EMPIRICAL ASSESSEMENT OF THE NEXUS BETWEEN SUCCESSION CONTROL AND FIRM'S FINANCIAL VIABILITY

Fadeyi Olatunji[1], Abimbola Adegbuyi[2], Oladeji I. Olubunmi[3], Sowunmi E. Olatubosun[4]

Corresponding author's email: fadeyiolatunji@yahoo.com
[1]Department of Business Administration. Anchor University Lagos
[2]Department of Business Administration, D.S Adegbenro ICT Polytechnic, Ewekoro, Ogun State. Nigeria
[3]Department of Accounting Education, Federal College of Education, Akoka Lagos.
[4]Department of Banking and Finance, D.S Adegbenro ICT Polytechnic, Ewekoro, Ogun State. Nigeria

Abstract
In every organisation control is key and central to all management functions, as it helps to keep every activities in check. This paper examines the influence of succession control on financial viability within selected firms. A survey research was conducted among 362 respondents of five firms in the banking sector in Nigeria. Organisational control and structure were used to measure succession control. R statistic was used to carry out a multiple linear regression to test the influence of the variables representing succession control on financial viability. It was found that merely setting out control procedure within the organisation does not have significant influence on financial viability. However, the study revealed that firm's structure significantly impacts financial viability of the business. This study therefore proposes that in order to guide against the emergence of unqualified and inexperience candidate with its attendant cost implication in the organisation's leadership cadre, firm's structure should be made to pilot succession affairs in the organisation. Additionally, to prevent loss of competent hands to competitors with the associated recruitment cost when employees perceived that the organisation is not succession ready, firm's structure should be given priority in all of the organisation succession related activities.

Keywords: Succession, Succession Control, Financial viability.

1.0 Introduction

As organisations move towards transition period, time and money is being spent on capacity development in order for the organisation to make a success of the transition process. However, for every investment into the succession process to make economic sense thereby making the process to be financially viable, the place of succession control becomes necessary. Succession control is about monitoring organisational succession strategy as it is being implemented, detecting problems or changes in its underlying premises, and making necessary adjustment (Pearce & Robinson, 2011). Similarly, financial viability requires a lot of planning, monitoring and taking the needed actions to promote the revenue base of an organisation (Nguyen, Bridle, &Wooders, 2014). If succession control does not drive the financial viability of the firm, some negative ripples occurs which include: developing and promoting the wrong candidates with huge negative financial implications on the organisation, and failure to engage high potential employees giving cost as the excuse. Others are wasting time and money on erroneous succession plans and implementation as well as increased cost of recruitment resulting from employees' turnover, which in turn based their perceived inappropriate succession within the business. Scholars are of the opinion that for any business to be viable, its operating cost must be controlled and the focus of control is finding deviations from the set plan and correcting it (Alipour, Arabani, Asad & Zareti, 2013; Koleda & Oganisjana,2015). It is important to note that several studies on succession management have examined diverse measures to organisational survival (Cannella & Shen, 2001; Conger & Fulmer, 2003; Akanni, 2015 & Seniwoliba, 2015), but to the best of the researchers knowledge, none if any had examined the issue of control as it's relate to succession in the organisation. Moreso, many of these studies seem to have failed to consider the entrenchment of succession control in organisation's succession processes when dealing with business continuity of which financial viability of the firm is an integral part. It is against this back drop that this study is set out to fill these gaps.

2.0 Literature Review

2.1 The Concept of Succession

Succession is a process that focused on management decision to transfer the control, management and ownership of business organisation to subsequent owners (Sikomwe, Mhonde, Mbetu, Mavhiki & Mapetere, 2012).

If new leadership or ownership will emerge in an organisation over time, it's all the product of effective succession in such organisation. Succession chart part for the future for an organisation. Several organisations that had succeeded and prospered from one generation to another had the culture of succession entrenched in their organisation there by resulting into succession management practice that contribute to the survival of the organisation (Gothard & Austin, 2010). Collins (2009) asserted that succession in an organisation is a process that provides smooth leadership transition across the organisation. Key positions that cannot be left vacant exist at all levels in the organisation; hence the management of various organisations ensures a succession plan that is holistic in approach.

2.2 The Concept of Control

Control is the last and key aspect of management functions. The central purpose of control is finding deviations from standard and correcting it (Alipour, Arabani, Asad & Zareti, 2013). Control is a management function, thus Sljivic, Skorup and Vukadinovic (2015) asserted that management control is a process in which firms make effort to accomplish the planned or desired performances. Control is monitoring progress towards goals achievement and taking corrective actions when progress is not being made. Control process entails the establishment of standard, comparing the actual performance with the established standards and taking corrective standard when deviation from the standard is observed. Alipour, Arabani, Asad and Zareti (2013) submitted that the control process in any functional organisation is made up of four major steps as follows: set up the control standard, put side by side the actual outcome achieved with the control standards set up, discovery of variation from standard and the root cause and create and execute remedial action as well as the plans

For the realization of organisational goals and objectives, Anthony and Govindarajan (2007) asserted that focus should be on management control. The duo submitted control as a management function entails organisational managers using their influence on their subordinate to bring about strategies execution while monitoring performance for the realization of goals and objectives. As a management function within the context of the organisation, control ensures things are do correctly, in the correct ways and time. Control further ensures that individual as well as groups action within the organisation are in line with the short and the long term goals of the organisation (Anthony & Govindarajan, 2007). While the planning process begin with the identification of objectives to the implementation of the long term plan based on the organisation annual budget. The control process focuses on the measurement of actual result and compares it with the plan to see if there is deviation from the actual plan before corrective action is taken as depicted in figure 2.4:

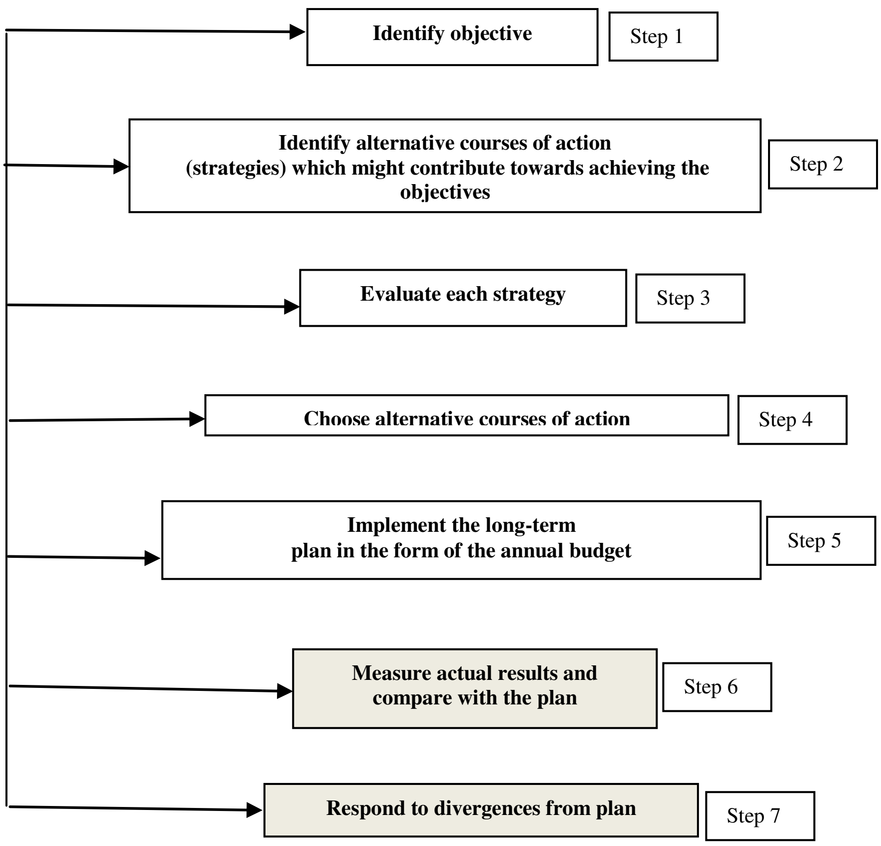

Figure 2.4: The Planning and Control Cycle.
Source: Adapted from Sljivic, Skorup and Vukadinovic (2015)

www.ijrp.org

2.3 Succession Control

In strategic management, a major aspect of an organisation's strategic plan is its succession management plan, of which succession control is crucial if that plan is to be realised. The focus of succession control is finding deviations from the set succession plan and correcting it (Alipour, Arabani, Asad and Zareti, 2013). Succession control as an offshoot of strategic control focuses on tracking the execution of succession strategy in the organisation by identifying challenges as well as changes in the system and making necessary amendment (Pearce and Robinson, 2011). Succession control focuses on actions that relate to succession plans execution while the final outcome is still many years ahead.

As obtainable in the basic planning function of management, where control as a management function help to put the plans in proper perspective and keep it focus from deviation, so does succession control to succession plans. Pearce and Robinson (2011) advocated that managers that are responsible for the success of organisational succession management practice, ask some certain questions in relation to succession control in that organisation which in turn helps to put the organisation succession plans under effective control. These questions include:

i. Is it certain that we are going in the right direction?
ii. Are we doing the critical things that need to be done with respect to succession plans?
iii. Should we amend or terminate our succession tactics?
iv. Are our succession goals and plan being met?
v. Does our investments on staff development producing result commensurate to the investment and the desired outcome?
vi. Do we need to make any operational changes for our succession plans?

The accelerating rate of changes globally in the business environment necessitated the need for organisations to have strategic succession control in place. Just as there is no control without a plan, there can be no succession control without a succession plan (Sljivic , Skorup and Vukadinovic, 2015). The goal of succession control is to correct deviation from the succession plan. Succession is a product of time it is not an event of the immediate future. In some organisation it can take ten years, some twenty years or more, hence there is the tendency for organisation to deviate from its original succession plans. Succession control come in here to play an integral role, by helping organisation stay focus on its plans irrespective of the number of years that might have past. Also the heart of succession control rest not only on assessing the achievement of the goals of succession plans but to keep an eye on the advancement made in accomplishing the goals.

Similarly, succession control also look into succession implementation by ensuring that the implementation is according to succession plans. It ensures that succession implementation programmes of the organisation like training, mentoring, executive development and other developmental programmes for potential successors are all implemented is such a way as to benefit the organisation in term of cost and align with the succession plan (Pearce and Robinson, 2011). Another important aspect that succession control looks into is organisational values and organisational mission statement. Whoever emerges as a successor at any levels of management within the organisation must be such that upholds the values that the organisation stands for and also belief in its mission. Furthermore, succession control makes use of organisation structure to avert leadership crisis and power struggle in the organisation. This it does by ensuring that leadership emergence in the organisation is a function of the existing structure. With this control in place, it prevents the hijacking of the leadership positions in the organisation from unqualified persons. Where necessary, succession control will recommend the amendment of the structure, so as to realise the desired organisational goals and objectives in the area of succession.

2.4 Types of Succession control

Succession control is a steering control and as an offshoot of strategic control, Pearce and Robinson (2011) identified four strategic controls, which by extension is applicable to strategic succession control as follows: Succession Foundation Control, Succession Strategic Observation, Succession Unique Vigilant Control and Succession Execution Control

2.4.1 Succession Foundation Control

Many organisation's succession plans has its foundation anchored on certain assumptions or certain planning predictions. Hence, succession foundation control is the organized identification and examination of assumptions that serves as a basis for strategic succession plan, to establish the validity or otherwise of those assumptions in varying situations and on availability of new information (Pearce & Robinson, 2011). Should a crucial premise or foundation upon which succession plan is base no longer hold or valid, such succession plan strategy may be change. For instance, a situation where some staff of the organisation that are being developed for leadership

www.ijrp.org

position suddenly withdraw from the service of the organisation in mass, here succession premise control will need to come in because the premise upon which the organisation succession plan was based had change. The earlier it is known that the basis on which a succession plan is based is invalid and reject, the better the chance to switch on to a better strategy in the organisational plan. In aware of the organisation, succession strategies are usually founded on various grounds which may be major or minor and managers needs to be aware of this. Managers also need to know that it could be very expensive to track the entire premise or ground on which organisational succession strategies is based, hence the need to select those that are likely to have huge impact on the organisation and its succession strategies.

2.4.2 Succession Strategic Observation

While succession foundation controls are more of focused controls, succession strategic observation tends towards a general outlook as much as possible (Pearce & Robinson, 2011). Succession strategic observation is intended to observe a wide range of activities within and outside the organisation that has the tendency to impact on the firm's succession strategy. Succession strategic observation helps to reveal essential yet unexpected information about potential successors by observing various information sources. Since business operate in a dynamic environment and the behavior of personnel to emerge as successors could be highly unpredictable, succession strategic observation therefore should have a general outlook. In spite of it tolerance, succession strategic observation provides a daily on ongoing sophisticated vigilance with respect to all the areas of business operations particularly to uncover information about those people that the organisation is working on for leadership position, which in turn helps the organisation to succeed in its succession management strategies.

2.4.3 Succession Implementation Control

Succession implementation takes place as a series of steps, programmes, investments, and moves that occur over an extended time. At times, functional areas in the organisation initiate its own succession related activities, which may involve key people been added, developed or reassigned. Functional area managers may also carry out succession implementation strategies by converting the broad succession plans into concrete incremental actions and result of specific units and individuals. Thus, succession implementation control is a type of strategic succession control that must be exercised as those events mentioned above unfold. Succession implementation control is designed to assess whether the overall succession strategies of an organisation should be changed in light of the results associated with the succession implementation seen so far.

2.4.4 Succession Special Alert Control

Another type of succession control is special alert control which is a subset of the others. Succession special alert control is the swift and detailed reassessment of the firm's succession strategy due to sudden and unexpected event. The plane crash that involved the executive board of an organisation, the sudden incapacitation of the CEO among others are tragic events that can drastically after the firm's succession strategy. Such an event should trigger an immediate and intense reassessment of the firm's succession strategy and its current strategic situation. In many firms, crisis teams handle the firm's initial response to unforeseen events that may have an immediate effect on the firm's succession strategy. For effective organisational succession control, the structure of such organisations plays a crucial role. Lewis, Goodman and Fandt (2001) asserted that for result achievement within the organisation, organisational structure that spelt out authority and responsibility for such result achievement is vital. Thus, to avoid power struggle and to know where authority should emanate from in successions at each time within the organisation, organisational structure should be made clear always.

2.5 Concept of Organisation Structure

Since succession management practice focuses on leadership issue in most organisations, management hierarchy therefore becomes an integral aspect of the process and the force for it sustainance. Thus, organisational structure plays a crucial role in sustaining the practice of succession in the organisation. Ibrahim, Sulaiman, Kahtani and Abu-Jarad (2012) posited that organisation structure refers to the way jobs are divided, where decisions are made and how work roles are coordinated. Structure defines how job tasks are formally divided, grouped and coordinated. It specifies the firm's formal reporting relationships, procedures, controls, authority levels and decision-making units. Structure indicates areas of responsibility, authority and accountability, even as Ibrahim *et al.* (2012) further asserted that organisational structure specifies the work to be done and how to do it and it influences how managers work and the decisions resulting from that work. Structure is concerned with the formal system of task and reporting relationship that control, co-ordinate and motivate employees so that they work together to achieve organisational goals (Jen, Khalid and Md Hasan, 2014; Olajide, 2015). The role of organisation structure is to facilitate the performance of firms through the implementation of strategy (Maduenyi, Oke, Fadeyi and Ajagbe, 2015). David (2005) stated that for an organisation to manage its strategies well in practice a good

www.ijrp.org

structure is necessary. Lewis, Goodman and Fandt (2001) viewed the structure of an organisation has an authority and responsibility for result achievement. The structure of an organisation takes the shape of a pyramid and represented in a chart at time known as organisational chart. The structural organisation has the following things:

a. It is made up of formal relationships with well-defined duties and responsibilities
b. It has hierarchical relationships between superior and subordinates within the organisation
c. The tasks or duties assigned to different persons and the departments
d. It involves the coordination of the various tasks and activities
e. It is a set of policies, procedures, standards and methods of evaluation of performance which are formulated to guide the people and their activities (Ibrahim, *et al.,* 2012)

2.6 Financial Viability

Firms with strong financial prowess often exhibit strong competitive advantage over organisations struggling to withstand changes in business environment due to economic downturns. Effective financial systems, no doubt remains a panacea to organisational development and growth particularly if there are planned changes in management expected to yield any serious results (Nguyen, Bridle and Wooders, 2014). Organisations with strong financial muscles have such systems in place; this helps them achieve sustainability in business. Financial viability remains one of the cores of succession management and it is often needed for improved organisation performance on the long run (Ishmael and Human, 2018). Financial viability is not a mere process that can be achieved overnight. In fact, it takes a lot of planning for an organisation to be termed as being "*financially viable*". Hence, financial viability goes beyond the usual comparison between revenue and expenditure or checking whether the firm has enough to spend or not. It requires a steady improvement of income streams through the lifespan of the business. This will accumulate to sustained revenue and then re-investments. Financial viability is the economic state of a firm that creates fundamentals for a stable favourable income to expenditure ratio, efficient use of resources, and steady reproduction process under the conditions of active influence of internal and external factors (Ishmael and Human, 2018; Nadezda and Karine, 2015)

According to Koleda and Oganisjana, (2015) financial viability is rather complex phenomenon and involved how a firm utilizes all the resources at its disposal. Zhevak (2006) explained financial viability as how an organisation balances its books with regards to income, expenditure, resource utilization, as well as, production process even when faced with environmental challenges threatening the business. Generally, literature tends to shy away from the concept of financial viability; rather, it focuses on pointers to financial viability which include ratio of debt to equity, equity profitability among others(Koleda and Oganisjana, 2015).

A relevant example of clear definition can be drawn from a report published by the International Institute for Sustainable Development, (IISD). The report defined financial viability as " a situation in which an organisation is financially sustainable and is able to provide sufficient services and make investments to meet changing future demand while generating adequate revenues to cover costs and operating according to environmental and social norms" (Nguyen, Bridle and Wooders, 2014) . Although the definition was given with respect to power generation, four criteria were however suggested to measure a firm's viability as it relates to its finances as depicted in figure 2.9. The firm's ability to recoup its investments and cost of running its businesses, the organisation's ability to meets its own demands, the organisation's ability to engage in profitable investments, and lastly, ability to meet up with prevailing trends within the business environment.

www.ijrp.org

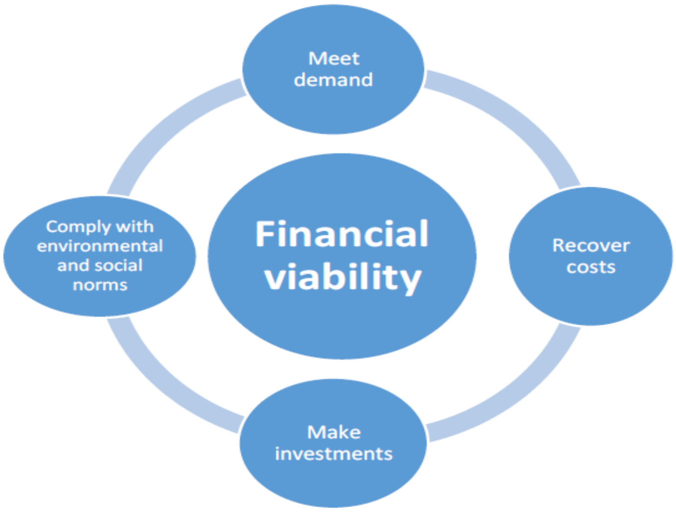

Figure 2.9: Model Showing Customer Value as the Ultimate Goal of Dynamic Capabilities
Source: Nguyen, Bridle and Wooders (2014).

2.7 Succession control and Financial Viability

As every organisation strive for good and positive financial performance at every calendar year, this cannot go without effective management control on ground to guard against deviation from the set financial viability standard of the organisation. As asserted by Harris, Mishra and Williams (2012), succession planning has a positive and significant effect on financial performance (viability), both in terms of higher profit margins and returns to equity, an objective that cannot be realized without effective monitoring and control that guard against the organisation going off track from its succession plans which was made possible by succession control entrenched into the organisation's succession management process.

A system without effective control in place is bound to flop and the realization of organisational objectives including profit maximization (financial viability) becomes uncertain. This goes to reveal the essence of succession control in the organisation for the realization of financial viability goal. The strength of succession control is premise on succession plan which is expected to run across all levels of management within the organisation for holistic assessment if such a process is to be relied upon and used as a basis for decision making within the organisation for objectives realization (Sljivic, Skorup & Vukadinovic, 2015). Financial viability is seen in literature to aid business decisions and growth, so does succession control serve as a basis, tool and ground for decision makers within the organisation before major stake is committed into such organisation (Jenkins, 1995). A business organisation may be financially viable now, but what guarantees its future financial viability is a product of its future management team which is dependent on its present succession management process that will ensure the emergence of such competent management team to pilot the business affairs of the organisation. However, it the succession control that the organisation have in place that will help the organisation to realize this lofty goal, thereby preventing deviation from the succession goal and ensuring the future financial viability of the organisation.

3.0 Methodology

A descriptive quantitative approach was employed in this research via the use of a survey method. The banking sector was selected for this study been the only sector in the Nigerian economy with structured succession programmes (Central Bank of Nigeria Report, 2010). The five selected banks have been in existence for more than five decades and have experienced two or more successions in their respective organisations. These banks include First Bank of Nigeria Plc established in 1894, Sterling Bank Plc established in 1960, Union Bank Nigeria Plc established in 191, United Bank for Africa Plc established in 1949 and Wema Bank Plc established in 1945. The population of the five selected banks was twenty two thousand six hundred and thirty five (22, 635) staff. The Daniel and Terrel (2006) formula for sample size determination was used and a sample size of 384 was arrival at. The multi-stage sampling technique adopted for this study entails purposive, stratified and random sampling techniques. The steps below briefly describe multi-stage sampling used for this study. All the five existing old generation money deposit banks were purposively selected for this study owing to their years of establishment and evidence of more than two succession experiences. Purposive sampling enables researchers to obtain information from people who can provide the best information on the research topic (Leedy & Ormrod, 2005). The respondents were selected through the stratified sampling technique across all the three levels of management in the selected banks. To qualify for the random selection and ensure that members have equal chances of being included within the sample, bank staffs that satisfy the following criteria were considered: (a) A staff must belong to one of the management levels in the bank, and (b) A staff should have spent five or more years with the bank. From a total of 384 questionnaires sent out to respondents only 362 were returned, which represent a response rate of 94.2%. A response rate of 50% is considered adequate for data analysis, drawing conclusions and for generalization of findings (Bryman, Bell, 2015). A five (5) point likert scale was used to measure responses from respondents on the level of consideration to the statements in individual questions. The researcher used a multiple linear regression techniques for testing the various hypotheses in this study. R statistical software was also employed for the data analysis conducted.

4.0 Data Analysis

4.1 Testing Hypothesis

H_0: Succession control has no significant influence on financial viability of the organisation.
RQ: To what extent does succession control contribute to the financial viability of the company?
Recall that Succession control (SC) is explained by;

Control
C1. Succession plans of my organisation is moving in the proper direction
C2. My organisation is doing the critical things that needs to be done in line with its succession plans
C3. Succession implementation in my organisation aids the achievement of succession objectives.
C4. My organisation succession plans and implementation are cost effective
Organisational Structure
O1. The current structure in my organisation is designed to facilitate mentoring
O2. The structure in my organisation needs no amendment due to top management support.
O3. The structure design facilitates developmental assignment from the superior
O4. The structure in my organisation is capable of keeping it from collapsing during crisis.
O5. The structure needs some amendment in order to contribute to the overall succession goals

In the same vein, financial viability (F) is explained by:
F1. Profit objective is the main driver of most decisions in my organisation
F2. Financially my organisation is currently performing excellently
F3. Organisation financial performance can guarantee its long term survive

Table 4.1: Result of Organisational Structure and Control on Financial Viability (F1)

Response	**F1**				
Call	lm(formula = F1 ~ SC)				
Residuals	**Minimum**	**First quartile**	**Median**	**Third quartile**	**Maximum**
	3.9999	1.9999	2.000	1.000	3.000
Coefficients	**Estimate**	**Standard Error**	**t-value**	**Pr(>|t|)**	**Significance**
Intercept	4.40015	0.60167	-1.601	0.1102	***
F1SC1	-0.08101	0.05059	-1.601	0.1102	
F1SC2	0.02752	0.05291	0.520	0.6033	
F1SC3	0.05204	0.05290	0.984	0.3259	
F1SC4	-0.05043	0.05487	-0.919	0.3587	
F1SC5	-0.07799	0.05722	-1.363	0.1738	
F1O1	-0.06542	0.05198	-1.259	0.2090	
F1O2	-0.09799	0.05351	-1.831	0.0679	.
F1O3	0.03639	0.05458	0.667	0.5053	
F1O4	-0.07821	0.05205	-1.503	0.1338	
F1O5	-0.10367	0.05526	-1.876	0.0615	.
F1Mgt.level	0.06967	0.12032	0.579	0.5629	
F1Bank	-0.02316	0.06515	-0.355	0.7224	

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1; Residual standard error: 1.41 on 349 degrees of freedom; Multiple R-squared: 0.04869, Adjusted R-squared: 0.01598; F-statistic: 1.488 on 12 and 349 DF, p-value: 0.1262

www.ijrp.org

Table 4.2: Effect of Organisational Control on Financial Viability

Control (C)	Financial Viability (F)					
	F1	F2	F3	-2ln(F1)	-2ln(F2)	-2ln(F3)
C1	0.1102	0.9392	0.2343	4.4109170	0.1254537	2.9023060
C2	0.6033	0.4611	0.9960	1.0106810	1.5482810	0.0080160
C3	0.3259	0.3813	0.5719	2.2423900	1.9283380	1.0967090
C4	0.3587	0.3530	0.9343	2.0505380	2.0825740	0.1359154
C5	0.1738	0.2435	0.2249	3.4997000	2.8252770	2.9841990
$W = \sum(-2lnF1) + (-2lnF2) + (-2lnF3)$				28.8528051		
Degree of freedom; df				30		
Effective p − value(*using Fischer's combination method*)				0.52534		

Table 4.2 was generated from table 4.1 above and Table 4.3 with Table 4.5 below. Organisation control measures were regressed on financial viability measures along with other measures of succession control with bank and management levels as control variables. Pr(>|t|) gives the va-rious P values. The P value for C1FI is 0.1102; C1F2 is 0.9392 and so on. The degree of freedom (df) is two multiply by number of P values. Thus, with fifteen P values, the df is 30. The effective P value for organisation control regressed on financial viability was determined using the Fischer's combination method stated above. The result shows that organisation control is not statistically significant at 0.52534 when regressed on financial viability.

Table 4.3: Result of Organisational Structure and Control on Financial Viability (F2)

Response	**F2**				
Call	lm(formula = F2 ~ SC)				
Residuals	**Minimum**	**First quartile**	**Median**	**Third quartile**	**Maximum**
	0.9999	0.9999	1.0000	2.0000	3.999
Coefficients	**Estimate**	**Standard Error**	**t-value**	**Pr(>|t|)**	**Significance**
Intercept	3.233913	0.548636	5.894	8.87e-09	***
F2SC1	-0.003519	0.046127	-0.076	0.9392	
F2SC2	-0.035601	0.048249	-0.738	0.4611	
F2SC3	-0.042286	0.048236	-0.877	0.3813	
F2SC4	0.046538	0.050034	0.930	0.3530	
F2SC5	0.060952	0.052178	1.168	0.2435	
F2O1	-0.094336	0.047395	-1.990	0.0473	*
F2O2	-0.068750	0.047462	-1.409	0.1597	
F2O3	0.011155	0.049767	0.224	0.8228	
F2O4	0.064512	0.047462	1.359	0.1750	
F2O5	-0.065360	0.050389	-1.297	0.1954	
F2Mgt.level	0.018233	0.109717	0.166	0.8681	
F2Bank	0.042846	0.059406	0.721	0.4712	

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' '1; Residual standard error: 1.286 on 349 degrees of freedom; Multiple R-squared: 0.04438, Adjusted R-squared: 0.01152 ; F-statistic: 1.351 on 12 and 349 DF, p-value: 0.1881

Table 4.4: Effect of Organisational Structure on Financial Viability

Organisational Structure (O)	Financial Viability (F)					
	F1	F2	F3	-2ln(F1)	-2ln(F2)	-2ln(F3)
O1	0.2090	0.0473	0.1004	3.1308420	6.1024900	4.5971860
O2	0.0679	0.1597	0.1693	5.4061250	3.6689160	3.5521660
O3	0.5053	0.8228	0.1441	1.3652060	0.3900842	3.8744960
O4	0.1338	0.1750	0.0296	4.0228180	3.4859390	7.0399620
O5	0.0615	0.1954	0.1286	5.5774360	3.2654130	4.1020970
$W = \sum(-2lnF1) + (-2lnF2) + (-2lnF3)$				59.58118		
$\mathbf{Degree\ of\ freedom;}\ df$				30		
Effective p − value(*using Fischer's combination method*)				0.00103		

Table 4.4 was generated from table 4.1, table 4.3 and table 4.5. Organisation structure measures were regressed on financial viability measures with bank and management levels as control variables. Pr(>|t|) gives the respective P values. The P value for O1FI is 0.2090; O1F2 is 0.0473 and so on. The degree of freedom (df) is two multiply by number of P values. Thus, with fifteen P values, the df is 30. The effective P value for organisation structure regressed on financial viability was determined using the Fischer's combination method stated above. The result shows that organisation structure is statistically significant at 0.00103 when regressed on financial viability.

Table 4.5: Result of Organisational Structure and Control on Financial Viability (F3)

Response	**F3**				
Call	lm(formula = F3 ~ SC)				
Residuals	**Minimum**	**First quartile**	**Median**	**Third quartile**	**Maximum**
	2.0000	1.0000	1.0000	4.0000	5.0000
Coefficients	**Estimate**	**Standard Error**	**t-value**	**Pr(>|t|)**	**Significance**
Intercept	3.580017	0.634124	5.646	3.41e-08	***
F3SC1	0.063523	0.053315	1.191	0.2343	
F3SC2	0.000279	0.055767	0.005	0.9960	
F3SC3	-0.031541	0.055752	-0.566	0.5719	
F3SC4	-0.004769	0.057831	-0.082	0.9343	
F3SC5	-0.073323	0.060308	-1.216	0.2249	
F3O1	-0.090240	0.054780	-1.647	0.1004	
F3O2	0.077668	0.056395	1.377	0.1693	
F3O3	-0.084211	0.057522	-1.464	0.1441	
F3O4	0.119805	0.054858	2.184	0.0296	*
F3O5	-0.088704	0.058240	-1.523	0.1286	
F3Mgt.level	0.001099	0.126813	0.009	0.9931	
F3Bank	-0.101079	0.068663	-1.472	0.1419	

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' '1; Residual standard error: 1.486 on 349 degrees of freedom; Multiple R-squared: 0.05444, Adjusted R-squared: 0.02192 ; F-statistic: 1.674 on 12 and 349 DF, p-value: 0.07071

www.ijrp.org

Table 4.6: Effect of Succession Control on Financial Viability

Succession Control (SC)	Financial Viability(F)					
	F1	F2	F3	-2ln(F1)	-2ln(F2)	-2ln(F3)
C1	0.1102	0.9392	0.2343	4.4109170	0.1254537	2.9023060
C2	0.6033	0.4611	0.9960	1.0106810	1.5482810	0.0080160
C3	0.3259	0.3813	0.5719	2.2423900	1.9283380	1.0967090
C4	0.3587	0.3530	0.9343	2.0505380	2.0825740	0.1359154
C5	0.1738	0.2435	0.2249	3.4997000	2.8252770	2.9841990
O1	0.2090	0.0473	0.1004	3.1308420	6.1024900	4.5971860
O2	0.0679	0.1597	0.1693	5.4061250	3.6689160	3.5521660
O3	0.5053	0.8228	0.1441	1.3652060	0.3900842	3.8744960
O4	0.1338	0.1750	0.0296	4.0228180	3.4859390	7.0399620
O5	0.0615	0.1954	0.1286	5.5774360	3.2654130	4.1020970
Mgt. level	0.5629	0.8681	0.9931	1.1493070	0.2828967	0.0138478
Bank	0.7224	0.4712	0.1419	0.6503526	1.5049450	3.9052650
$W = \sum(-2lnF1) + (-2lnF2) + (-2lnF3)$				95.939085473		
$\textbf{Degree of freedom}; df$				72		
$\textbf{Effective p} - \textbf{value}(\textit{using Fischer's combination method})$				0.03123		

Table 4.6 gives the summation of Table 4.2 and Table 4.4. Succession control is explained by control and structure. Table 4.2 shows the effect of organisation control on financial viability with effective p-value given as 0.52, similarly, from Table 4.4, the relationship between organisation structure and financial viability is given as 0.001. From these values, it is clear that at $\alpha = .05$, control does not significantly affect business agility. On the other hand, organisation structure has a significant effect on financial viability. By combining both p-values, the computed effective p-value that shows the effect of succession control on financial viability as shown in Table 4.6 is given as 0.03.

Criteria: When the observed p-value for the regression of succession control on financial viability is less than the computed value, reject the H_0. Otherwise, accept H_0

Decision: Observed value of 0.03 is less than the alpha (computed) value of 0.05. As a result, the null hypothesis is rejected, meaning that succession control significantly affects financial viability.

Decision Rule

When the observed p-value for the regression of succession control on financial viability is less than the computed value, reject the H_0. Otherwise, accept H_0. Thus, observed value of 0.03 is less than the alpha (computed) value of 0.05. As a result, the null hypothesis is rejected, meaning that succession control significantly affects financial viability.

4.2 Discussion of Findings

The result of this research show that control itself is not statistically significant when regressed jointly with organisational structure on financial viability. That is control contributes less to financial viability when dealing with succession issue in an organisation. Many of the respondents that participated in this research could not categorically say that the succession plans and implementation of their respective organisations are cost effective. Going by the fact that huge sum of money from the organisations profit are invested into staff development particularly, the top management staff that go for various developmental programmes including overseas training programmes at the organisation's expense.

However, a second look at the findings of this research reveal that organisational structure is statistically significant when regressed with control on financial viability. This means that organisational structure as a measure of succession control contributes immensely to financial viability of an organisation. The sampled banks are banks with national and international presence with complex organisational structure that are used to drive the operational activities of their respective organisations. Authority, control and decision-making process don't just happen haphazardly, but through formal reporting line created in the system for that purpose. These banks have various echelons of leadership that ranges from branch managers, regional managers, divisional managers, state, national and country managers with clear roles and responsibilities. The formal structures in these organisations come first

www.ijrp.org

when considering succession for any leadership positions and this has helped to prevent the development and promotion of wrong candidates into leadership positions with huge financial implications on the organisation. A branch manager, for instance, is a lower level manager, while a regional manager is a mid-level manager and a country manager could be a top level manager. Hence, succession for any of these positions is considered along the structure of the organisation. None of the branch managers that participated in this research is a mid or top level manager and succession for branch manager's position will also be considered among the lower level staff that perhaps is currently not a manager. Thus, it prevents wasting of time and money on erroneous succession implementation and recruitment.

All of the top management staff that participated in this research are people with vast experience and many years of practice. Thus, organisation structure prevents the emergence of inexperienced people in leadership and key positions of the organisation. The finding is in line with the work of Akani (2015) that there exists between management succession planning and corporate survival a significant moderating role of organisational structure. Furthermore, succession control was also statistically significant when regressed on financial viability with banks and management level as control variables. The implication of this finding is that it is possible for an organisation to deviate from its succession plans and goals, but succession control serves as a check from such deviation. Though operating in a fast-changing business environment, the samples banks were able to stay focus to their succession plans and were able to manage all succession related issues with the formal structures created in the system. The annual budget of each bank was also used to plan for succession implementation programmes, hence, any training or developmental programmes not budgeted for is discarded. By this, these organisations do not just incur cost unduly in the name of executive development or any other staff training.

5.0 Conclusion and Implication

Effective succession control in the organisation is crucial to the success of the firm before, during and after transition period. When organisational structure drives all of the firm transitional activities, it not only prevents wasteful investment on the wrong candidates, but help in the proper investment on the right candidate within the system that can assume leadership position when the need arises. Though control of any form in the organisation is good, but with respect to management transition, the control focus and driver of the process should be the structure of the organisation.

References

Alipour, S., Arabani, S. G., Asad, M. T., & Zareti, R., 2013. Importance of Planning and Control of Managers. *Kuwait Chapter of Arabian Journal of Business and Management* , 2(9): 36-38.

Akani, V. C., 2015. Management Succession Planning and Corporate Survival in Nigeria: A Study of Banks in Port Harcourt. *European Journal of Business and Management, 7*(27): 1103-1107.

Anthony , R. N., & Govindarajan, V., 2007. *Management Control Systems* (10th International Edition ed.). Irwin, New York: McGraw-Hill.

Bryman, A., & Bell, E., 2015. *Business Research Methods.* USA: Oxford University Press.

Central Bank of Nigeria, 2008, *Banking Supervision Report.* Abuja: CBN.

Cannella, A. A., & Shen, W., 2001, So close and yet so far: Promotion versus exit for CEO heirs apparent. *Academy of Management Journal, 44*(2): 252-270.

Collins, J., 2009. *"How the Mighty Fall: Why some Companies Never Give in".* New York: HarperCollins Publishers.

Conger, J., & Fulmer, F., 2003. Developing Your Leadership Pipeline. *Harvard Business Review, 81*(12): 76-85.

Daniel, C., & Terrel, D., 2006. *Business Statistic.* New York: Prentice Hall.2006

Harris, J. M., Mishra, A. K., & Williams, R. P., 2012. *The impact of farm succession decisions on the finacial performance of the farm.* Seattle: Economic Research Service.

David, F. R., 2005. *Strategic Management, Concepts and Cases* (10th ed.). New JerseY: Pearson Prentice hall, Inc.

Gothard, S., & Austin, M. J., 2010. *Leadership Succession Planning: Implication for Nonprofit Human Service Organisations.* California: Center for Social Service Research.

www.ijrp.org

Ibrahim, M., Kahtani, A., & Abu-Jarad, I., 2012. The relationship between strategy implementation and performance of manufacturing firms in Indonesia: The role of formality structure as a moderator. *World Applied Science Journal, 20*(7): 955-964.

Ishmael, Y. B. & Human, M., 2018. The Impact and Financial Viability of Rural Women's Food Security Projects in South Africa. *Journal of Public Administration*, 53(1): 74-90.

Jenkins, M. D., 1995. *Starting and Operating a Business in Connecticut.* Grant Pass, Orlando: Oasis Press.

Jen, S. S., Khalid, A. H. & Md Hasan G., 2014. An Examination of the Influence of Organisational Structure Types and Management Levels on Knowledge Management Practices in Organisations. *International Journal of Business and Management;* 9(6): 43-57

Koleda, N., & Oganisjana, J., 2015. Challenges in leaning for company's financial viability assessment and management. *Business: Theory and practise, 16*(2): 195–204.

Leedy, P. D. & Ormrod, J. E., 2005. *Practical research: Planning and* design, 8th ed. New Jersey: Pearson/Prentice Hall.

Lewis, P. S., Goodman, S. H., & Fandt, P. M., 2001. *Management, challenges in the 21st century.* Washington, DC: South Western Publishing.

Maduenyi S., Oke, A. O., Fadeyi, O. & Ajagbe, M. A., 2015. Impact of Organisational Structure on Organisational Performance. *International Conference on Africa Development Issue (CU-ICADI), 354-358*

Nguyen, T. C., Bridle, R., & Wooders, P., 2014. *A financially Sustainable Power Sector: Developing assessment methodologies.* Winnipeg, Manitoba Canada: International Institute for Sustainable Development.

Nadezda, K. & Karine, O., 2015. Challenges in Learning for Company's Financial Viability Assessment and Management. *Business Theory and Practice*, 16(2): 195–204

Olajide O. T., 2015. Effects of Organisational Structure on Job Satisfaction in The Nigerian Financial Sector: Empirical Insight From Selected Banks in Lagos State. *NG-Journal of Social Development,* 5(1)*: 96-108.*

Pearce, J. A., & Robinson, R. B., 2011. *Strategic management: Formulation, implementation, and control* (12th ed.). New York: Irwin/McGraw-Hill.

Seniwoliba, A. J., 2015. Succession planning: Preparing the next generation workforce of the University for Development Studies Research. *Journal of Education Studies and Review, 1*(1): 1-10.

Sikomwe, S., Mhonde, C., Mbetu, C., Mavhiki, S., & Mapetere, D., 2012. Critical Perspectives on Succession Planning in the Commuter Transport sector in Zimbabwe. *International Journal of Business and Social Science ,* 3(5), 230-241.

Sljivic, S., Skorup, S., & Vukadinovic, P., 2015. Management Control in Modern Organisations. *International Review*(3-4): 39-49.

Zhevak, I., 2006. Issledovanie Problem Nauchnogo Podhoda finansovom Analize, Research and technology. *STEP into the FUTURE, 1*(2): 28–31.

www.ijrp.org