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EFFECT OF STRATEGIC PLANNING ON FAMILY BUSINESS PROJECT SUSTAINABILITY IN RWANDA: A CASE OF FAMILY BUSINESSES PROJECTS IN KIGALI

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Abstract: **This study sought to examine the dimension of strategic planning and the sustainability of Selected Family Business Projects in Kigali as a case study. According to MINICOM, NISR, MIFOTRA, PSF, (2011), only a fraction of the establishment started remained in operation. A big issue of maintaining the business after the departure of the business initiator represent a handicap not only to the business and the employees but also to the country's economy. However, regardless the importance of sustainability and continuity of family business, studies especially concentrate on the sustainability of family business in developing countries particularly Rwanda, seem to be very limited and scarce. The study was guided with the objective of determining the effect of strategic planning on family business projects sustainability in Rwanda in selected family businesses projects in Kigali. Descriptive research design was used. The population of 100 family businesses in Kigali city was considered. A sample of 80 businesses was selected using Slovirn and yarmen's formula. The respondents within the sample was selected randomly. Both primary and secondary data was collected using questionnaires. The study revealed that strategic planning can help to reduce the level of uncertainty and can promote a long term thinking and decision making for organization growth and that some family businesses which had strategic plan were able to achieve good performance and managed to attain their goals. It has also revealed that some businesses which had planning in place have failed to realize its contribution in performance due to different challenges and improper implementation.**

Keywords: **Family business, Project sustainability and Strategic planning.**

1. INTRODUCTION

Background

Strategic planning in organizations originated in the 1950s and was very popular and widespread between mid-1960s to mid-1970s. During this time, everyone thought the answer to all issues were found in strategic planning where some corporate America was obsessed with it. (Mintzberg, 1994). Although the understanding of a strategy as applied in management has been transformed, one element remains key which is aiming to achieve competitive advantage over others (CA) (Wall, 1995).

Family businesses may be small, medium-sized companies and large conglomerates that operate in many business industries, countries and continent. Some of the well-known family businesses include: Salvatore Ferragamo, Benetton, and Fiat Group in Italy; L'Oréal, Carrefour Group, LVMH, and Michelin in France; Samsung, Hyundai Motor, and LG Group in South Korea; BMW, and Siemens in Germany; Kikkoman, and Ito-Yokado in Japan; and finally Ford Motors Co, and Wal-Mart Stores in the United States, Aga khan, Mukwano (World Bank 2008).

It is also a fact that many family businesses have a very short life span after their founder's cycle and that some 95% of family businesses do not supersede the third generation of ownership. This is often due to lack of preparation and planning of the next generations to manage the demands of the growth of the business and larger family. The survival of

Family businesses can be improved by putting in place the right governance structures and by training the next generations in this area as soon as possible (World Bank, 2008).

The Establishment Census 2011 was conducted as a joint undertaking by MINICOM, NISR, MIFOTRA, PSF and it indicated that above 95% of business enterprises in Rwanda are family enterprises. The private sector is the biggest employer in Rwanda and more than 99.9% are establishments belonging to families. The non-formal sector in Rwanda constitutes 90.8% of the total establishment. This implies that the informal sector is one of the leading sectors in contribution to the GDP. This therefore means that the business owned by Families in Rwanda contributes too much on the country's growth. Accordingly, Bird *et al.* (2002) posited that businesses owned by families stayed the strength and the power since the ancient economies. The family business plays vital part in the development of economic of the nation and is an effective engine for every economy in consideration of job creation and tax collections.

The poor growth performance has made it difficult to reduce absolute poverty which constitutes the first, and perhaps the most critical goal among the Millennium Development Goals (MDGs). Therefore, more - efforts are needed for the continent to consolidate improvements in the macroeconomic environment and achieve sustainable growth rates commensurate with the Millennium Development Goals (MDGs) and other development targets. Growth is traditionally considered as the main engine for poverty reduction. Private sector development is an important channel through which these targets could be reached. There is need for governments to revisit microeconomic (the so called second generation) reforms needed to stimulate private sector development by improving the business environment and investment climate to facilitate firm entry, growth and survival.

Problem Statement

Regardless the high importance of family business in the development of economy, studies have indicated that few continue to the next generation. Davis et al., (1998) have declared that only 30% of family business goes on beyond the first generation, when the range between 10% and 15% achieve the third generation. Similarly, Lam (2009) - reported that the high possibility of family business failure has made the issue of succession the most critical one and only 3 to 5% arrive to the fourth generation.

As per MINICOM, NISR, MIFOTRA, PSF, (2011), only a fraction of the establishment started remained in operation. The succession failure occupies a huge issue not only for family businesses and their employees, but also for the economy prosperity. The effect of family business discontinuation is very dangerous and devastating as it could lead to loss of jobs and family assets as well as family relationships. However, despite of the importance of sustainability and continuity of family business, studies solely focusing on family business sustainability in developing countries particularly Rwanda seem to be very limited and scarce.

It is within this context, that researchers wanted to establish family business management and governance, preparation of young generation for family business succession, involvement of the family members in the management and continuity of family business in the next generation in relation to entrepreneurship development in Rwanda.

Specific objectives

i. To examine the dimensions of strategic planning in the FBPs in Rwanda

ii. To explore the factors that affect sustainability of FBPs in Rwanda iii. To assess the quality of strategic planning on FBPs sustainability.

Research Questions

i. What are the dimensions of strategic planning process in the FBPs in Rwanda?

ii. What are the factors that affect sustainability of FBPs in Rwanda?

iii. What is the quality of strategic planning on FBPs sustainability?

2. LITERATURE REVIEW

Empirical review

All businesses either family-owned or otherwise; find it not easy to continue for next generation. The evolution of the Fortune 500 which was created by Edgar p. Smith and published in 1955 is one example. Since 1955, only 77 companies have stayed independent. Above 80% of them have been acquired, sold or witnessed their sales slide significantly over the years. This change could have been due to different reasons: businesses maturity; technology and markets change, eliminating the need for various products and services; suppliers and customers alter the rules of the game or competitors quickly copy successful strategies

A 1996 article in The Economist highlighted this importance of family firms to national economies: Family firms dominate commercial life in the emerging markets of Asia and Latin America and play a larger part than is generally acknowledged in developed economies as well. In Germany, America and Italy, such enterprises make an especially big progressive contribution to exports and jobs. A lot of big organizations are nowadays anxious to copy the decisions' speed and the entrepreneurial ability that ownership of family and control are thought to confer. During the past years, the combination of a strong global economy, new technologies, increasing market opportunities and the participation of a new generation of family members have together contributed to the increased vitality of family businesses. Family businesses are becoming more sophisticated not only about management but also more specifically about family business management. The recognition that a family business model is a legitimate subject of study by colleges, universities, trade associations, professional consultants and family business organizations has created an increased awareness of the challenges and opportunities that exist in business families and their strategic planning.

Theoretical Review

It was noted that a number of theories have been developed as regards to strategic planning. For the purpose of this research study, the following theories of strategy making were used:

The rational mode: According to this theory, strategic planning involves a process of a rational, thought-out, planned process (Adrian Haberberg et al., 2008).

The command mode: the command mode focuses on the role of the leader or top management team. (Adrian Haberberg et al., 2008)

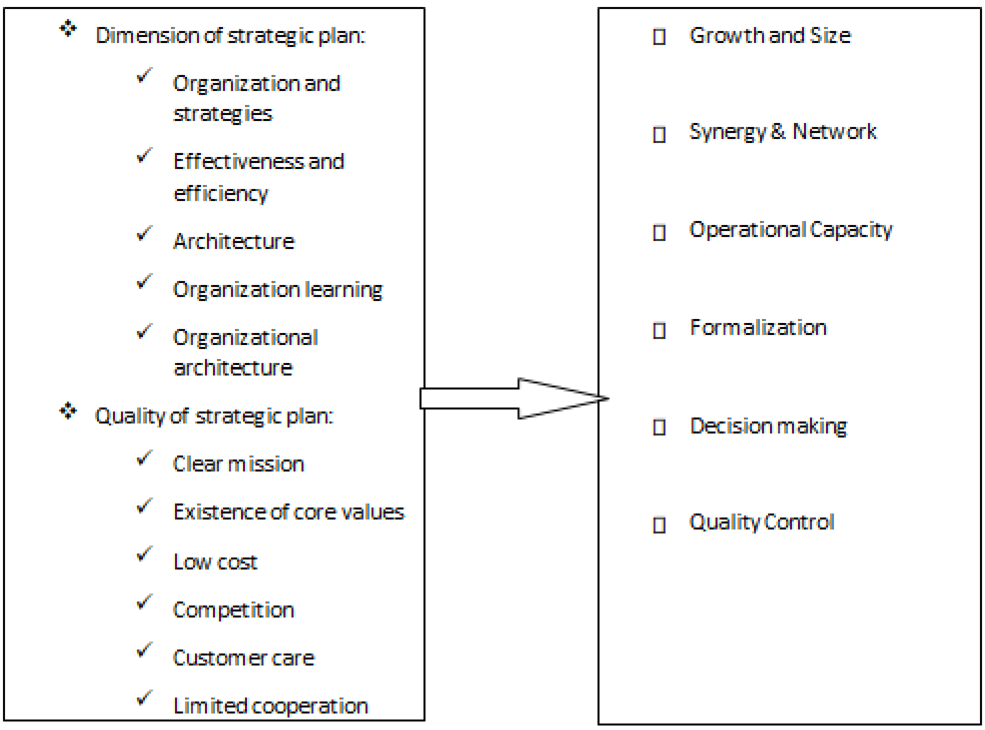
The symbolic mode: According to this theory, an organization possesses clear and compelling values that are so widely shared that they exert a major influence over which strategies are adopted (Adrian Haberberg et al 2008).

The transactive mode: In the transactive mode, the organization is feeling its way forward, trying out different strategies to find out what works best for it in its particular environment, a process that has been described as logical incrementalism. Thus it is prime to undertake a research study to find out the relevance of the strategic mode on the strategic planning quality and the sustainability of FBPs in Rwandan.

The Generative mode: It is characterized by more substantial, innovative leaps that emerge spontaneously from all organizational levels.

Conceptual framework

Strategic planning (Independent Variable) **FBPs sustainability (Dependent Variable)**



Source: Researcher's analysis, 2020

Research gap

In the current competitive business environment, FBPs are required to remain competitive both locally and globally so that they can succeed, regardless of their size and resources. It is indispensable to highlight opportunities to arise competencies and capabilities that allow them to be creative, proactive and ready to take any risks to enhance performance and obtain or maintain a competitive advantage (Mohutsiwa, 2012). The literature on previous studies regarding sustainability of family business projects is limited and very old. The studies that documented on what strategies FBPs leaders need to sustain business operations and mitigate perceived threats to the growth were done in developed economy. Their findings cannot be generalized in the Rwanda context. This will fill the gap in the existing literature by assessing the effectiveness of strategic planning on the sustainability of family business in Rwanda.

3. RESEARCH METHODOLOGY

Research Design

The study was conducted through a case study. A case study is an intensive, descriptive and holistic analysis of a single entity as most of family businesses in Rwanda are found in Kigali. It was used to critically analyze the sustainability of 80 FBPs in form of groceries in Kigali. The design was selected for this study because it uses smaller samples for in depth analysis.

Study Population

Kasomo (2006) defined the population as aggregate of all cases that conform to some designated set of specification, whereas Mugenda (2008) defined it as the set of all elements in the universe. For this case the total study population will be 100 family businesses. The study targeted owners, employees and customers of those businesses. Micro projects Managers being 6, Family business planners were 7, retails business owners were 33 and customers of family businesses were 54.

Sampling

A sample is a sub set of the population being investigated by the researcher, whose characteristics is generalized to represent the whole population (Kasomo Daniel, 2006). Kothari (2000) defined a sample design as the technique or the procedures the researcher would adopt in selecting the items from the population. Because the research cannot reach the whole population because of time, cost and easy management of data, the researcher selected a sample size of 80 family businesses.

The sample within each selected population was selected using purposive sampling. Because the study requires people with technical knowledge about the study, the respondents with in each sample was selected using purposive judgment. Purposive sampling that is when you select a sample basing on your judgment on how that sample will enable you to answer your questions and to meet your objectives (Saunders *et al.*, 2000).

Methods of data collection and tools

According to Harper (1989), a source is one of the materials the researcher uses for collecting information during an investigation. In conducting this research study, the required data was gathered from both primary and secondary sources. Kothari (2004) defined primary data as those data that come directly from the people or works you are researching on and hence direct information one can collect. The primary sources of data was obtained from respondents by use of questionnaires. According to Grinnell & Williams (1990), secondary data is a data gathering method that makes use of pre-existing data. The source of secondary data included library books, articles, journals, published annual report, official gazettes and other research studies that have been done before. The researcher also used Web sites to collect secondary data to obtain information related to the study topic.

Data collection techniques

Data for this study was collected using questionnaires and interviews to gather primary data and documentary review to collect secondary data.

Data processing

After data collection, data was processed to get meaningful results. This involved transforming the views of respondents into meaningful form and classifying responses into codes. The whole exercise involved editing, coding, tabulation. For researcher to be more scientific, the large quantities of information gathered was condensed, hence facilitating easy analysis and processing of the data collected.

Editing: Moser & Kalton (1971) defined editing as a process where errors in complicated interview schedules and questionnaires are identified and eliminated whenever possible.

Coding: According to Mannheim *et al*., (2000), coding is the process of assigning numerical values to observation. The answers acquired were coded and used to determine the frequencies of each response.

Tabulation: According to Churchill (1992), tabulation refers to the orderly arrangement of data in tables or other summary format achieved by counting the frequency of responses to each questions. After coding, all data was put into statistical table showing the number of occurrences respondents in a particular question

Data analysis

This is a process of turning data into information; the process of reviewing, summarizing, organizing isolated facts, analyze and interpret data into information (Williams, 2005). After collection, data was analyzed using Microsoft excel. The information was presented using frequency tables and qualitative statements basing on the literature review and findings from the field.

4. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Dimensions of Strategic Planning in FBP: The study has revealed that the major factors which influenced FBPs to adopt strategic planning in their operations were; organizational complexities to enable them to deal with different interactions in the business operations, environment dynamics and constraints which required them to be proactive and adjust overtime, globalization facilitated new technology in the business operations and they adopt so as to prepare for future development. It has also been found that scarce firm resources influenced FBPs to adopt strategic planning so as to better allocate and utilize the available resources and improve efficiency. Another drive was government which found to have small impact. The study found that strategic planning is beneficial to the operations of FBPs. There were major contributions found in this study which are; better solutions and decisions, improvement in customer satisfaction through delivery of the required value, competitive advantage and market recognition which results from doing things differently and in a better way compared to others, also enhances the chances of success as the FBPs becomes proactive and ready to deal with the future since their plans give them direction. Other contributions mentioned were increased energy and capacity and proper allocation of resources following the priorities set.

Factors of Sustainable Growth of FBPs:

Basing on the fact that there are some of factors which facilitates the effectiveness of strategic planning, in this study it was found out that; Most of FBPs did not have enough preparations for adoption and implementation of strategic plan while it was necessary for them to get the required important information before their engagement in to the process; was also found out that the resources for formulation and implementation of strategic plan is another factor. It was claimed by most of the respondents that inadequate resources were an obstacle to the proper implementation of strategic plan and any plan without implementation cannot be effective.

Conclusion

The study revealed that most of FBPs are not doing strategic planning although it is significantly positively related with an enterprise's performance as it was found that planning activities can help to reduce the level of uncertainty in the organization and promotes long-term thinking and decision making which increases organization growth. It has also revealed that most FBPs with good strategic planning were able to achieve good performance and managed to attain their goals as it was pointed out by some of the respondents. It was found out that strategic planning process in FBPs was not effective due to the fact that most of them were not aware of the process and also the rate of involvement was low.

It was found out that However that these FBPs which have adopted strategic planning in their operations; some of them have failed to realize its contributions in performance improvement due to different challenges which cause them to mess up in the process. Generally, some of the FBPs failed in the process of formulation while others do have good strategic plans prepared by experts but they still failed to achieve their goals due to improper implementation of the plans.

Recommendations

Based on the findings, discussion and conclusion drawn in this study it has been noted that several empirical studies reveal a link between strategic planning and success and the researcher recommends the following;

1. There should be greater effort on training especially in the formulation and implementation of strategic plan to the entrepreneurs who are forming the FBPs so that they can adopt it and see its good achievement. It has been noted from the findings in chapter four on the education level that most of the people involved in operating FBPs have secondary and Certificate/Diploma education so it is very possible that they lack information concerning strategic planning. It is crucial that these people are equipped with necessary information concerning the process for them to make the best use of it.

2. The emphasis should be put on the implementation because some other enterprises formulate strategic plans and put them on the shelves and this cannot have any good impact to the growth and development of the FBPs. There must be proper implementation of the well formulated strategic plans. This is because most of FBPs normally maintain a lower level of resources, have more limited access to human, financial and customer capital, and lack a well-developed administration and these must be taken care of in the formulation and implementation of the strategic plan.

3. The government should emphasize on effectiveness of strategic planning in FBPs because considerable evidence shows that strategic planning leads to increased firm performance. Thus, to make strategic planning in FBPs worthwhile, the respective instruments have to be aligned with the cultural, organizational and financial conditions of the enterprise in order to be successful. The government should develop and implement useful policies for SMEs in the future. The policy should contain this part for FBPs to have the means to ensure the successful and continuous application of strategic planning.

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