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PLANNING STRATEGIES FOR LEADERSHIP SUCCESSION IN SOME CONSTRUCTION COMPANIES IN NORTH EASTERN STATES OF NIGERIA

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Abstract:

Leadership succession planning is a sine qua non for any organization desiring sustainable performance, growth and internal efficiency, and avoiding vulnerability to retrogression and collapse. The study sought to determine the planning strategies for leadership succession in some construction companies in north east of Nigeria. A modified questionnaire was deployed to elicit responses on nine-item planning strategies for leadership succession from 93 CEOs of SMS construction companies in the study area. Mean and standard deviation were used to describe generated data from the respondents. An hypothesis was formulated (at 0.05 level of significance) and tested with T-test inferential statistics. The result showed that most of the planning strategies, bordering on recruiting and systematic training of potential successors, and designation and installation of the successor to the top leadership position, are rarely practiced. The study concluded that the construction companies in the study area needed to implement more of the leadership succession strategies for sustainable business.

Keywords: Planning Strategies; Leadership Succession; Sustainable Business; Construction Companies; North-East of Nigeria.

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1. Introduction

Small and Medium Scale (SMS) construction companies are characterized by high influence or control of family members over both the ownership and management operations (Suh, Park & Park, 2008). Like any organization desiring to attain and maintain favorable internal efficiency, performance, growth and goodwill, and avoid vulnerability to retrogression and collapse, SMS construction companies are expected to plan and operate leadership succession strategies.

Kim (2003) described succession planning as a dynamic, ongoing process of systematically identifying, assessing and developing leadership talent; and assessing, developing and recognizing

key contributors to meet future organizational strategic and operational needs. Leadership succession focuses on changes in the individual(s) who have the responsibility and authority to establish the business' direction and prioritize resource allocation.

According to scholars (Sharma, Chrisman, Pablo and Chua, 2001), succession planning is to increase the likelihood of successful succession. It entails deliberate and systematic planning by key players in an organization addressing leadership continuity, preservation and development of intellectual capital, and encouragement of individual advancement in the future (Rothwell, 2005). Even though succession planning targets two or three top leadership levels like replacement planning does, the former strategy entails a constant identification and development of suitable candidates for the target leadership positions (Berke, 2005; Obadan & Ohiorenoya, 2013).

For the succession process to unfold smoothly, key participants must come to feel comfortable with one another. Consideration of important elements involved in the succession planning process include continuity, growth beyond the capacity of the founder, profitability and national economic growth and stability (Theune, 2000). The guideline for effective succession planning include: (a) Accentuation of separate legal status of the business enterprise; (b) Restructuring of the management system of the entrepreneurial firm; (c) Recruiting and systematic training of potential successors; (d) Designation and installation of the successor to the top leadership position of the firm; (e) Emotional support for the entrepreneur.

1.1. Leadership Commitment to Succession Planning Processes

Leadership is the heart of any organization (Kouzes & Posner, 2007). First, it is important to mention that some studies have depicted some relationship between the leadership capacity and succession planning. Byham, Smith and Paese (2002) observe a relationship between development, deployment, and retaining of crucial talent and organizational capacity, which is highly influenced by the leadership capacity of an organization. On the other hand, the implementation of succession planning and management programs is effective when is activated and supported by the top leadership (Harrison & Hargrove, 2006; Krauss, 2007; Mateso, 2010; Roddy, 2004). In fact, succession programs require the commitment and involvement of both the top executives and heads of human resource departments (Krauss, 2007; Lockwood, 2006). The bottom line is: since succession planning and talent management are strategic approaches, they need to be handled by the strategic level of the organizational leadership as stated below: role clarification of predecessor, role clarification of predecessor, succession autonomy, succession communication, and succession justice.

1.2. Importance of Leadership Succession Planning

Several authors have echoed the importance of succession planning and management. Rothwell (2005) conducted a study that involved over 500 Human Resources Management (HRM) professionals of different organizations. All respondents (100%) agreed that succession planning is important to their organizations. In another study, it was found that organizations with formal succession planning were 80% prepared or extremely prepared to immediately fill leadership positions (Fegley, 2006). Many authors affirm the worth of the succession planning (Kim, 2010).

Several authors believe that succession planning is an answer to the impending leadership crisis (Heuer, 2003; Hull, 2005; Mackey, 2008). Berke (2005) states that “the purpose of succession-related practices is to ensure that there are ready replacements for key positions in an organization so that turnover will not negatively affect the organization’s performance”. Succession planning is also expedient strategy for the long-term sustainability and viability of the organizations (Mandi, 2008).

Another reason why succession planning and management is important is that retirement of senior officials drains the technical and cultural knowledge of the organization, because whenever senior leaders retire, a loss of experience, expertise, cultural insights, and organizational history occur (Merrill, 2006).

Another important benefit of succession planning and management related to the competitiveness of the organizations especially, in small and medium scale construction companies. The today’s world is so competitive that it is imperative for organizations to find a means of attracting, developing, and retaining the workforce with required abilities (Krauss, 2007). Those organizations that successfully use succession planning and talent management for attracting and developing future leaders will be able to remain competitive (Mackey, 2008). In order to attain a competitive edge in the dynamic market-driven world, organizations must adopt well-designed succession plans (Krauss, 2007). Actually, organizations can confidently face the future if they create their own talent factories (Krauss, 2007). Nevertheless, it is vital to stress here that it is the formal succession planning and training that enables entities to develop and monitor the performance of the high potentials (Fegley, 2006).

Despite the noted importance, succession planning practices have not yet permeated all organizations especially, most construction firms in North East of Nigeria have not yet paid adequate attention to succession planning and management strategies, even when faced with the impact of an aging workforce.

1.3. Factors Affecting Leadership Succession Planning

Many reasons may be attributed to why 30 to 50 percent of companies are not preparing for leadership transition, but most often, it is due to the top leader’s resistance to plan for succession (Fulmer, 2002; Perrenoud, 2012). Perrenoud (2012) presents four main areas that create resistance to succession planning which include: executive individual level, executive group level, organizational level, and environmental level.

Financial exchange of the company is another key factor that delays an owner of a company to prepare for retirement, specifically with understanding the options an owner has to exchange ownership and how to value the company (Kirschner & Ungashick, 2005). Many more obstacles to succession planning are observable in other sectors too. These include the following: lack of clear organizational vision; lack of support from senior or top executives; unsupportive organizational culture; ignorance about the importance of succession planning; lack of knowledge, skills, and personnel; and fear about the succession planning implications, such as adverse effects in finances, interpersonal frictions among workers, or loss of identity (Huang, 2001).

1.4. Statement of the Problem

Several authors including Rothwell (2005) and Maguta (2016) reveal that inadequate succession planning practices by organizations could result in internal inefficiencies and derailed performance, predisposing to vulnerability, hindered growth, diminishing worth and even collapse.

Empirical studies (Adelaja, 2006; Joseph, 2014) show that less than one-third of SMS businesses in Nigeria continue to the second generation and less than half of second-generation SMS enterprises make it to the third generation when the founder/manager retires or dies. Anecdotal evidence reveals that most of SMS construction companies in Nigeria operate as family business, and most of them fold up before their founders' death, and are not able to survive a generational transition. Little or no empirical evidence about the planning strategies for leadership succession in these companies is available. The main objective of this study is to narrow this gap, by determining the leadership succession planning strategies by SMS construction companies in the north-east of Nigeria.

2. Methodology

This study is a descriptive in which a modified questionnaire was deployed to collect information on nine Planning Strategies for Leadership Succession (PSLS) from the respondents. Population of the study consisted of 74 Chief Executive Officers (CEOs) of small-scale construction companies and 19 CEOs of medium scale construction companies making 93 CEOs altogether from SMS construction companies in North Eastern States of Nigeria. Mean and standard deviation were used to describe generated data from the respondents. An hypothesis was formulated at 0.05 level of significance viz: There is no difference between the mean ratings of the CEOs of small and those of medium scale construction companies on the planning strategies for leadership succession in the study area. The hypothesis was tested with T-test inferential statistics.

3. Results

In Table 1, the respondents from small and medium scale construction companies in the study area rated only three items above 3.5 which are items 10, 13 and 17. This means they are being practiced by majority of the construction companies in the study area. Among these items rated above mean ratings of 3.5, the most practiced ones are item 10 followed by item 13, they have their mean ratings to be 4.42 and 4.32 respectively.

Table 1: Mean Ratings and Standard Deviations of responses of Chief Executive Owners (CEOs) of Small and Medium scale Construction Companies on PSLS in the study area

S/N	Planning Strategies for Leadership Succession	N \bar{x}	= SD	93 Remark
10.	The company has a clear strategic plan and works on implementing it.	4.42	1.23	P
11.	Career development programs are linked to the company Strategic plan.	3.35	0.58	U
12.	A database of the skills and qualifications of employees exists in the company's plans	2.32	0.55	RP

13.	The company plans and implements a program to develop successors for key positions in all departments.	4.32	1.16	P
14.	The company uses software to help management track individuals' progress in the succession plan.	2.06	0.44	RP
15.	There is an accurate system for measuring the performance of employees to track their progress and career training and development.	2.39	0.57	RP
16.	Career training and development programs are linked to the succession-planning program of the company.	1.87	0.63	RP
17.	There is a strategic plan in the company that includes objectives for the development of management and staff.	3.61	1.41	P
18.	The company implements recruitment planning policies that contribute to the provision of the required competencies at the right time and in the right place.	3.48	0.76	U
Grand Mean 3.09 0.81 U				

KEY: N= Number of CEOs of SMS construction companies; \bar{x} = mean; SP = Strongly Practiced; P = Practiced; U = Undecided; RP = Rarely Practiced; NP = Not Practiced

The rest of the items namely, items 11, 12, 14, 15, 16, and 18 in table 2 have their mean ratings below 3.5 and hence, they were rated rarely practiced with exception of items 11 & 18 which have their means as 3.35 and 3.48 respectively. This means the items were not decided by the respondents if they are practicing them or not. Furthermore, these six items rated below 3.5 were the ones that can help the leaders in any construction company to implement recruitment planning policies which can eventually contribute to the provision of required leadership competencies at the right time and in the right place in small and medium scale construction companies in the North Eastern States of Nigeria.

Table 2: T-test of Difference Between the Mean Responses of CEOs of Small and Medium Scale Construction Companies on PSLS in the study area

Group	Mean	SD	n	df	t stat	t – calculated	Remarks
Medium	3.99	0.84	19	91	4.44	2.31	Accept
Small	2.85	1.06	74				

Table 2 shows the t – test result of difference in the mean ratings of Chief Executive Officers of small and medium scale construction companies on the planning strategies for leadership succession in North Eastern States of Nigeria. The t – calculated was 2.31 and the t – stat was 4.44. Based on the fact that the t – stat was greater than the t – calculated, the null hypothesis was therefore accepted. This indicates that, there was no significant difference on the opinion of the two groups as regards to the planning strategies for leadership succession in the study area.

3.1. Discussion

The second issue in this study concerns the planning strategies for leadership succession. Findings of this study indicated that most of the small and medium scale construction companies under this study lack planning strategies among these strategies include objectives for development of

employees for leadership succession. This finding is consistent with the study of Ogunkuye (2004) that indicated that many firms continue to operate without a formal succession planning strategies. Similarly, Mackey (2008) study reported that planning strategy is an answer to impending leadership succession crisis concurred with this stud. This finding also consistence with the findings of Obadan & Ohiorenoya (2013) who examined the process of succession planning in small business enterprises in Benin City, they then recommended small and medium scale companies to have a formal planning strategies of which this study identified to be lacking in the study area.

4. Conclusions

The objective of this study was to determine the planning strategies for leadership succession in some construction companies in north east of Nigeria. The result showed that most of the planning strategies, bordering on recruiting and systematic training of potential successors, and designation and installation of the successor to the top leadership position, are rarely practiced. The study concluded that the construction companies in the study area needed to implement more of the leadership succession strategies for sustainable business.

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