

# Influence of Successors' Socio-demographic Characteristics on Performance of Family-Owned Small and Medium Enterprises in Tanzania

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## Abstract

*This study examined the influence of successors' socio-demographic characteristics on the performance of family-owned Small and Medium Enterprises. Probability sampling technique was employed to obtain sample of 219 successors. The hierarchical regression model and independent samples t-test were employed to test the study hypotheses. The findings of this study indicate that successors' socio-demographic characteristics, that is, education and business experience have influence on performance of family-owned Small and Medium Enterprises and there is no statistical difference in performance in terms of profit between male and female successors. It was concluded that for performance of family-owned SMEs successor's sex should not be a factor for consideration in selecting a successor in family-owned SMEs. For good performance of family business, successors' socio-demographic characteristics mainly education and business experience should be given priority in succession plan. The paper recommends that, to reduce the reported high failure rate, family business founders should strengthen their successors' socio-demographic characteristics, mainly education and business experience instead of building on sex as the only criteria for successors' selection.*

**Keywords:** Family SMEs Successors, Socio-demographic characteristics, Family business, Performance

## 1.0 Introduction

Family business research is considered a new research paradigm (Basco, 2018; Macheke, 2016) in developing countries. Letonja *et al.* (2016) assert that, although the domain of family business research is relatively new it has stored a myriad of empirical evidence that family businesses face challenge of business failure. For Example, Shafieyoon and Mansouri (2014) and Zellweger *et al.* (2012) maintain that only 15% of family businesses survive to the third generation of successors while only 3% of family businesses go beyond the third generation of successors. This phenomenon has attracted the attention of different scholars who conducted studies on different facets of family-owned SMEs.

For instance, (Maaluet *et al.*, 2013; Charles, 2015; De Massiset *et al.*, 2015; Gomba and Kele, 2016) conducted studies on family businesses and focused on various attributes such as succession planning in black owned businesses, impact of family involvement on SMEs, conflicts in family business, succession strategy and performance of small and medium family businesses, respectively. They found that, successor's commitment to and interest in the business influence decisions in the succession process, balancing family and non-family members in top management is beneficial to the performance of family business. Apparently, nepotism and family conflicts have no effect on the performance of family-owned firms. Also, family-owned SMEs do not document their succession strategy. Nevertheless, they make unwritten plans for trans-generational succession.



However, the previous authors (Barbera *et al.*, 2015; Akeem and Adekanmbi, 2016; Man *et al.*, 2016; Bozeret *et al.*, 2017; Lucas, 2017) their studies focused on succession in family business, the impact of demographic and social factors on firm performance, relationship between entrepreneurial characteristics and the performance of SMEs, succession in Chinese family enterprises, relevance of a whole person learning approach to family business education, owner-managers demographic characteristics in SMEs, respectively. They found that socio-demographic characteristics have impact in the firm's performance.

Despite their relevance, this paper argues that successors of family-owned SMEs and their socio-demographic characteristics (business experience, age, sex, and education) have hitherto received less scholarly attention especially in the context of developing countries and Tanzania in particular. This paper is largely motivated by this paucity of studies and was set to bridge the knowledge gap. Therefore, there is a need to study these variables in the context of successors of family-owned SMEs in Tanzania.

Basing on the literature, this study argues that socio-demographic elements such as education, business experience, age and sex are essential to the performance of family-owned SMEs. In this paper, these elements are referred to as family business successors' socio-demographic characteristics. These characteristics were selected based on their acknowledged impact in business performance (Barbera *et al.*, 2015; Isaga, 2015; Mothibi, 2015; Man *et al.*, 2016; Bozeret *et al.*, 2017). Therefore, this study assessed these variables focusing to successors of family-owned SMEs in Tanzania.

Given the fact that, much is not known on the influence of the socio-demographic characteristics on performance of successors of family-owned SMEs (Chrisman *et al.*, 2012; Basco, 2018) specifically in Tanzania, the findings of this paper provide useful information to business founders, researchers and different family business stakeholders. Also, the results contribute to bridge the knowledge gap and give new knowledge, and add to existing literature on family business, specifically in the area of performance of successors of family-owned SMEs. This is achieved by showing the influence of successors' socio-demographic characteristics on the performance of family-owned SMEs and differences in performance between male and female successors of family-owned SMEs. Further, the findings enhance readers' understanding of human capital theory on family-owned SMEs. Moreover, the findings serve as a wakeup call for family-owned SMEs founders on where specifically to direct more efforts and resources in selection and development of their successors.

## 2.0 Theoretical Review

This paper is underpinned by the Human Capital Theory (HCT) which was first developed by Becker (1964). The HCT entails skills and knowledge that individuals acquire through investment in schooling, on job training and other types of experience (Crocker and Eckardt, 2014). Becker (1993) advocates that, schooling raises earnings and productivity by providing knowledge, skills and ways of solving problems. Today's competitive and dynamic business environment demand organizations/family businesses to have quality human capital. Thomas *et al.* (2013) define human capital in organizations as people, their performance, and their potential in an organization.

In studying family business, different theories such as Resource Based View, Stewardship Theory, and Agency Theory are applied. In this paper, the HCT was selected over other theories used to study family businesses based on the aforementioned human capital theory elements which are in line with what is considered in this paper as successors' socio-demographic characteristics and the focus of the theory on the organization's performance. Employees with education and business experience are expected to perform better in their assigned responsibilities (Becker, 1993) and maintain business competitive advantage.

Similarly, it is argued that, in family businesses, successors with developed human capital are expected to perform better in their business activities (Daspit *et al.*, 2015). Literature acknowledges a close relationship between human capital development and the performance of individuals and organizations in general (Crocker and Eckardt,

2014). Thus, elements of the Human Capital Theory such as education and experience are considered to have a relationship with family businesses performance.

## 2.1 Overview of successors' socio-demographic characteristics

Literature underscores vital roles played by entrepreneurs' socio-demographic characteristics in businesses (Vallabh and Mhlanga, 2015; Sajilanet *et al.*, 2015). Although the role of entrepreneurs' socio-demographic characteristics is acknowledged in business performance, Machek (2016) asserts that most of the family business literature is on developed countries. Thus, the researcher was motivated to study successors' socio-demographic characteristics in family-owned SMEs in the context of Tanzania to fill in the knowledge gap. The findings of this study contribute to the literature on successors' socio-demographic characteristics on the performance of family-owned SMEs. It is, therefore, postulated that:

1. *Successors' socio-demographic characteristics have no influence on performance of their SMEs in terms of profit.*

Literature shows that most of the family-owned business founders prefer male successors to female successors, believing that male successors can perform better than their female counterparts (Amran and Ahmad, 2010; Latu *et al.*, 2013; Ahrens *et al.*, 2015; Mathew and Blumentritt, 2015; Aldamiz-Echevarria *et al.*, 2017). However, there are scarce empirical studies that show existence of significant difference in performance between male and female successors of family-owned SMEs to justify the selection of male successors over the female ones in owning and managing family businesses. To this end, it is hypothesized that:

2. *Performance in family-owned SMEs differs on the basis of the sex of successors.*

In this case, the discussion in this paper is limited to successors' education, business experience, age and sex.

Several studies, Barbera *et al.* (2015); Man *et al.* (2016); Bozer *et al.* (2017) maintain that, education is an important component for successors to manage well their businesses. Further, the selection of family members to lead the family business is based on the assessment of having proper education (Jaskiewicz and Dyer, 2017). Education equips successors with some business skills (Georgiou and Vrontis, 2013), which are considered important in family-owned SMEs performance. Unfortunately, when it comes to formal education that includes business knowledge on strategic marketing, human resource management and strategic planning, women seem to lag behind in many places (Hisrich and Brush, 1988). This is likely to have impact on the ownership and management of family business. On the contrary, Abiodun and Amos (2018) argue that, education does not have a strong relationship with the performance of entrepreneurs in business. In the light of the equivocal findings on the importance of education for business performance, this paper intended to re-assess the role of education in the success of family-owned SMEs in developing countries and Tanzania in particular. Therefore, it was hypothesized that:

- 1a. *Successor's education has no influence on performance of family-owned SMEs*

Business experience is another successor socio-demographic variable in this paper. Experience is the knowledge or mastery of an event or subject gained through involvement in or exposure to it. Business experience is considered an important aspect in family-owned SMEs, and in most cases, it is expected to build successors' understanding of the business and commitment to the family business (Buan *et al.*, 2013). This variable is also considered in the selection of family business successors because of its perceived capability to enhance successors' ability to navigate in competitive business environment (Gomba and Kele, 2016).

Business experience can be built by early involvement of successors in family business activities (Cabrera-Suarez, 2005; Lumpkin and Brigham, 2011; Bozer, 2017), or can also be acquired outside the family businesses by being employed in other businesses. In their study on entrepreneurial legacy, Jaskiewicz *et al.* (2014) found that strategic education, entrepreneurial bridging, and strategic transition are important in building entrepreneurship in family businesses. In this case, business founders of the family-owned SMEs have great roles to play in motivating their successors to engage in family business activities so as to build successors' business experience (McMullen and Warnick, 2015). It is argued that, an experienced entrepreneur, as opposed to an inexperienced entrepreneur, can

easily identify the needs of a specific market and serve required products. Also, experience increases human capital via increasing the reputation and better understanding of the business environment (Fooman, 2014).

Some scholars (e.g. Duh *et al.*, 2015) emphasize the importance of business experience and recommend how to build successors' business experience. Unfortunately, most of the literature are from the developed countries (Machek, 2016) and do not focus on the performance of successors of family-owned SMEs. Therefore, what seems to be missing links are studies carried out on developing countries, and Tanzania in particular, which show the influence of successors' business experience on the performance of family-owned SMEs. This paper fills in this literature gap and discloses the influence of successors' business experience in performance of family-owned SMEs in the context of Tanzania. Therefore, it was hypothesized that:

1b: *Successor's business experience has no influence on performance of family-owned SMEs*

The age of the successor, which is one of the socio-demographic characteristics in this paper, is perceived differently in the literature. Some authors subscribe to the view that young business successors have limited business experience (Amran and Ahmad, 2010). While other scholars such as Samei and Feyzbakhsh (2015) and Tanveer *et al.* (2013) argue that, young business successors are acknowledged with their propensity of risk taking, are dynamic, and have innovative ideas. In view of these different schools of thought on the entrepreneurs' age from previous studies, it is imperative to further readers' knowledge on this socio-demographic characteristic in the context of the successors of family-owned SMEs in Tanzania. Therefore, it was hypothesized that:

1c: *Successor's age has no influence on performance of family-owned SMEs*

Another successor's socio-demographic variable considered in this paper, and which seems to have attracted a debate on family businesses in relation to succession planning is the successor's sex. Previous studies (Cesaroni and Sentuti, 2014; Ringo *et al.*, 2018) reveal that women face the challenge of uneven distribution of household roles, and in some cases, they shy away from taking family business leadership because of their multiple family roles.

Some literature demonstrates that, some business founders consider sex in succession planning and take it as an important factor in selecting family business successors (Schenkel *et al.*, 2016). Female family members are less considered in succession positions (Latuet *et al.*, 2013; Schroder and Schmitt-Rodermund, 2013; Mathew and Blumentritt, 2015; Aldamiz-Echevarria *et al.*, 2017). In some cases, this makes males to be given the first priority in selecting successors; and in most cases, males are engaged from the beginning to take the positions (Amran and Ahmad, 2010; Ahrens *et al.*, 2015). This might be due to the inbuilt belief in many societies that males perform better in business than females.

However, there is a dearth of empirical studies which show differences in performance in terms of the profit accrued between male and female successors of family-owned SMEs. The findings of this paper add to the ongoing debate on the selection of successors in family business, and provide insight to the performance of male and female successors in the context of family-owned SMEs in developing countries like Tanzania. Therefore, it was hypothesized that:

1d: *Successor's sex has no influence on performance of family-owned SMEs*

2. *Performance of family-owned SMEs differs on the sex of successors.*

### 3.0 Methodology

#### 3.1 Research design, sampling procedure and sample size

This study was carried out in order to examine the performance of successors of family-owned SMEs in Arusha City. This paper adopted the quantitative research paradigm. Cross-sectional research design was employed, and data were collected through a structured questionnaire. Ward Executive Officers, Trade Officers, and business persons took part in the identification of family-owned SMEs which are managed by successors. The identified family-owned SMEs were used in preparation of the sampling frame. The sampling frame comprised a long list of

successors (485) of family-owned SMEs in Arusha City. The formula proposed by Yamane (1973) was used to determine the sample size. Two hundred nineteen (219) successors were randomly selected from the sampling frame. This sample size was considered adequate to serve the purpose of this study. Tabachnick and Fidell (2007) assert that, a sample size greater than or equal to 200 is sufficient in running a regression model.

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

Where  $n$  = Sample size  
 $N$  = Population (successors)  
 $e$  = error term (5%)

Thus,

$$n = \frac{485}{1 + 485(0.05)^2} = 219$$

$$n = 219$$

### 3.2 Measurement of key variables

#### 3.2.1 Successors' socio-demographic characteristics

In this paper, sex was considered as being male or female. This variable was measured at the nominal level. Another variable was age, which was regarded as the number of years a person had. Successors, adults aged 18 years and above, were respondents in this study and their ages were measured by actual numbers of years (continuous scale). Successor's education assessed was considered to be formal education which requires someone to have attended taught classes as per Tanzania's education standard. Education level was categorized as follows: primary education, secondary education, technical education and university education. This was measured by ordinal scale. Business experience was another variable. Experience can be acquired either by someone being directly engaged in daily operations of family business or being hired in other businesses whether family business or not. In this paper, business experience refers to the time a successor had spent in managing family-owned SME, and was measured in terms of the actual numbers of years spent in such management (continuous scale). All the selected successors' socio-demographic characteristics were treated as study independent variables, and were assumed to influence the performance of family-owned SMEs in terms of profit.

#### 3.2.2 SMEs performance

Most family businesses tend to set financial and non-financial goals (Martin and Gomez-Mejia, 2016). Therefore, performance in family businesses can be measured in financial and non-financial measures. Financial measures are such as return on investment, return on assets, sales and profit. Non-financial measures are such as family reputation, customer satisfaction, and employees' satisfaction. Literature suggests that there is no single recommended measure for business performance; instead, various measures can be used depending on the purpose (Bengesi, 2013; Bengesi and Le Roux, 2014a). For the case of this paper, one financial measure (net profit) was used to measure family-owned SMEs' performance. Xheneti and Bartlett (2012) argued that, the objective of most firms is profit maximization. As such, the performance of the firm should be measured based on profit. On another note, net profit is calculated by subtracting total cost from total revenue. This measure was considered appropriate because this paper employed the quantitative research paradigm that somehow limits the use of non-financial measures, which are considered subjective and complex in quantifying. Performance in terms of net profit was the study's dependent variable, and was assumed to be influenced by the successors' socio-demographic characteristics.

### 4.0 Data Analysis

The Statistical Package for Social Sciences (SPSS) version 21 was used for data analysis. A hierarchical multiple regression model was used to examine the influence of successors' socio-demographic characteristics on the performance of family-owned SMEs and independent samples t-test was employed to determine the difference in SMEs performance between male and female successors. To ensure the reliability of the results, data were examined

for conformity of assumptions for independent samples t-test and multiple regressions. The assumptions examined were sample size, outliers, linearity, homoscedasticity, multicollinearity and normality. To determine the influence of successors' socio-demographic characteristic on the performance of family-owned SMEs, multiple regression (hierarchical) model was used. The hierarchical regression model was selected for this paper because of its ability to show effects of controlled variables on the model (Field, 2009). Independent samples t-test was selected for this paper because it is a test appropriate when comparing the mean score of two different groups (Field, 2009). The respondents who had not headed the business for three years or more (and who in this study accounted for 9 percent of the sample size) were excluded in the analysis of SME performance. This decision was drawn from previous studies that measured SME performance (Maalu *et al.*, 2013; Bengesi and Le Roux, 2014a; Bengesi and Le Roux, 2014b). Thus, in responding to hypotheses 1a up to 1d and hypothesis 2 an actual sample size of 200 respondents was used.

## 5.0 Results and Discussion

### 5.1 Tests for independent samples t-tests and multiple regression assumptions

The sample was randomly drawn from the sampling frame. A sample size of 200 respondents, which was considered adequate for the application of hierarchical regression model, was used (Tabachnick and Fidell, 2007). Outliers were checked through histograms. The results showed that scores were in even slopes, and no data points were separately placed far away on their own. Also, the dependent variable, when checked in a scatter plot showed no values with standardized residual values higher than 3.3 or less than -3.3, which means that there were no outliers.

A P-P plot was generated to test for linearity assumption. The results showed that data points were close and reasonably straight along the diagonal line. These results suggest that the data achieved the linearity assumption, and there was no major deviation from normality which might affect the study results. Further, multicollinearity checking was conducted using the tolerance of independent variables and Variance Inflation Factors (VIF). A tolerance of less than 0.1 indicates multiple correlations with other variables being high, suggesting a possibility of multicollinearity (Pallant, 2007). The results in Table 1 show that there was no multicollinearity among independent variables. The VIF values were below 10, and the tolerance values were greater than 0.1, which shows that the model satisfied the multicollinearity assumption.

**Table 1: Successors' socio-demographic characteristics: Collinearity results**

Variables	Tolerance	VIF
Successors education	0.907	1.103
Successors sex	0.920	1.087
Successors age (years)	0.570	1.756
Successors business experience	0.560	1.786
Business Location	0.959	1.043
Business Capital	0.938	1.066
Number of employees	0.889	1.125

Furthermore, a scatter plot was used to check the data for homogeneity of variance. When residuals show a clear pattern, they suggest homoscedasticity. The results showed no clear pattern to the residuals. Residuals are rectangular roughly distributed. This result indicates that the model satisfied the homoscedasticity assumption. Also, the data were tested for the normality assumption. Data points were reasonably close to a diagonal line in a Q-Q plot; this result illustrates that the model satisfied the normality test. In general, the findings demonstrate that the data conformed to the tested assumptions. Therefore, independent samples t-test and hierarchical multiple regression model tested the study' hypotheses one and two successfully.

## 5.2 Socio-demographic variables

The results in Table2 show the study socio-demographic variables, which are successors' education, successors' sex, successors' age and successors' business experience. As depicted in Table 3.2, the majority of the successors had post-primary education. Also, female respondents composed a small percent of successors while a few of the respondents were above 57 years of age. The results further show that the majority of successors had business experience ranging from 3 to 5 years.

Since the interest of the researcher was to study the influence of successors' socio-demographic characteristics on performance of family-owned SMEs, hierarchical multiple regression was conducted to test how well these variables (education, sex, age, business experience) were able to predict performance in terms of profit. The Hierarchical Regression Model was considered fit to test the influence of successor's socio-demographic characteristics because it has the ability to manage the effect of control variables.

**Table2: Successors socio-demographic variables (n= 219)**

Socio-demographic variable	Frequency	Percent
<b>Successors education level</b>		
Primary education	30	14.0
Secondary education	139	63.0
Technical education	18	8.0
University education	32	15.0
<b>Total</b>	<b>219</b>	<b>100</b>
<b>Successors sex</b>		
Male	157	72.0
Female	62	28.0
<b>Total</b>	<b>219</b>	<b>100</b>
<b>Successors' age range ( years)</b>		
18-29	21	9.6
30-45	177	80.8
46 and above	21	9.6
<b>Total</b>	<b>219</b>	<b>100.0</b>
<b>Successors' business experience</b>		
1-2 years	19	9.0
3-5 years	161	74.0
6 years and above	39	17.0
<b>Total</b>	<b>219</b>	<b>100.0</b>

Performance (net-profit) was the dependent variable while successor's education, sex, age and business experience were independent variables. Variables such as business location, business capital, and number of employees were treated as control variables which might influence performance of family-owned SMEs.

Hypothesis 1a stated that successor's education has no influence on the performance of family-owned SMEs.

Hypothesis 1b stated that successor's business experience has no influence on performance of family-owned SMEs.

Hypothesis 1c stated that successor's age has no influence on the performance of family-owned SMEs.

Hypothesis 1d stated that, successor's sex has no influence on the performance of family-owned SMEs.

The hierarchical multiple regression models were used to determine the influence of successors' socio-demographic characteristics on performance of the family-owned SMEs after controlling the influence of control variables (business location, business capital and number of employees).

**Table 3: Influence of successors' socio-demographic characteristics on the performance of family-owned SMEs (n = 200)**

Models	Model 1	Model 2	Sig. Model 1	Sig. Model 2
	Parameter estimates ( $\beta$ )			
<b>Control Variables</b>				
Business location	0.048	0.068	0.489	0.314
Business capital	0.131	0.088	0.060	0.200
Number of employees	0.215	0.222	0.002	0.002
<b>Successors Socio demographic characteristics</b>				
Education		0.238		0.001
Sex		-0.070		0.310
Age		0.106		0.228
Business experience		0.195		0.029
<b>Model parameters</b>				
R2	0.070	0.158		
F-ratio	4.928	5.131		
Adjusted R <sup>2</sup>	0.056	0.127		
R <sup>2</sup> Change	0.070	0.087		
F -Change	4.928	4.982		
Sig. F- change	0.003	0.001		

Mode 1: Predictors: Business location, Business capital, Number of employees

Model 2: Predictors: Business location, Business capital, Number of employees, education, sex, age and business experience

Dependent variable: Performance (Net Profit)

Significance level: 0.05

As illustrated in Table3, control variables (business location, business capital and number of employees) were entered in step 1. The results showed that R-square change ( $R^2$  change) = 0.07. This means that, the control variables clarified by 7% of the variance in family-owned SMEs performance. In step 2, successors' socio-demographic characteristics (education, age sex, and business experience) were entered. The R-square change recorded a value of 0.158. This implies that the total variance explained by the whole model was 15.8%. The four socio-demographic characteristics explained an additional 8.7% of the variance in performance. After controlling the effect of control variables, business location, capital and number of employees) R-square change was = 0.087.

In the final model (model 2) in Table3, two independent socio-demographic variables, namely education and business experience, and one control variable, number of employees were found to significantly contribute to prediction of net profit. Education recorded a beta value of  $\beta = 0.238$ : ( $p = 0.001$ ;  $p < 0.05$ ). This implies that, for one unit increase in successors' education, the profit will increase by 0.238 unit. Business experience recorded a beta value of  $\beta = 0.195$ : ( $p = 0.029$ ;  $p < 0.05$ ). This implies that for one unit increase in business experience, profit will increase by 0.195 unit. Lastly, the number of employees recorded a beta value of  $\beta = 0.222$ : ( $p = 0.002$ ;  $p < 0.05$ ). This implies that for one unit increase of number of employees, profit will increase by 0.222 unit. Therefore, hypotheses 1a and 1b were rejected. Education and business experience variables were statistically significant in predicting performance of family-owned SMEs in the study area.



Age recorded a beta value of  $\beta = 0.106$ : ( $p = 0.228$ ;  $p > 0.05$ ). This implies that for one unit increase in successors' age, profit will increase only by 0.106 unit. Sex recorded a beta value of  $\beta = -0.070$ : ( $p = 0.310$ ;  $p > 0.05$ ). This suggests that sex has no significant contribution in predicting profit in family-owned SMEs. Therefore, hypotheses 1c and 1d failed to be rejected. Successors' age and sex variables were not statistically significant in predicting performance of family-owned SMEs in the study area.

In family-owned SMEs, it can be argued that successors' socio-demographic characteristics should be considered if business founders think of performance in terms of profit for their businesses. However, more emphasis should be put on education and business experience. Education showed a significant contribution, at  $p = 0.000$  ( $p < 0.05$ ). These results are consistent with previous studies by Barbera *et al.* (2015), Bouguerra *et al.* (2016) and Bozer *et al.* (2017), who point out that post family business performance was positively associated with successors formal education. In addition, Lucas (2017) observes that education of an entrepreneur has impact on performance of the business. Education is expected to improve successor's competency in business management, which in a way might contribute to profit maximization in the family business.

Additionally, this paper's findings echo views by Man *et al.* (2016) that successors' knowledge expected to be applied for family business performance largely depends on the formal education acquired. In this regard, these results suggest that family-owned SMEs founders who invest in the education of their successors and select educated family members as business successors are likely to have positive effects on the performance of their businesses. This aligns well with the human capital theory which is the theory underpinning this paper. The theory suggests that humans with high human capital (education) can do well in their assigned responsibilities and be able to quickly analyze and give solutions to different challenges facing organizations. As a result, it contributes to the performance and sustainability of organizations in uncertain and rapidly changing business environment. Generally, the findings complement the argument that education has influence on performance of family-owned SMEs.

Moreover, business experience was observed to predict family-owned SMEs performance in terms of net profit. Literature underscores the importance of business experience component in business management. As it was confirmed by this study's findings, it is important for business founders to devise mechanisms for ensuring prospective business successors are engaged in daily business activities for the sake of knowing how the business is managed. Successors might have experience from outside the family business but still it is important to have experience of a particular business they are expected to manage. The current findings are attributed to early engagement of successors to family business activities for the sake of building their experience. Previous studies by Duh *et al.* (2015) and Mothibi (2015) had similar results and observed that business experience has statistically positive effects on performance of SMEs. Also, these results substantiate HCT's argument that family-owned SMEs managed by experienced successors are in a position to perform well in their businesses and maximize business profit.

Moreover, number of employees, (a control variable) had influence on the performance of family-owned SMEs. This suggests that when the family business is run by productive and positive minded number of employees, it contributes to the performance of family business and thus the business is in a good position of maximizing its profit. That means that employment in a family business should be on merit and not because of membership in the family.

In responding to hypothesis two, independent samples t-test was conducted to test difference in performance between the two groups of successors, male successors of family-owned SMEs and female successors of family-owned SMEs. As illustrated in Table 4, equal variances being assumed between the two groups of successors. Equal variances are assumed if Levene's Test for Equality of Variances shows non-significant results. Equal variances are not assumed if Levene's Test for Equality of Variances shows significant results (Field, 2009). Therefore, the mean performance of male successors ( $M = 36976442.95$ ,  $sd = 23108592.560$ ) was statistically not different ( $t = 1.701$ ,  $df = 198$ , two tailed  $p = 0.090$ ) from that of female successors ( $M = 30563764.71$ ,  $sd =$

23600445.547),  $p > 0.05$ . The effect size, (eta squared)  $d = 0.01$  implies small effect. Thus, the study's hypothesis two was rejected. These findings might be a result of the fact that business founders have started to build trust to female family members. Females are now engaged in family business activities thus building their experience and competence. When selected as successors' of family-owned SMEs, female family members make use of the gained experience and competence to manage business activities. Thus, this might contribute to narrow the differences in performance between male and female family-owned SMEs successors.

**Table4: Comparative performance between male and female successors in family-owned SMEs (n = 200)**

	Successors sex	n	Mean	Std. Deviation	t	df	Sig (two tailed)
Profit	Male	149	36976442.95	23108592.560	1.701	198	0.09
	Female	51	30563764.71	23600445.547			

The results in Table 4 imply that there was no statistical difference in performance in terms of net profit between male successors and female successors of family-owned SMEs in the study area. This is similar to an observation by Bouguerra *et al.* (2016) that gender has no effect on the performance of business. Studies reveal that previously women were not considered for succession in family businesses (Ahrens *et al.*, 2015), and probably this problem is rooted in the gender stereotyping and discrimination in the society. These findings should, therefore create awareness to family business founders that women need to be given the same consideration as men in their business succession plans. Thus, male and female family members should have equal consideration when business founders/ other family members think of who should manage the family business after departure or death of the founder. This suggestion is analogous with a recommendation by Schleppehorst and Moog (2014) that there should be equal consideration of male and female family members in selecting family business successors, and they emphasized personal qualities of successors in selection rather than sex.

These findings also support an argument by Wiklund *et al.* (2013) that the world nowadays emphasizes gender equality and women have started being considered in many positions in different areas, business being one of them because they have proved their competencies. In general, these findings may suggest that when male and female successors are equally exposed to business environment, we should expect equal performance.

## 6.0 Conclusions and Recommendations

This paper assessed successors' socio-demographic characteristics and the performance of family-owned SMEs in Tanzania. From the findings, it is concluded that, for performance of family-owned SMEs in the current business intense competition environment, successor's sex should not be a factor for consideration in selecting successors of family-owned SMEs. Thus, for good performance of family business, successors socio-demographic characteristics mainly education and business experience should be given highest priority in successors selection.

Drawing from the results and conclusions, this study recommends the following. First family business founders should take findings of this paper as a catalyst to speed up the continuing process of giving equal opportunities to female and male family members especially in business environment. Also, business founders should take the responsibility of encouraging female family members to take part in family businesses and select them as successors of family-owned SMEs when opportunities emerge.

In addition, to ensure continuity and financial performance in terms of profit of their business, business founders should devote more attention to education of their successors and select successors with formal education, and give them opportunity to build experience in management of family business. Education is considered to give successors of family-owned SMEs appropriate knowledge and skills to manage the business while business experience gives successors extensive understanding of the business environment.

Furthermore, it is also recommended that family-owned SMEs founders and their successors should have a number of employees that will serve the purpose of their businesses without affecting performance of the businesses. Also, they should continue to increase the capital of their businesses as capital influence business performance positively.

### 7.0 Contribution to the body of knowledge

Most of literature asserts that men perform better in business than women. The findings in this paper are in contrary with this argument and provided empirical evidence. They add new empirical insight to the literature of family business by revealing that there is no significant difference in performance in terms of business net profit between male and female successors of family-owned SMEs. Also, findings of this paper add to family business literature empirical evidence on influence of education and business experience to performance of successors of family-owned SMEs.

### 8.0 Directions for Future Research

During literature review, research gaps were established in the family business research domain. For example, there is a dearth of literature which focuses on successors of family-owned SMEs entrepreneurial competencies.

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