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## The Mediating Effect of Succession Planning on the Relationship Between Risk Taking and Sustainability Performance

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**Abstract:**

**Purpose:** The aim of this study was to examine the mediating effect of succession planning on the relationship between risk-taking and sustainability performance of Small and Medium Enterprises (SMEs) in Uasin Gishu County, Kenya. It further sought to determine whether risk-taking directly influences sustainability performance or whether this relationship is strengthened through succession planning mechanisms.

**Material/methods:** A quantitative research approach grounded in positivism and guided by a deductive design was adopted. Primary data were collected using structured questionnaires from SME owners and managers in Ainabkoi and Soy Constituencies. From a population of 684 registered SMEs, a sample of 252 respondents was selected using Yamane's formula. Data were analyzed using SPSS version 23 and PROCESS Macro. Reliability was assessed using Cronbach's alpha, while construct validity was confirmed through exploratory factor analysis and KMO tests. Multiple regression and mediation analysis were used to test hypotheses.

**Findings:** Results showed that succession planning fully mediates the relationship between risk-taking and sustainability performance. Risk-taking significantly influenced succession planning ( $\beta = .623, p < .001$ ), and succession planning significantly affected sustainability performance ( $\beta = .626, p < .001$ ). However, the direct effect of risk-taking on sustainability performance became insignificant when succession planning was included ( $\beta = .130, p = .059$ ). The indirect effect was significant ( $\beta = .390, CI [.240, .569]$ ).

**Conclusion:** The study concludes that succession planning is a critical mechanism through which entrepreneurial risk-taking is translated into improved sustainability performance among SMEs. Although risk-taking is important for enterprise growth and adaptation, its contribution to sustainability performance depends largely on the presence of structured succession planning practices that support continuity, leadership preparedness, and long-term organizational stability.

**Value:** The study highlights succession planning as a key capability translating entrepreneurial risk-taking into sustainable SME performance in developing economies.

**Keywords:** Risk taking, Succession Planning; Sustainability Performance

**Paper Type:** Research Article

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## **1. Introduction**

Small and Medium Enterprises (SMEs) play an integral part in global economic development, employment, alleviation of poverty, and innovative solutions (World Bank, 2023; OECD, 2022; World Bank, 2024). For example, in the case of developing countries, SMEs are important not only because they increase production levels but also because they stimulate entrepreneurial development in the economy (World Bank, 2023; OECD, 2022; GEM, 2023). At the same time, the high failure rates of SMEs are observed against the backdrop of an unstable environment, intense competition, and frequent changes in leadership positions (Kuckertz *et al.*, 2020; OECD, 2023). This fact proves that it is crucial to investigate the issue of SME sustainability as a business' long-term success depends not only on its profitability but also on its ability to strike a balance between economic, social, environmental, and cultural factors (Elkington, 1997; Khurana *et al.*, 2019; Bansal & Song, 2017). Thus, sustainable performance of enterprises means that organizations are able to meet the expectations of their stakeholders and preserve their economic viability, social responsibility, environmental sustainability, and corporate culture (Anca-Cristina, 2014; Orji, 2019; Dyllick & Muff, 2016). Therefore, conducting an in-depth examination of game-changing practices that help ensure sustainability of SMEs is an essential issue to investigate.

Entrepreneurial orientation is considered one of the most important strategic factors contributing to sustainability and competitiveness of enterprises in various parts of the world (Lumpkin & Dess, 1996; Wales *et al.*, 2020). Entrepreneurs' orientation is referred to the combination of practices, processes, and approaches that foster the spirit of risk-taking and innovativeness among employees. Entrepreneurial orientation includes innovativeness, proactiveness, and risk-taking (Lumpkin & Dess, 1996; Covin & Wales, 2019). Of these three elements, risk-taking is critical as a means of assessing companies' willingness to engage in risky activities and seize opportunities by entering new markets and taking decisions in uncertain situations (Covin & Slevin, 1989; Wales *et al.*, 2020). High-risk oriented businesses are capable of benefiting from the opportunities offered by the market, innovating, and responding proactively to the competitive environment. However, poor management of risk can have negative consequences for sustainability and performance of enterprises, especially SMEs (Kraus *et al.*, 2020).

It is worth noting that sustainability of SMEs in developing countries as well as in African states is a complicated process owing to the existing economic instability, low availability of finance, lack of managerial competences, and absence of institutional support (Ngek, 2020; OECD, 2023). Indeed, despite the high mortality rates among SMEs, businesses in Africa make a great contribution to economic development of the continent. Many studies claim that transition in the next generation threatens the existence of numerous companies and only few SMEs are able to survive into second or third generation (Gomba & Tumo, 2016; Lansberg *et al.*, 2021). Thus, for example, in Nigeria, many enterprises fail after their founders die due to the lack of succession plans (Babangida & Semasinghe, 2014). In South Africa, many SMEs possess entrepreneurial traits such as innovativeness and flexibility, yet do not develop succession strategies, which results in the unsustainable development of these enterprises (Fatoki, 2014; Amran *et al.*, 2020). Hence, the results prove that while risk-

taking contributes to companies' sustainability, it is impossible for SMEs to perform sustainably without effective succession planning.

The topic of succession planning has become topical as the means of ensuring business continuity and knowledge transfer within organizations (Sharma, Chrisman, & Chua, 2003; Ibrahim et al., 2021). In general terms, succession planning implies identification, training, and preparation of individuals who are capable of succeeding in filling leadership positions (Sharma et al., 2003). In comparison to other SMEs, succession planning becomes essential for family-owned and entrepreneur-run enterprises because inefficient succession planning leads to failure, disputes, and disintegration of companies (Lansberg et al., 2021). With the help of succession planning, organizations ensure the transmission of knowledge and continuity in business strategy as well as secure stakeholder confidence. In this regard, the introduction of succession planning creates a link between entrepreneurship-oriented risk-taking and sustainable performance due to the preservation of continuity of leadership in enterprises.

SMEs play an integral role in Kenya's development through providing jobs, generating income, innovations, and GDP growth (World Bank, 2023; KNBS, 2023). The sector is recognized as the key force driving Kenya's development agenda within the scope of Vision 2030. Still, SMEs face a number of barriers to their successful operation and goal achievement, including the lack of financing, difficulties with accessing technology, unsuitable business environment, and high competition (KNBS, 2023; OECD, 2023). All these factors have adverse effects on sustainability of these enterprises. Moreover, many Kenyan SMEs are family-based and strongly dependent on the chiefs, which makes them fragile during periods of transition. In order for SMEs to reach their sustainable performance, it is necessary for these enterprises to have entrepreneurial risk-taking attitudes combined with efficient succession planning, which provides continuity and sustainability of their activities (Wales et al., 2020; Ngek, 2020). According to Orji (2019), organizations meeting social and environmental objectives while remaining sustainable from an economic point of view, are viewed as sustainable.

Many SMEs operating in Uasin Gishu County of Kenya provide significant contribution to employment and income generation as well as development of the region (KNBS, 2023). Some barriers faced by SMEs in Uasin Gishu County include competition, changes in consumers' demands, technological changes, and leadership transition. Nowadays, there are many companies whose operation is largely influenced by founding partners and few enterprises use succession planning in order to ensure continuity of their activities in the future. In other words, while some SMEs pursue entrepreneurial risk-taking practices through expansion, innovations, and investments, sustainable performance and future success of these businesses can be put at risk in the absence of effective succession planning (Lansberg et al., 2021). Implementation of practices ensuring organizational sustainability will help SMEs enhance their resilience in Uasin Gishu County (Nigri & Del Baldo, 2018).

While there are quite a lot of research studies investigating the link between entrepreneurial orientation and performance of SMEs, there is a gap concerning succession planning's role as the mediator between risk-taking and sustainable performance of these organizations in Kenya (Kraus et al., 2020; Ibrahim et al., 2021). The currently available researches are mostly focused on business financial performance without paying any attention to other sustainability factors. Hence, there has emerged a conceptual shift toward exploring the importance of succession planning as the means of maximizing benefits of entrepreneurs' risk-taking. Consequently, this research is going to explore the mediation effect of succession planning on the

relationship between risk-taking and sustainable performance of SMEs in Uasin Gishu County of Kenya. The results of the investigation can contribute to existing entrepreneurship and strategic management literature and show ways for enhancing sustainability of SMEs.

## **2. Theoretical background**

The theoretical foundation of the Triple Bottom Line (TBL), which includes multi-dimensional considerations of the sustainability performance results in relation to economic, social, and environmental spheres, supports this study's research design (Elkington, 2018; Schaltegger et al., 2022). The concept of TBL is used to determine the dependent variable of the current study, as it changes the focus from financial success to sustainable profitability combined with social responsibility and environmental preservation. Entrepreneurial behavior, in this case, refers to risk-taking, which is expected to have a positive effect on SMEs' sustainability performance by enabling them to achieve more innovative results and make their market reach larger. Nevertheless, no direct links between risk-taking behaviors and sustainability performance will be assumed. Succession planning can be seen as a mediator that helps to translate risk-taking into concrete, organized sustainability processes in the future. As risk-taking may lead entrepreneurs to take some actions related to innovation, it is likely to be institutionalized due to succession planning, and thus, ensure the sustainability performance improvement from the economic, social, and environmental perspectives. Therefore, the process of succession planning allows transferring the benefits of risky entrepreneurial actions to sustainable results in the future, making such behaviors beneficial in the long term.

## **3. Sustainable performance**

Sustainable performance is the capacity of an organization to make money for its owners and satisfy their needs while simultaneously promoting social progress and environmental preservation. (Huo, Gu, and Wang 2019). In addition to supporting community welfare, the preservation of natural resources, and the defense of investor interests, sustainable performance seeks to reduce the detrimental consequences of organizational activities on the environment and society (Orji, 2019; Svensson & Padin, 2019). The quadruple bottom line approach, which evaluates an organization's economic, environmental, social, and cultural performance, has been widely used to define sustainable performance. The quadruple bottom line paradigm takes into account the purpose and values that an organization creates for society, including its social, cultural, and spiritual dimensions, in contrast to traditional models that only measure the financial portion of organizational activity (Sawaf, 2014). Many nations throughout the world have embraced the concept, most notably New Zealand, which has developed regulations pertaining to the preservation of its indigenous communities' cultural legacy.

The way a company engages with society and adds value to raise people's quality of life is referred to as social performance. According to Martinez-Conesa, Soto-Acosta, and Palacios-Manzano (2016), social performance fosters social growth and upholds positive relationships between the organization and stakeholders, including customers, governments, investors, employers, employees, and other communities. In contrast to financial performance, social performance places a higher priority on the needs of all parties involved in terms of people's welfare, including adhering to labor regulations, protecting human rights, promoting public welfare, and acting responsibly with regard

to consumer goods (Hussain, Rigoni, & Orij, 2018). Businesses that perform well socially create value for their stakeholders through employee ethics and motivation. The term "environmental performance" describes how an organization's operations affect the environment. The idea that the earth's natural resources are finite and must be shielded from depletion brought on by commercial activity informs a business organization's environmental performance (Masocha & Fatoki, 2018). Therefore, an organization's environmental performance includes minimizing waste and pollution and making effective use of natural resources in manufacturing (Huo, Gu, & Wang, 2019). Transportation, adherence to environmental regulations, waste and emission reductions, energy and water consumption management, and other eco-friendly initiatives implemented by the company are additional facets of environmental performance (Roscoe, Subramanian, Jabbour, & Chong, 2019). The conservation of natural resources is greatly aided by organizations that engage in such activities.

The values and beliefs of individuals that impact individual conduct within an organization are the focus of cultural performance. Employee perceptions of an organization's mission, vision, and objectives are influenced by its culture (Kellie, 2020). A culture that motivates workers to strive toward long-term organizational goals and values is necessary for a successful organization (Chandra, 2019). Teamwork, creativity, moral behavior, and employee enthusiasm are all ensured by a healthy company culture. On the other hand, employees and organizational performance may suffer from a bad corporate culture (Wong, 2020). Thus, corporate culture has a big impact on SMEs' sustainable success.

Profitability and an organization's financial stability are aspects of economic performance. Economic performance is the outcome of an organization's production and efficiency while satisfying stakeholder demands (Marianne, 2018). High productivity, low operating costs, and effective manufacturing methods are how an organization achieves economic performance (Hussain et al., 2018). Organizations' contributions to society, such as market expansion, cost reduction, efficient energy use, sales growth, and market share, can be used to gauge their economic performance (Tamara & Radenovic, 2021). Good economic outcomes support SMEs' continued profitability, competitiveness, and viability.

#### **4. Risk taking**

risk-taking are managerial decision-making that involves taking a calculated risk and participating in choices and actions including using borrowed funds for expansion, breaking into new markets, and embracing innovative technology in spite of high levels of uncertainty. Taking risks makes it possible to differentiate between companies that use aggressive tactics and those who use more cautious ones. Successful opportunity exploitation and performance improvement depend on measured risk-taking (Covin & Wales, 2019; Shirokova et al., 2016; Wales et al., 2023; Hernández-Linares et al., 2021).

In small and medium-sized enterprises (SMEs), risk-taking refers to managerial actions and choices that have a high degree of uncertainty and risk but are intended to achieve a particular gain. (Miller, 2021). For instance, SMEs may look for funding to support company growth, create cutting-edge technologies, and introduce new goods. Furthermore, despite their lack of knowledge in these sectors, SMEs may adopt a new production technique, offer a variety of products, and participate in export activities in many economies, particularly in the developing world. All of these choices have one thing in common: SMEs commit their limited resources to a risky endeavor with uncertain outcomes. According to entrepreneurship research, SMEs frequently

participate in "calculated risk-taking," which means that they base their choices on the facts at hand and the state of the market (Kreiser et al., 2021; Boso et al., 2022; Miller, 2021).

However, because risk-taking is positively connected with other EO qualities like innovativeness and proactiveness, the relationship between risk-taking and company performance is non-linear. Specifically, companies should consent to be exposed to uncertainty in order to develop innovations and put proactive initiatives into action. As a result, companies that take more risks typically profit from this quality. Scholars studying entrepreneurship have found that calculated risk-taking enhances company success as measured by growth and profitability (Putniņš & Sauka, 2019; Wales et al., 2022). One could argue that deliberate risk-taking enables businesses to go beyond incremental and conventional activities and start new endeavors in which rivals do not engage.

However, current research shows that when risk-taking is overused by businesses, it can often have detrimental consequences on performance. For instance, high-risk innovation initiatives that demand substantial financial outlays may lead to the distribution of excess resources and ensuing financial challenges. For example, because they lack the cash and absorptive capacity to reap the rewards of innovation, resource-constrained SMEs are less likely to profit from such initiatives (Hughes et al., 2021; Shepherd et al., 2020). According to academics, taking risks is not inherently bad as long as they are handled strategically. In other words, taking too many risks negatively affects an organization's performance.

In conclusion, it is critical to remember that responsible risk-taking is critical to the sustainability and performance enhancement of companies. Organizations can develop innovations, successfully grow their businesses, and become more resilient to unfavorable circumstances and competition by taking risks. To guarantee ongoing performance, businesses should, nevertheless, find a balance between taking risks and carefully assessing the situation. To achieve sustainable performance, SMEs operating in dynamic and competitive environments like Kenya's Uasin Gishu County should learn how to take measured risks (Wales et al., 2023; Hernández-Linares et al., 2021).

## **5. Succession Planning**

The term succession planning generally refers to the strategy for management where companies ensure continuity in the leadership (Ali et al., 2021). Succession planning entails the identification of the future key leaders of the company and providing them with appropriate education and mentoring opportunities in order to enable them to take over the role in the future (Seniwoliba, 2020). Generally, succession planning aims at maintaining continuity in the operations of an organization by making sure that whenever there is a need for the replacement of a leader because of some reason, like resignation or death, there will be a competent candidate who can take up the role immediately (Ali et al., 2021; Seniwoliba, 2020). Alternatively, succession planning can also be defined as a long-term organizational strategy where the continuity is ensured through the development and replacement of essential personnel (Adedayo et al., 2019). While in traditional management practices, succession planning was only concerned about filling vacancies, this concept now encompasses much more than that (Mohammad & Pirzad, 2020). Instead of just identifying vacancies, succession planning aims at facilitating the transfer of the role and responsibility from the outgoing leader to the new leader (Adedayo et al., 2019; Mohammad & Pirzad, 2020).

Thus, succession planning can be described as an institutionalized mechanism whereby organizations identify, prepare, and mentor capable individuals who can act as leaders

in the future (Seniwoliba, 2020). Organizations should integrate this strategy in their overall human resource strategy to create a pool of capable individuals who can take over the position whenever there arises the need for that (Ali et al., 2021). In this way, organizations would be able to operate efficiently while maintaining organizational knowledge and competitiveness in the market. Some essential dimensions of succession planning include shared vision, communication, documented transition, and succession training (Le Breton-Miller, 2019). Shared vision refers to the common mission, goals, and vision that members of an organization share irrespective of whether they are outgoing or incoming leaders (Siu Loon, 2019). In terms of succession planning, the concept of shared vision ensures that the successor leaders are prepared well for taking over and sustaining the organization (Siu Loon, 2019). The organizations can enhance their shared vision among future leaders by involving them in strategic thinking and by emphasizing the values of the organization (Steier, 2020).

Similarly, another vital component of successful succession planning is effective communication among organizational members (Durst, 2019). The organizations must be able to communicate the expectations regarding leadership, organizational culture, and the future plans to their future leaders (Durst, 2019). Effective communication fosters trust and reduces ambiguity in the process of succession planning (Durst, 2019). Thus, those organizations which give more emphasis on effective communication are able to carry out the process of succession planning smoothly because their employees are well-informed and engaged during the entire process. Documented transition is yet another key feature of successful succession planning (Melies, 2019). The documentation of transition means that the organization has clear procedures and rules with regard to the handing over of responsibility from one leader to another (Melies, 2019). Such documentation includes job descriptions, job role, performance measures, etc. In addition, the procedure is formally documented to make sure that any future changes in leadership are made according to organizational needs (Melies, 2019).

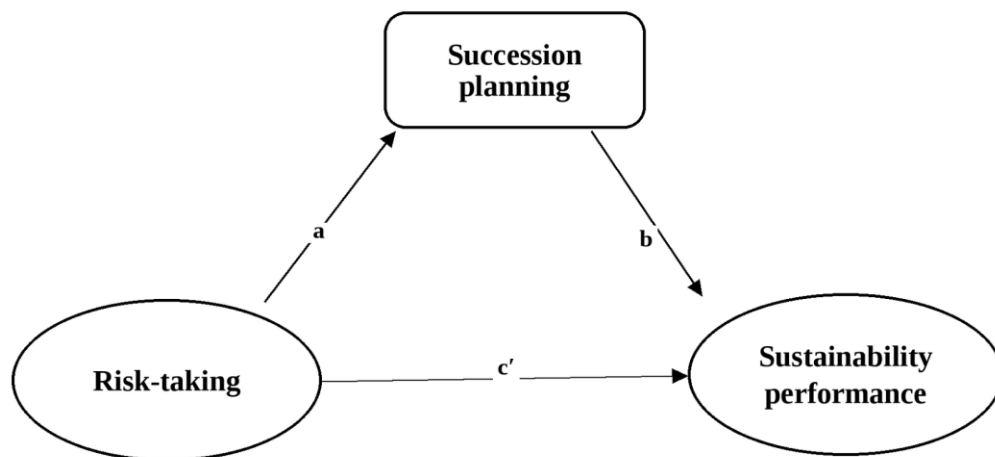
## **6. Empirical Review (Hypothesis Development)**

A study conducted by Makumbe et al. (2025) on the role of organizational commitment in mediating the relationship between succession planning practices and performance in organizations. The research employed a quantitative method underpinned by the positivist approach and utilized data from 250 respondents selected from family-owned SMEs operating in Zimbabwe. Statistical techniques, specifically Structural Equation Modelling (SEM), were used to analyze the data. The results indicated that succession planning practices, including successor development and fostering intergenerational relationships, had a positive impact on organizational performance. Furthermore, organizational commitment was established as a partial mediator in the relationship, meaning that succession planning practices enhance employees' commitment to the organization resulting in enhanced performance.

Secondly, the association between financial risk management and succession planning processes was examined in a study by Mihaylov and Zurbruegg (2021). Specifically, the link between succession planning and firm performance was analyzed employing binary probit and ordered regression models on data gathered through a survey method. According to the results obtained, organizations implementing a formalized financial risk management system were more prone to adopting formalized succession planning processes. Moreover, formal succession planning was found to correlate with financial performance and sustainability. Importantly, the authors found that succession planning acted as a mediator by ensuring that financial risk management practices led to enhanced organizational performance.

Lastly, the contribution of succession planning to organizational innovativeness was studied by Shin, Cho, and Jung (2019) in terms of organizational trust and HR strategy alignment as mediating factors. The research entailed an empirical analysis of quantitative corporate panel data. Results obtained showed that succession planning positively influenced organizational innovativeness as well as performance. The effect was reinforced by organizational trust and strategic HR planning. The authors came to a conclusion that succession planning contributed to organizational adaptation and ensured that organizational strategy remained consistent in order to guarantee continuous performance.

*H1: Succession planning has mediating effect on the relationship between risk taking and sustainability performance.*



**Figure 1.** *Research model*

## **7. Research Methodology**

In accordance with the positivism paradigm, the research adopted the quantitative research method based on deductive approach. In other words, the research process started with existing theories, and then hypotheses were formulated and empirically tested. To collect quantitative data for the study, structured questionnaires previously used in other studies to measure entrepreneurial orientation, strategic agility, and sustainability performance were employed. Data obtained in the study were statistically analyzed to explore relationships between variables. Adoption of such an approach ensured higher objectivity, accuracy, and potential replicability of the study. Ultimately, data findings allowed either accepting or rejecting formulated hypotheses and arriving at evidence-based conclusions regarding the factors that influence sustainability performance of youth ventures.

### **Data collection**

Primary data were collected using a structured questionnaire that was designed to cover all the variables under investigation. A questionnaire is a standardized research tool composed of predetermined questions used to acquire responses in a consistent way

from the subjects. For this study, it was used to collect quantitative data directly from SME owners and managers. Questionnaires are recognized as efficient and cost-effective ways of acquiring data especially when conducting research with relatively large samples. They are, therefore, particularly suitable when researching SMEs where the respondents do not have sufficient time for engaging in research activities. Besides, questionnaires are easy to administer, thus the researcher was able to cover a large population within a relatively short period of time (Young, 2016).

Additionally, using a questionnaire is a good way of minimizing bias associated with interviewers because respondents fill out the instrument independently without any influence from the researcher (Kothari, 2008). This gives the respondent an opportunity to give an unbiased answer based on his/her understanding. Also, using a questionnaire gives respondents enough time to think about their answers before responding, which results in more reflective answers. According to Matthews and Ross (2010), it is an effective technique of gathering first-hand information and perspectives from respondents, particularly on sensitive issues like succession planning in businesses. For this study, the questionnaire was specifically designed to meet the objectives of the research.

The questionnaire was administered to selected SME owners and managers who responded to the survey in the study. Items in the questionnaire were measured using both nominal scale and interval scales reflecting different variables investigated. Adaptation of validated instruments strengthens the validity of measurement tools in a study. The questionnaire was modified based on relevant literature findings to reflect the context of SMEs in Uasin Gishu County, Kenya.

### ***Sampling***

Target population is a term used in research to refer to the entire group of people that the researcher would like to generalize his/her findings about. It consists of all members who have the desired attributes for the purpose of the research in question. In this case, the target population was made up of owners/managers of Small and Medium Enterprises (SMEs). They were the most ideal respondents for the research as they play critical roles in the strategic planning and management, which determines the sustainability of these businesses. The sampling frame of the study was made up of all registered SMEs in Ainabkoi and Soy Constituencies according to the records in the County Ministry of Trade. The registry provided vital business information such as addresses, telephone numbers, type of services offered, among other useful information. The study was made to include 684 SMEs operating in various sectors such as financial services, retail, telecommunication, agriculture, hotels, professional services, and workshop services. It was impossible to conduct data collection from all members of the population due to constraints in time and funds. Hence, Yamane's (1967) sample size formula was used. The required sample size was found to be 252 respondents based on the 684 population with 5% margin of error.

### ***Data analysis technique***

To ensure accuracy, completeness, and relevance of the collected data prior to the analyses and statistical procedures being performed on the data set, data preparation involved identifying outliers, cleansing the dataset, and recoding and transforming of variables (Stieglitz et al., 2018; Sheard, 2018). Any questionnaire that showed absence of responses or provided responses that were vague were not considered as part of the analysis. Those questionnaires whose responses were found valid were documented and analyzed by an... The rest of the data was examined for any outlier that had been

detected in the process and therefore were not considered for further analysis. Identification of outliers was done through application of various tools such as frequency distribution and the scatter plot. In addition, multivariate outliers were identified by applying Mahalanobis Distance ( $D^2$ ) so as to eliminate any bias in the analyses (Kwak & Kim, 2017). The analyses of the data were done using the stepwise technique available in SPSS version 23. This included both descriptive and inferential statistics. Descriptive analysis entailed the application of means, percentages, frequencies and standard deviations while the inferential statistics involved multiple regressions and PROCESS macro.

## 8. Results

### *Reliability and Validity of research instruments*

The first step of the study was to determine the reliability and construct validity of the scales. For this purpose, we used Cronbach's  $\alpha$  coefficient and exploratory factor analysis. Jackson (2015) indicates that reliability can be used in statistical analysis to measure the internal consistency or stability of the measurement tool when measuring the specified constructs. Based on the work of Mohajan (2017) and Joppe (2000), reliability can be viewed as the extent to which results can stand the test of time and give true representation of the entire population. The reliability coefficient can be used to investigate the internal consistency of the measuring scales and whether their items are statistically sound. The results indicated in Table 1, indicate that all the coefficients fall within the commonly accepted range of 0.7, as suggested by Hair et al. (2010), and thus all the research tools meet the required criteria for application in this research. Reliability of Firm Sustainability Performance is .927, Risk taking is .919, and Succession Planning is .883

**Table 1: Reliability Results**

	Cronbach's Alpha	N of Items
Firm Sustainability Performance	.927	30
Risk Taking	.919	17
Succession Planning	.883	27

*Source: Research Data, 2026*

For validity, factor analysis was performed to establish whether the collected data was fit for measuring the concepts in this research. It was found that the KMO Measure of Sampling Adequacy for sustainability performance was 0.899, meaning that the sample was adequate for factor extraction while the items used were appropriate for testing construct validity. As for Risk taking, the KMO index was 0.876, meaning that the sampling adequacy was satisfactory. This is an indication that the items were fit for factor analysis. In terms of succession planning, a KMO score of 0.855 was recorded; although it is comparatively low, it still surpasses the acceptable minimum value for factor analysis.

### Hypothesis testing

The research hypothesis H4 was based on the assumption that succession planning mediates the relationship between risk-taking and sustainability performance of SMEs in Uasin Gishu County. Table 2 Model 1, is presented below. As seen from the table above, the model has  $R^2 = .453$  and  $F = 40.785$ , which were statistically significant at  $p = .000$ . Therefore, all of the included variables account for 45.3% of the variance in succession planning. Besides, in accordance with Table 2, Model 1, it was revealed that succession planning is significantly associated with risk-taking ( $\beta = .623$ ,  $p = .000$ ). Thus, condition (i) of the mediation process was confirmed.

Results provided in Table 2. Model 2, reflect the outcome of analysis performed along paths b1 and C'. As seen from the table above, the model explains 43.3% of the variance in sustainability performance ( $R^2 = .433$  and  $F = 31.193$ ,  $p = .000$ ). Besides, it shows that succession planning positively and significantly impacts the dependent variable, sustainability performance, as seen from  $\beta = .626$ ,  $p = .000$ . Therefore, condition (ii) of the mediation process is met. Nevertheless, according to the results, risk-taking does not significantly impact sustainability performance (path C';  $\beta = .130$ ,  $p = .059$ ).

As seen from the analysis above, the product of  $a_1 \times b_1 = .623 \times .626 = .390$ ;  $SE = .083$ ,  $CI = .240, .569$  was used to calculate the mediation process results. Since there were no zeros within any of the confidence intervals, it proves the occurrence of the mediation process in the context under consideration. Moreover, since risk-taking had negligible influence on sustainability performance in the second model, it can be assumed that there is full mediation. It should also be noted that comparing Model 3 of Table 2 with the use of direct effect only ( $\beta = .130$ ), the result of the total effect model ( $.390 + .130 = .622$ ) looks better. Therefore, hypothesis H4 is accepted.

**Table 2: Mediating effect of succession planning on the relationship between risk taking and sustainability performance**

Variables	Model 1 (SPL)		Model 2 (SPerf)		Model 3 (Total Effect)	
	$\beta$	$p$ - $v$	$\beta$	$p$ - $v$	$\beta$	$p$ - $v$
Risk-Taking	$a_1$ =.623***	.00 0	$C' = .130$	.059	.520* **	.000
Success. Planning			$b_1 = .626$ ***	.000	-	-
$R^2$	.453		.433		.219	
F	40.785***		31.193***		13.806***	
<b>Mediation</b> =	$a_1 \times b_1 = .623 \times .626$		$= .390$ , $SE = .083$		$CI = .240, .569$	

**Source:** Research data (2023). Note: \*\*\* $p < .00$ , SPL= Succession Planning, SPerf = Sustainability Performance

### 9. Discussions

The results indicate that succession planning significantly mediates the effects of risk-taking and sustainability performance of SMEs in Uasin Gishu County. From Model 1, it emerged that there was a strong and statistically significant effect of risk-taking on succession planning ( $\beta = .623$ ,  $p = .000$ ). This shows that those SMEs that engage in risk-taking activities have a higher tendency of implementing succession planning

initiatives. The model explained 45.3% of the variance of succession planning ( $R^2 = .453$ ), indicating that risk-taking was a significant predictor of succession planning for SMEs. This implies that those companies that are willing to venture into risks have a tendency of being proactive in planning for succession.

Moreover, from Model 2, succession planning positively and significantly affected sustainability performance ( $\beta = .626$ ,  $p = .000$ ), but risk-taking did not significantly affect sustainability performance when considered directly ( $\beta = .130$ ,  $p = .059$ ). However, the model explained 43.3% of the variance in sustainability performance ( $R^2 = .433$ ). This means that succession planning was a significant mechanism through which the effect of risk-taking on sustainability performance occurs. The indirect effect of risk-taking on sustainability performance, considering succession planning as a mediator, was statistically significant ( $a1 \times b1 = .390$ ,  $SE = .083$ ,  $CI = .240, .569$ ). Additionally, since the confidence interval excluded zero, then full mediation occurred in the regression model. Finally, since the direct effect became insignificant in model two, then full mediation was demonstrated.

### **10. Practical and Theoretical implications**

There are several theoretical implications arising from the findings of the study. Firstly, the research provides further insight into theories on entrepreneurship and sustainability especially regarding the roles of risk taking and succession planning towards sustainable performance. From the findings, it appears that risk taking alone does not necessarily enhance the sustainable performance of SMEs unless the risk taking is complemented with appropriate internal mechanisms such as succession planning. Risk taking was found to have significant impact on succession planning but lost its significance after incorporating succession planning in the model. Therefore, it can be concluded that succession planning mediates the process through which risk-taking influences sustainable performance of SMEs. Secondly, the findings confirm assumptions under the resource-based view (RBV) theory where internal organization capabilities are crucial to competitive advantage and performance. It turns out that succession planning is an effective intangible organization capability, which helps to secure continuous operations and leadership in the midst of unstable environment. The occurrence of partial and complete mediation also adds value to theoretical arguments by proving that succession planning is more than an organizational practice but an organization strategic capability that translates entrepreneurial behaviors into organizational sustainability. Thirdly, the study provides an important contribution to succession planning literature especially by empirically examining its mediating role. Little literature exists about succession planning especially in developing economies like Kenya despite being a key challenge faced by SMEs. The current research provides

empirical evidence regarding the mediating power of succession planning in achieving sustainability of small-scale enterprises.

From a practical perspective, the findings offer important recommendations to SME owners/managers, policymakers, and development agencies in Uasin Gishu County and elsewhere. According to the research, SMEs carrying out risk-taking behaviors should incorporate organizational succession planning strategies in order to realize sustainability. Most SMEs engage in risky activities without ensuring sustainability such as training of new leaders, mentoring schemes and strategic planning in anticipation of changes in the management or organization operations. Therefore, there is need for SME owners to embrace institutionalization of succession planning processes that include talent identification and leadership skills development. Such practices will help to ensure continuity of organizational strategy as well as organization sustainability despite possible changes in leadership. Policy makers and SME development organizations should emphasize importance of succession planning as part of entrepreneurship and small-scale enterprise development training programs. Development institutions that sponsor SMEs and government agencies involved in SME development and financing should promote long term succession strategies in order to boost sustainable development of SMEs. Finally, the findings indicate that risk-taking behaviors become more productive when combined with appropriate organizational strategies and mechanisms. Therefore, it is important for SME managers to balance organizational boldness and continuity.

## **11. Conclusion**

Based on the results obtained from this study, it is clear that succession planning mediates the relationship between risk-taking and sustainability performance of SMEs in Uasin Gishu County. The results indicate that risk-taking on its own does not lead to improvements in the sustainability performance of SMEs unless it is accompanied by succession planning. There is a significant and positive association between succession planning and risk-taking in the sample of enterprises under study. SMEs that take bold steps and undertake innovative projects in the environment of uncertainty are more likely to be involved in succession planning initiatives. The reason is that enterprises recognize the need for succession plans since risk-taking calls for stability, experienced leaders, and organizational resilience to deal with risks and threats associated with uncertainty. Consequently, risk-taking behavior stimulates enterprises to put in place succession strategies and build mechanisms for leadership replacement, training of employees, and mentoring that will help improve organizational stability in the long run.

The results also indicate a significant positive influence of succession planning on the sustainability performance of SMEs. The findings suggest that firms that develop succession plans and train future leaders possess higher capabilities to maintain stability

in the long run in terms of financial and social stability, as well as organizational effectiveness and efficiency. In turn, successions plan positively affect adaptability, competitive advantage, and commitment of employees to the organization. It should be noted that the insignificant relationship between risk-taking and sustainability performance in the presence of succession planning implies that the impact of succession planning in this case is fully mediated by risk-taking behavior. As a result, although SMEs take risks and make bold decisions, the benefits associated with such behavior can only be achieved if there are appropriate succession plans within an enterprise.

Finally, based on the statistical significance of the indirect effect between risk-taking, succession planning, and sustainability performance, it can be concluded that succession planning acts as a mediator of risk-taking behaviors. It is essential to emphasize that the confidence interval of the indirect effect does not include zero values; hence, there is sufficient statistical support for this conclusion. SMEs in Uasin Gishu County should implement succession planning strategies to enhance sustainability performance as a result of entrepreneurial risk-taking behavior. As regards the contributions made by this research, they lie in the examination of relationships between entrepreneurial orientation dimensions and sustainability performance via organizational mechanisms.

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