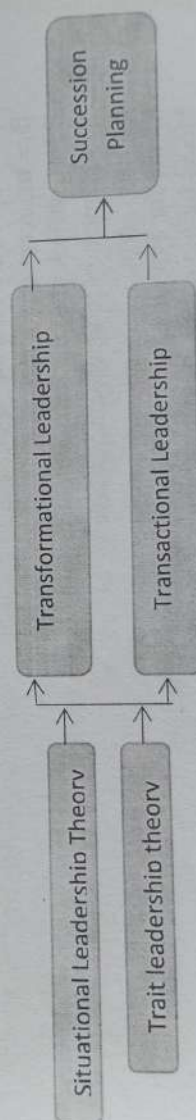
E = Error term.

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.

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,

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

Abdulazez, 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

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

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.

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

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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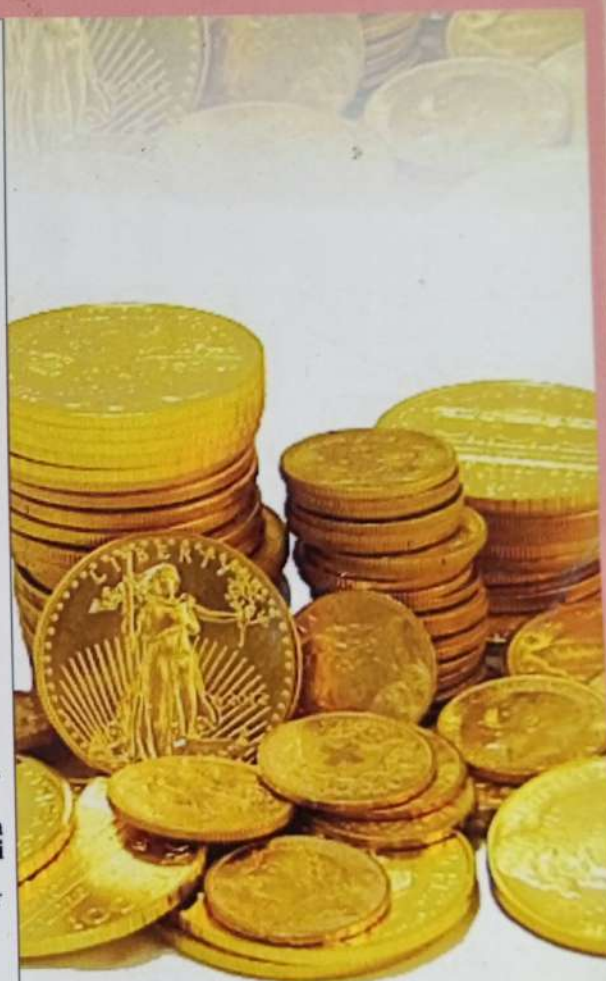


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