RELATIONSHIP BETWEEN FAMILY-OWNED FIRMS OPERATIONAL STRATEGY ON ORGANIZATIONAL PERFORMANCE OF BUSINESSES IN NAIROBI COUNTY

HINGA VANESSA NJERI

A RESEARCH THESIS SUBMITTED IN PARTIAL FULFILLMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

KENYA METHODIST UNIVERSITY

OCTOBER 2022

DECLARATION

I declare that this thesis is my original work and has not been presented in any other university

Signed…...……………..……...   Date……………………

Name: Hinga Vanessa Njeri

BUS-3-0864-2/2020

This thesis has been submitted for examination with our approval as the university supervisors

Signature: ……………………………...   Date: …………………………

Prof. Evangeline Gichunge

School of Business and Economics

Kenya Methodist University

Signature: ……………………………...   Date: …………………………

Mr. Eric Njeru

School of Business and Economics

Kenya Methodist University

DEDICATION

I dedicate this thesis to my loving family for their encouragement and support propelled me to achieve my goal.

ACKNOWLEDGEMENT

First and foremost, I am especially indebted to my supervisors Prof. Evangeline Gichunge and Mr. Eric Njeru for their encouragement and for taking the time to guide me and supervise this thesis. I sincerely appreciate my entire family and relatives for their understanding and emotional support. I would also like to thank my friends who were always providing words of encouragement and help. Their contribution regardless of how small meant a lot to me in diverse ways.

ABSTRACT

A family business is a commercial organization in which decision-making is influenced by multiple generations of a family, related by blood or marriage or adoption, who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals. It was against this background information the study sought to determine relationship between family owned firm's operational strategy on organizational performance with special focus on family owned businesses in Nairobi County. The study sought objectives were: to examine the relationship between leadership style and organizational performance of family owned businesses; to investigate the relationship between succession planning and organizational performance of family owned businesses; to assess the relationship between governance structure and organizational performance of family owned businesses; and to determine relationship between family conflicts and organizational performance of family owned businesses. The study employed theory of growth of a firm; leadership theory; succession planning and management theory; and agency theory as study theories. This study used descriptive research design. The target population consisted 1200 employees working for MSFBs family business within the Nairobi County. Stratified sampling technique used to select 92 respondents. Questionnaire was used as the main data collection instrument. The study used the quantitative method of data analysis with the help of inferential and descriptive statistics. The study concluded that family-owned firms operational strategy has an influence on organizational performance of family businesses in Nairobi County. The study recommends that the family business leader should continuously encourage employees to think critically and seek new ways to approach their jobs since it led to an increase in employees' level of performance, satisfaction, and commitment to the goals of their organization.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

LIST OF ACRONYMS

CBD –	Central Business District
GDP -	Gross domestic product
IFC -	International Finance Corporation
MSFB –	Micro and small family businesses in Kenya
MSMEs –	Micro, Small, and Medium Enterprise
SME –	Small and Medium-sized Enterprise
SPSS -	Statistical Package for Social Sciences

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Family-owned businesses have been an important feature of business circles for long. They may start of as micro and grow into small, medium and large corporations if well nurtured.They play an important role in employment, income generation and wealth accumulation. These businesses are a dominant form of ownership in majority of the world economies. Several researchers and scholars have attempted to define what family businesses are. For instance Arteaga and Menéndez-Requejo (2017) defined a family-owned business as a family business bearing component of the family involvement, family ownership, management and/or business succession. Family businesses have been around for centuries, and even today account for a large part of economic activity all over the world. They are an important part of our society and make a significant contribution to economic development (Musa et al., 2019).

Payne (2018) define a family business as a business governed and/or managed on a substantial, potentially cross generational basis, to shape and perhaps pursue the vision of the business held by members of the same family or a small number of families. Family-owned businesses bear some element of family involvement whereby the family members are involved in one way or another in the life cycle of the business.

Basco (2017) universally defined a family business as that owned, managed and governed by one or more generations of a family and/or family members and in which the values, vision and mission laid down by their founders are strictly maintained. Family-owned businesses constitute up to 80% of the businesses in the European Union, and accounts for over 50% of all people employed in the European Union (Aronoff &

Ward, 2016). Globally, two thirds of all enterprises are said to be family owned and/or managed. The growth of these businesses is viewed as an important achievement in economic development given the current competitive business climate where globalization and information technology create a lot of sustainability challenges for small and micro businesses.

Chung and Dahms (2018) holds the view that family is an inseparable term in family business because essential family functions determine the business functions and vice versa. According to Porfírio et al (2020), the stability of a family business depends to a great extent on the intergenerational relationship and communication patterns. The involvement of family is not limited to the working in the business but all family members can have substantial influence on the firm's goals, decisions, systems and ways of interacting at family firm level (Oro & Lavarda, 2019).

The micro and small family businesses platform is recognized as a major driver of post-industrial growth process, since they are credited with nurturing across generations, entrepreneurial talent, and loyalty to business success, long term commitment and corporate independence. Suárez (2017) notes that in the United States of America, researchers estimated that close to 24 million family firms provided employment to about 62% of the workforce and contributed to about 62% of the national GDP.

Binz and Astrachan (2017) argues that 90% of the fifteen million family businesses in the United States, only a third make it to the next generation and only 10% to the third. The study established that many family founders, especially those who worked their way up from humble beginnings recent their children enjoying the advantages they did not enjoy and believe that the children should start from the bottom of the ladder and work their way up. In African countries, the sector accounts for about 90% of all enterprises and over 80% of new jobs in any given country (Basco, 2017). This means that the enterprises must engage in entrepreneurial activities/ entrepreneurial orientation in order to enhance their performance especially in today's competitive markets.

Entrepreneurship research on family businesses is increasing but still scarce (Gomez-Mejia & Muller, 2020) even though family businesses constitute a major portion of all national economies. According to a survey by Muriithi, et al. (2016) on family business in Kenya, the growth prospects are high. Their contribution to the country's GDP is between 50-70% according to the Kenya Economic Survey 2015 (Kuria, 2018). With the economy attracting the right skills and talent, political instability and lack of innovation will be the key challenges to growth over the next 5 years (Price Water house Coopers [PWC], 2014). For a business to be successful it must engage in entrepreneurial activities in order to revitalize its operations and have a competitive edge (Jaskiewicz & Dyer, 2017). Despite increased attention to family business research in mature economies, research on family business in emerging economies remains limited.

1.1.1 Micro and Small Family Businesses in Kenya

Micro and Small Family Businesses (MSFB) play a critical role in (Kenyan Economy Credit Suisse KECS (2020) and the Government through Kenya Vision 2030 envisages the strengthening of MSFBs to become the key industries of tomorrow by improving their productivity and innovation. Major contributions of MSFB are in economic development, income generation and creation of job opportunity (Welsh, 2016). In Kenya, the small business sector has both the potential and the historic task of bringing millions of people from the survivalist level including the informal economy to the mainstream economy (Murathe, 2016). Small and micro family-owned businesses contributed over 50% of new jobs created in the year 2015.

MSFBs face unique challenges, which affect their growth and profitability and hence diminish their ability to contribute effectively to sustainable development. The situation even gets worse when the MSFBs is a family owned as is the case with a majority of MSFBs in Kenya. The International Finance Corporation (2015) identified various challenges facing MSFBs including lack of innovative capacity, lack of managerial training and experience, inadequate education and skills, technological change, poor infrastructure, poor governance, scanty market information and lack of access to credit.

Nairobi County is one of the most populated counties in Kenya. A good number of this population earns a living through micro and small businesses which are family owned and distributed all over the county. A number of family-owned businesses are also located within the Nairobi County because of its centrality and business opportunities that the city presents. Few have permanent shelters while most of the businesses are either on temporary shelters or conducted by mobile traders who move from one place to another selling their products. Statistics have shown that very few of these businesses survive long enough to even reach their potential.

1.1.2 Business Performance

Chege and Suntu (2020) defined performance as the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it. However, performance seems to be conceptualized, operationalized and measured in different ways thus making cross-comparison difficult. Kamau and Oluoch (2016) suggest that factors influencing business performance could be attributed to personal factors such as demographic variable and business factors such as amount of financing, use of technology, age of business, operating location, business structure and number of full-time employees as important factors in examining the performance as small-scale business operators.

Micro and small sized enterprises contribute to economic development, increase household income and create jobs (Agwu, 2018). In Kenya, the small business sector has both the potential and the historic task of bringing millions of people from the survivalist level including the informal economy to the mainstream economy (Chege & Suntu, 2020). Small and micro family-owned businesses contributed over 50% of new jobs created in the year 2015 (Kenya Economic Survey, 2020). Recognizing the critical role small businesses play in the Kenya economy, the Government through Kenya Vision 2030 envisages the strengthening of MSMEs to become the key industries of tomorrow by improving their productivity and innovation (Ministry of Planning, National Development & Vision 2030 [MPNDV2030], 2017).

A positive relationship has been documented between small business development and economic growth in developed countries (Mugambi & Karugu, 2017). However, not much research has been conducted on this relationship in developing countries. Studies in small-business development and performance are necessary in countries like Kenya because of the dissimilarities in the process between developed and developing countries (Chipeta & Muthinja, 2018). It is also essential to understand the factors influencing small-business performance in African countries and specifically Kenya because they are significantly different from those facing developed countries. These factors include:

availability of business information, access to finance, availability of managerial experience and access to infrastructure.

The International Finance Corporation (2015) has also identified various challenges faced by MSFBs which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development. These include lack of innovative capacity, lack of managerial training and experience, inadequate education and skills, technological change, poor infrastructure, poor governance, scanty market information and lack of access to credit. Considering the importance of Family MSFBs in the economic development of this country, there is need to research on the relationship between family business and business performance in Kenya with special focus on family businesses in Nairobi County.

1.2 Statement of the Problem

Family businesses are the most dominant form of business (Johansson, et al. 2020). As the most common form of business organization in the world, family-owned or -controlled businesses account for over 80% of all firms, 12% of GDP, and 15% of the workforce in developing countries such as Kenya (Lee, 2016). The family's ability to provide the critical capital and entrepreneurial spirit is crucial to the development of capitalism and in spurring the industrialization of the developed and developing countries (Nordqvist & Gartner, 2020). In Kenya, family businesses continue to represent the majority of firms ranging from small to large industrial entities (Kuria, 2018; Njoroge, 2019).

It is more difficult to let a financial institution issue a long-term lending with a huge amount to a family business in Kenya. In addition, outside investors also have cautious and conservative attitude on investing in a family business (Poza & Daugherty, 2020). As a result, family businesses in Kenya are more likely to meet a constraint when they have developed to a certain scale, because of the difficulties for financing. Family businesses play much less prominent roles in developed countries compared to developing countries such as Kenya, China, Singapore among others (Suddaby & Jaskiewicz, 2020).

A high degree of government involvement in the mobilization of savings and industrial development, and the differences in the level of development of banking and financial markets and their ability to intermediate savings' are also the reasons of that (Credit Suisse, 2020). The power of family establishments is clearly evident in the fact that Kenya's largest retail firms were built and are still run by families. But over the last five years, Nakumatt Holding Limited and Naivas Supermarket have exposed the negative side of running a family business, staging fierce court battles pitting sibling against sibling (Kuria, 2018; Kenya Economic Survey, 2020).

One of the most central problems facing family owned businesses is the ability to ensure competent family leadership across the generations. Only one third of family businesses survive into the second generation, and only about 120% to 15% make it into the third generation according to the study (Kuria, 2018).

The various studies have not extensively delved into family business in relation to the business performance. For instance, Njoroge (2019) examined the effects of family-owned business on employee advancement of Nakumatt Holding Limited; Maalu et al., McCormick, K'Obonyo and Machuki (2013) did a study on succession strategy and performance of small and medium family businesses in Nairobi, Kenya and Kuria (2018) established succession planning and performance of small and medium family-owned businesses in Kiambu County, Kenya. From the above studies there is no study which has focused on how family business affects business performance. This study will therefore bridge the gap of knowledge to determine relationship between family owned firm's operational strategy on organizational performance with special focus on family owned businesses in Nairobi County.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

To determine the relationship between family owned firm's operational strategy on organizational performance of businesses in Nairobi County.

1.3.2 Specific Objectives of the Study

The specific objectives of the study were:

i. To examine the relationship between leadership style and organizational performance of family owned businesses in Nairobi County.

ii. To investigate the relationship between succession planning and organizational performance of family owned businesses in Nairobi County.

iii. To assess the relationship between governance structure and organizational performance of family owned businesses in Nairobi County.

iv. To determine relationship between family conflicts and organizational performance of family owned businesses in Nairobi County.

1.4 Research Hypothesis

H_{01}. There is no significant relationship between leadership style and organizational performance of family owned businesses in Nairobi County.

H_{02}. There is no significant relationship between succession planning and organizational performance of family owned businesses in Nairobi County.

H_{03}. There is no significant relationship between governance structure and organizational performance of family owned businesses in Nairobi County.

H_{04}: There is no significant relationship between family conflicts and organizational performance of family owned businesses in Nairobi County.

1.5 Significance of the Study

1.5.1 Owner/Managers of Family Businesses

The findings from this study will benefit owner/managers of family businesses by using the information to develop strategies for firm performance. The outcome of the study of will also give insight to owners/ managers of family businesses on how to manage a succession to ensure growth and sustainability of family businesses. The study will help to identify and analyze the prevalent challenges that hinder performance of family businesses, thereby enabling mitigating measures to be initiated.

1.5.2 Government of Kenya

The findings of this study will also give insight to the Government of Kenya on the factors affecting performance of MSFBs in Nairobi County and suggest ways on how to deal with these challenges. Using these insights, the County and National Government will be able to develop appropriate strategies that promote the development, growth and maturity of MSFBs.

1.5.3 Researchers and Academicians

The findings of this study will enrich existing knowledge by adding to the pool of information available in regard to the topic under study. Hence, it will be of interest to both researchers and academicians who seek to explore and carry out further investigations. It will provide basis for further research since it has not covered all the determinants of performance/failures of family-owned Business.

1.6 Scope of Study

This study aimed to analyze and identify the relationship between family owned firm's operational strategy on organizational performance of family owned businesses in Nairobi county. More importantly, the study aimed at finding solutions to the problem identified earlier. The scope of this study were family-owned enterprises operating within Nairobi County. The study targeted MSFBs trading within Nairobi County and have registered with the Nairobi County Government by way of trading licenses. According to the records at the Nairobi City County, there are 1200 MSFBs operating within Nairobi County. Therefore, this study used these registered MSFBs as the population of the study.

1.7 Limitation of the Study

The respondents may fear to talk about their family businesses due to fear of victimization by either the Kenya Revenue Authority or member of the public. However, the researcher confirmed to the respondents that the research is purely for academic purposes. The researcher also assured the respondents of their confidentiality. Some family business managers may be hesitant to reveal sensitive information that could jeopardize the management of strategic transformation. The study was also limited by restrictions measures put into place by the ministry of Health to protect citizens against Covid-19 pandemic in Kenya. This researcher was maintained social distance while collecting data from the respondents. The researcher also carried with her the hand sanitizer to disinfect the pens used by various respondents the field of data collection. The respondents refused to cooperate in answering all the questions as required and they thought the researcher wanted to obtain from them information about their business. The researcher was able to overcome these limiting factors through the emphasis on the confidentiality of the study. The researcher also requested well in advance for permission to carry out the research in the premises, so as to be allowed to carry out the research in the business.

1.8 Assumptions of the Study

The study's responders assumed to be supportive and find time to complete the questionnaire, according to the researcher. The researcher also expected that sufficient resources were available to complete the study and reach out to respondents in a timely manner. Lastly, the respondents assumed that, Covid-19 pandemic regulations were not a barrier for the respondents to participate in the study.

1.9 Definition of Key Terms

Business Performance: This is the quantitative and qualitative increase in the number of resources owned by a business and the increase in the ability of the business to attain its goals

Company: Refers to a business organization that makes money by selling goods or service (Lee, 2016).

Conflict Resolutions: conceptualized methods and processes involved in facilitating the peaceful ending of conflict and retribution arising among business stakeholders in family business (Basco et al., 2021).

Family conflicts: Refers to an active opposition or disagreement between family members in terms on how the business needs to be run (Nordqvist & Gartner, 2020).

Family-owned firm: is the business which is actively owned, operated and managed by two or more members of the single-family (Lee, 2016).

Governance Structures: A processes of governing by a government through market, network, family, tribe, formal, informal organization or territory through laws, norms, procedures, policies power or language that provides guidelines in business operations and management. This increases accountability and responsibility in organizations (Chancharat & Chancharat, 2019).

Leadership Style: A style of providing direction during implementation of plans and strategies through motivating and influencing employees in realization of organizational objectives (Binz, & Astrachan, 2017).

Micro and small medium enterprises: Micro and small family businesses are often defined in terms of size based on number of employees or value of assets. Family businesses are those with one or more family members from across the generations taking part in their control and management (Ballaro & Polk, 2017).

Operational strategy: It involves refining and specifying a company's business strategy and developing strategic initiatives and operational plans, aiming at enabling our clients to successfully implement overall strategy for their business (Poza & Daugherty, 2020).

Succession Planning: Succession planning is a process of identifying and developing internal people with the potential to fill key business leadership positions in the company. Succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available (Chege & Suntu, 2020).

Succession Planning: Succession planning is a systematic approach to: building a leadership pipeline/talent pool to ensure leadership continuity, developing potential successors in ways that best fit their strengths, identifying the best candidates for categories of positions, and concentrating resources on the talent development process yielding a greater return on investment (Agwu, 2018).

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section presented the theoretical review, empirical review and theoretical framework of the study. The review provided the previous contributions of different authors to the problem with their findings providing a basis for identifying the research gaps which will be the entry point for this survey.

2.2 Theoretical Literature Review

This chapter focuses on theories relevant to the study and review empirical related literature. It also describes the conceptual framework and highlights the variables under consideration. The three theories provided a basis for people's motivation to performance of duty.

2.2.1 Theory of growth of a Firm

The study used theory of growth of a firm by Pensore (1959). Theory of growth of a firm Pensore (1959) expressed the vital role of resources, management leadership style and control measures as the key components towards growth of affirm. The accustomed resources will shape the productive services management is capable of rendering. The experience of management, leadership styles, formulation of strategies will effectively determine growth rate. The dynamic interaction will determine how MSFBs take advantage of opportunities and turn them to business ventures that will earn revenue, facilitate expansion and growth (Kor & Tan, 2016).

Competencies, capabilities, learning and development of the family business are the pivotal and epitome of organizational success and growth. The foundation of this approach is embedded on the managerial skills in making proactive decisions during the organizational routines, knowledge creation that are critical to the ability of a firm to grow (Peng & Shay, 2018). Strategic thinking, entrepreneurship, knowledge creation, customer focus and innovation during business operations will be of value addition to the MSFBs and it is the dominant framework in business strategy that organizations have utilized in gaining competitive advantage. Change management, human resources practices. Arkolakis (2016) are important administrative restraints that requires affirmative actions to facilitate growth of firms to the corporate and industrialized levels. The growth process is, therefore, dynamically constrained with multivariate factors inhibiting the growth and organizations must take advantage of opportunities within their environment subjects to the accustomed operations, management experience to facilitate growth concept in their respective organizations. Productive opportunity of the firm, economies of scale, inherited resources and direction of expansions are some of the multivariate factors that MSFBS owners capitalizes to the detriment of their competitors. Access of intelligent market information in terms of customer's preference and tastes, product knowledge is what makes the difference in a perfect market competition.

The theory was relevant to the study where the management of family owned firms knew how governance structure and leadership style affects business operations. It also helped the business in improving the change of business in order to meet the goals and objectives of the firm.

2.2.2 Leadership Theory

Also the research employed the leadership theory by Bass (1985). Transformational leadership Bass (1985) cited in Dugan (2017) is the type of leadership that transforms follower's perceptions, aspirations, expectations, values and influences employees towards the achievement of organizational success. A leader is a person who creates an inspiring vision of the future, motivates and inspires people to engage with that vision, manages delivery of the vision, coaches and builds an effective team to achieve the vision. Leadership is the process and the skills required to perform the roles of leaders (Dugan, 2017). The critical components explaining the psychological mechanisms Meuser et al. (2016) under which transformational leadership operates includes idealized influence, inspirational motivation, individualized consideration and intellectual stimulation.

Organizations can make positive difference through multifactor leadership questionnaire and assessing how the social transactional. Harrison (2017) of the audience is affected in terms of perception, attitudes, beliefs, work experience and the entire productivity. Transformational leadership is the backbone under which MSFB can startup, grow and remains sustainable since this type of leadership are characterized by influencing ideas Northouse (2021) that is innovative, creative and goal oriented to organizational performance. This visionary approach will facilitate the formation of business structures covering procedures in operations, customer focus, business re-engineering processes, succession planning, disaster management and recovery strategies that are currently lacking in family business (Northouse, 2021). The epitome of successful roadmap in sustainable business growth and development requires strategic leadership that formulates unique and viable operational modules with adequate implementation plans and structural controls (Dugan, 2017). Transformational leaders organize resources, motivate and communicate teams adequately towards the achievement of organizational goals. Development of operationally and technically sound structures will provide the theoretical frameworks under which succession thrives (Northouse, 2021). This leadership which is inspirational and motivational creates personalized attention to follower's needs, welfares and concerns. Berkovich (2016) through effective communication, mutual understanding, consultative environment that improves followers and organizational productivity. Socialization and considerations towards social demographic factors.

Meuser et al. (2016) create a very committed and cohesive group that can sustainably support the continuation of family strategies into the unforeseeable future. The pro-activeness from managers and business owners. Berkovich (2016) through delegation of duties gender sensitivity, mentorship programs, creates confidence; sense of belonging will enhance commitment, retention levels of employees during economic difficulties. Transformational leadership uses power and influence to get right things done by using result oriented rather than activity-based options with the flexibility of organization learning. Dugan (2017) and developing to meet future challenges. Positional expert and referent power are very vital in business management. Transformational managers derive personal power by being experts in their jobs. Bass (1985) and this will highly influence followers to implement the organizational strategies and objectives that are instrumental for growth and development. Therefore, it focuses on designing tasks, creativity, reward structures and relationship building among various stakeholders Social Demographic Factors in the business support and systems. The creation of a highly developed, motivating environment enhances appropriate productivity favorable to MSFB growth. Family business leaders demonstrate and communicate the visions to the audience through management by objectives in a psychological mechanism and measurement of efficacy full of transformational characteristics.

Based on the study, the theory was helpful to family business on how leadership style, succession and governance structure are used in improving business operations by reducing conflict of interests in business hence increase business performance.

2.2.3 Succession Planning and Management Theory

In addition the study employed succession planning and management theory by Rothwell, (2005). This theory was fronted by Ballaro and Polk (2017) in which he posits that an effective succession planning and management effort is that which is capable of building talent from within and ensures leadership continuity. He contends that it is imperative for organizations to establish formalized succession planning as part of organizational strategic and management tools. Based on his theory, Rothwell (2005) suggests that systemic succession planning and management can be attained by following his seven-pointed star model that consists of the following steps: (1) making commitment towards succession planning and management, (2) assessing present work and people requirements, (3) appraising individual performance, (4) assessing future work and people requirements, (5) assessing future individual potential, (6) closing the development gap, and (7) evaluating the subsequent succession development program. This theory was relevant in the study since as revealed in the background analysis, the growth of family-owned businesses is majorly affected by poor succession planning within the governance structures. This theory informed the study in determining the extent in which succession planning affects growth of family-owned businesses in Kenya.

2.2.4 Agency Theory

Also the research employed the agency theory by Eisenhardt (1989). The agency theory was propounded by Eisenhardt (1989) cited in Bendickson, Muldoon, Liguori and Davis (2016) and is concerned with analyzing and resolving problems that occur in the relationship between principals (owners or shareholders) and their agents or top management (Berkovich, 2016). The theory rests on the assumption that the role of organizations is to maximize the wealth of their owners or shareholders (Shogren, et al., 2017). It has been pointed out that separation of control from ownership implies that professional managers manage a firm on behalf of the firm's owners. Conflicts arise when a firm's owners perceive the professional managers not to be managing the firm in the best interests of the owners.

The agency theory holds that most businesses operate under conditions of incomplete information and uncertainty. Such conditions expose businesses to two agency problems namely adverse selection and moral hazard. Adverse selection occurs when a principal cannot ascertain whether an agent accurately represents his or her ability to do the work for which he or she is paid to do. On the other hand, moral hazard is a condition under which a principal cannot be sure if an agent has put forth maximal effort (Bosse & Phillips, 2016).

Proponents of the agency theory opine that a firm's top management becomes more powerful when the firm's stock is widely held and the board of directors is composed of people who know little of the firm. The theory suggests that a firm's top management should have a significant ownership of the firm in order to secure a positive relationship between corporate governance and the amount of stock owned by the top management

(Bendickson & Davis, 2016). Bosse and Phillips (2016) argue that problems arise in corporations because agents (top management) are not willing to bear responsibility for their decisions unless they own a substantial amount of stock in the corporation.

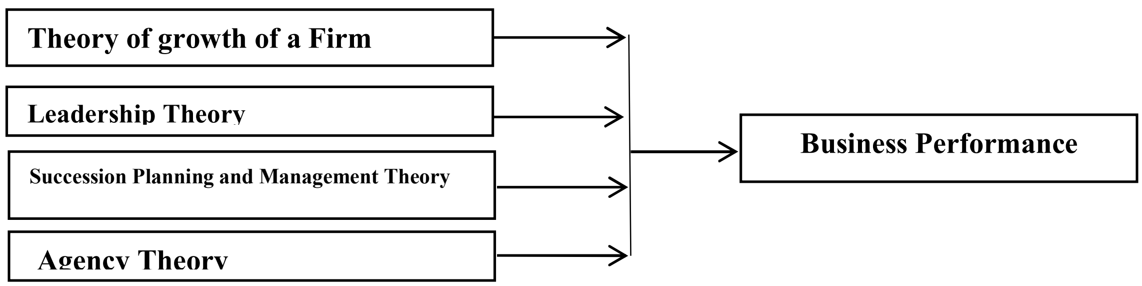
If, in the beginning, Shogren et al., (2017) considered the firm as a nexus of contracts, associating the firm and the entire group of resource contributors (the team of productive inputs, including external investors), their limited objective of explaining the capital structure led them to construct a more simplified model taking into consideration only two agency relationships. The agency theory is relevant to this study since its governance approach focuses on professionalizing family businesses to be run by professionals aside from the owners (Vitolla, et al., 2020).

The creation of shareholder value involves the discipline of the managers (Bosse & Phillips, 2016). The financial model constitutes the principal foundation for debates regarding the remunerations of managers and directors, the role, the composition of the board of directors, the measure of performance assured by the financial market, freedom of expression and the protection of small investors. This predominant model, inspired directly by the Anglo-Saxon large public corporation, has however greatly evolved, influenced by the concentration of equity capital in the non-Anglo-Saxon countries and by the considerable spoliation of small investors by the dominating shareholders (Yusuf, et al., 2018).

Originally focused on the manager, the attention was moved to the dominating shareholders who would take advantage of their position to appropriate the major part of the rent. In a sense, the financial model is more concerned today with the dominating conflict between dominating shareholders/small investors rather than the conflicts between managers/shareholders (Yusuf, et al., 2018). It was therefore clear that the agency theory was relevant to this study since it lays out how the venture capitalist and the medium enterprises should interact and safeguard their partnership.

Figure 2.1:

Theoretical Framework



Source: Author (2021) ***Dependent Variable***

2.3 Empirical Review

According to Inkinen (2016) empirical review entails a close examination of publications and reviews on the same topic. It focuses on previous work done by scholars and researchers on the same topic.

2.3.1 Leadership Style and Business Performance

Gablas, et at. (2018) observed that the deficiencies in the internal environment are the major cause of failures in small and medium enterprises and they revolve around among others management skills. This problem comes from some specific management issues such as lack of business management training and skills, inability to act as an entrepreneur and limited family business culture. They finally point out that management behavior and actions that are lacking; inability to set strategic goals, plan forward, reluctance to seek advice, lack of management commitment and unwillingness to adapt change (Moskovich, 2019).

Carvalho and Fernandes. (2019) states that financial management is a crucial field within the environment of the small and medium enterprises thus present numerous potential obstacles. Management competence is often determined by the availability of management and financial information. Monye and Ejiro (2018) observed the importance of training and how it enhances growth and competitiveness of the SME's. Training empowers owners and employers to make better decisions and provide better quality goods and services. He further noted that the training duration is influenced by the competency required for the particular trade. Managerial skills are important in making decisions which are non-routine and strategic in nature.

According to Dugan (2017), managerial skills are important in running any business. In recent years, organizations have been buffeted by massive need for reaching social, technological and economic changes. This puts a lot of pressure on business from all sectors. Managerial skills assist managers to solve issues that are directly relevant to the current, fast shifting business environment (Harrison, 2017). Managing today requires the full breadth of management skills and capabilities. In the tradition of world of work, management was to control and limit people, enforce rules and regulations, seek stability and efficiency, design top-down hierarchy and achieve bottom line results. To spur innovation and achieve high performance, managers need different skills to engage workers hearts and minds as well as take advantage of their physical labor.

Management style and the effectiveness of interactions between leaders and their subordinates are important determinants of organizational performance in any hierarchical organization. Management is the process or ability to influence other people to achieve predetermined goals. It is the combination of personal attributes and abilities such as vision, energy goals and even knowledge in order to create a shared future and improved performance in the organizations (Meuser & Lord, 2016).

Northouse (2021) believe leadership plays a key role in achieving organizational excellence and desired business performance. Ballaro and Polk (2017) found out that leadership was required to supplement primary management practices in organizations and this is important in regard to this study because organizational leadership may influence the management and running of various affairs in the organization that directly influence performance.

Management is about planning, organizing, analyzing problems, building and using management systems, prudently allocating resources, and providing performance feedback. This creates operating efficiency, controls, effectiveness, goal directedness and enhance performance of the organization. MSFB requires governance structures and transformational leadership approach for an effective management that is sustainable to future generations. Transformational leadership instills trust, loyalty and respect among team members with an eventual increase in productivity necessary for organizational growth (Shogren & Palmer, 2017).

Leaders motivate through management by objectives and allocation of task with proper guidelines and procedures guiding the completion of various tasks. Employees are eventually introduced to important tasks and they develop critical thinking resulting into intellectual simulations. Berkovich (2016) during execution of tasks eventually enhancing productivity and growth of the business. Ultimately levels of performance, satisfaction, and commitment to the goals of their organization are improved (Bosse & Phillips, 2016). Components of transformational leadership includes charisma, inspirational motivation, intellectual stimulation, and individual consideration, these have improved the admiration, imitation of leadership style in the general management functions (Bendickson & Davis, 2016).

In comparison to that of the founder, the motivation of the second-generation family, family business leader is far different (Bosse & Phillips, 2016). The successor enters the firm in a lower level and works his way up through the ranks as he or she acquires knowledge of the firm (Noermijati et al., 2019). They further show that the generational shadow cast by the founder leadership style is much greater than the shadow cast by subsequent generations.

According to Moskovich (2019) Participatory decisions results to consent among the groups rather than authority and this encourage the practice of discretionary approach in management of organizational approach. The ultimate results will lead to growth with a lot of individual initiative and volunteerism in taking responsibilities and assignments. Creating and supporting organizational changes. Carvalho and Fernandes (2019) and empowerment of employees remains the transformational leadership behavior required by managers in the MSBF enterprises and in particularly the behavioral aspects of family members involved in the daily business operations as this positively improve performance and growth (Chumba & Mutinda (2017).

Leadership therefore supplements primary management practices in organizations in terms of influencing the management and running of various affairs and the founders need to effectively motivate generational family members through training, development mentorship and succession processes (Monye & Ejiro, 2018); Bucata and Rizescu (2016) to ensure successive implementation of family business strategies and facilitate successive and growth. Numerous studies have reported positive relationships between transformational leadership and outcomes at the individual level and firm levels (Hoxha & Hoti, 2019).

Most recently, many empirical studies have reported that transformational leadership has a positive impact on firm growth (Akhtar & Rehman, 2019). In support of the purpose of the current study, a number of comparative studies (Akhtar & Rehman, 2019) have also reported that transformational leadership behaviors are more positively related to subordinate effectiveness in a variety of organizational settings than are transactional behaviors.

2.2.2 Succession Planning and Business Performance

Succession planning involves pinpointing the basic requirements for both intellectual and leadership talent across the firm over a given period of time and preparation of the individuals for both present and the future responsibilities. According to Mokhber and Seng (2017), succession planning is a daunting task for families in business because it significantly determines the success and continuity of the family business. Succession planning is categorized into different stages based on the roles and functions performed by their offspring and other incumbents (Patidar & Weech-Maldonado, 2016).

Research on family businesses mainly revolves around succession planning (Ali & Mehreen, 2019). This is the case since letting go and passing on authority and reins of control by the family business founders always daunting and usually results from sudden circumstances. As a result, most of those who pick up lack preparation for leadership

Harrell, (2016); Ballaro and Polk (2017) defines succession planning as “the process of identifying and preparing suitable employees through mentoring, training and job rotation, to replace key players within an organization as those key players leave their positions for whatever reasons such as retirement, advancement and attrition.

On the other hand, players in the family firm system the spouse of the founder, children, and the in-laws, non-family employees, have relatively few power bases from which to operate (LeCounte & Phipps, 2017). During the founder tenure the employees in the family business tend to develop long term loyalties and to become “part of the family”. The family at this stage is described as gaining from emotional bond that the employees feel towards the organization and form their sense of being part of an “extended family”. Others authors argue that its lack of competence and skills that cause stagnation of family business after the exit of the founder (Kariuki & Ochiri, 2017).

Succession management according to Magasi (2016) effectively shapes development and management has categorized succession management as an active planning along with performance reviews, mentorship, training and development of employees. The process is actively and strongly associated with dynamic, open and proactive climates where organizations rely heavily on internal lab our markets like family businesses. Succession management in sophisticated planning environment according to Magasi (2016) has achieved favorable human resource outcomes compared to other organizations with fewer sophisticated plans. Organizations have experienced significant in terms of involvement, credibility of succession planning, review and feedbacks, effective information systems, non-political succession criteria and this has positively affected the performance levels (Magasi, 2016).

Major elements of succession according to Ali et al. (2019) includes contingencies, antecedents, events and the consequences and these are the guiding criteria that are used to shape succession and influence performances in organizations. Succession elements and modeling criteria especially commitment, job assessing, performance appraisals and individual's potential as argued by Tao and Zhao (2019) have consistently formed the basis of evaluating generational leadership in organizations. The positive correlation between servant leadership and succession planning has extended beyond talent management to reduced work attrition and increase the preparedness for an aging population (Ballaro & Polk, 2017).

A structured succession plan distinguishes between ownership and the alignment of external and powerful branding Magasi (2016) that influences organizational processes, structures, systems, relationship for desired growth. Succession planning and leadership development according to Patidar and Weech-Maldonado (2016) remains core strategies on impacting on organizational and communicating critical succession planning and this cements arguments by Harrell (2016) on the future existence of family business. Business founder's dominant character controls the business and family affairs with a centralistic management in which programs of the business are due to loyalty and seniority (Harrell, 2016). The domineering personalities described a dominant and authoritative father who makes all the important decisions where all the family members are expected to cooperate obediently (Mokhber et al., 2017).

In small firms it is generally the entrepreneur who is solely responsible for the management of human resource (Harrell, 2016). Often because small firms cannot justify full-time human resource professionals due to limited size and resources and still many entrepreneurs do not perceive Human Resource Management in small firm as a very sophisticated process requiring specialist (Kariuki & Ochiri, 2017). While being small, this task will not present much of a problem for most entrepreneurs. However, Magasi (2016) states that when a firm grows and its number of employees increase the complexity of Human Resource Management deepen.

The founder can be a critical success factor not only for the social capital of a new business but also for the controlled networks and alliances in family business operations (Basco, 2017). Next generational may be profitable than the founder driven firms because of the transferrable values from generation to generations. Integrated leadership performing multiple roles serving family, society and other stakeholders pose networks and alliance, families and familial social capital that provides favorable sustainable operations (Payne, 2018). Binz and Astrachan (2017) posit that the firms' social cultural aspects promote family social relationship and networks creating business exit planning that are value and transactional enhancement critical for success (Mosbah, et al., 2017).

Various studies have been done in regard to succession planning in family-owned businesses. Binz and Astrachan (2017) proposed a model for parent–child succession in the leadership of the family-owned firm that involves a long-term, diachronic process of socialization through seven stages, beginning in childhood. Binz and Astrachan (2017) argue that a prerequisite for a smooth succession is the ability and willingness of family members to criticize each other tactfully and accept this criticism without becoming extensively defensive.

Empirical studies that have examined the relationship between firm size and the source of succession have generated mixed results. Payne (2018) concluded that large corporate family-owned firms in the USA prefer external succession to internal succession. They also found that external successions improved firm performance but internal succession did not. Basco (2017) study concluded that larger firms use more external recruiting than smaller firms.

On the other hand, Aronoff and Ward (2016) study claimed the opposite, while Schwartz and Basco (2017) found no relationship between the successor origin and firm size. In Dalton and Kesner's (1985) study, the firm's revenues were used to identify larger and smaller firms; those above the median were considered as 'larger' firms and those below the median were considered as 'smaller' firms (Aronoff & Ward, 2016). Jaskiewicz and Dyer (2017) also used sales revenue as a measure of the organization's size. Evert and Payne (2016) specify a general leadership succession model that includes the process by which the parent/leader and child/successor evaluate each other and themselves through a cognitive categorization process. This has been cited by Chung and Dahms, (2018) as a pre-requisite for growth of family-owned businesses.

2.2.3 Governance Structure and Business Performance

Governance structures refers to fundamental guidelines on interactions and relationships that controls, determines processes and systems defining organizational operations and activities. Governance structures create trusts, confidence, accountability and transparency in business practices in the eyes of stakeholders (Khan & Nouman, 2017). All family governance structures and institutions require a certain degree of formalization if they are to function well (Kaoet al., 2019).

When these families adopt policies on the family's approach to the business and for governing the business, they will formalize these efforts with documents that will differ depending on their ownership stage of the business. Normally, in the earlier stages when the company is governed by the founder or his/her children, many aspects of family and business governance are informal. Efforts to formalize will mostly relate to the business itself (Andow & David, 2016). Disclosure of policies, processes and organizational culture is the key to reporting and addressing issues on growth.

Family enterprises regardless of size has a unique mix of personal dynamics that may interfere with business strategy, ownership, decision making and with aging, succession and power issues can create cascading concerns (Chancharat & Chancharat, 2019). Little structures are extremely helpful when discussing sensitive issues such as ownership shares, rights and responsibilities, the competence of family-member managers, and agreeing on a strategy that is best for both the business and the family (Chancharat & Chancharat, 2019).

Creating governance structure in business means that the management who more often than not in a family-owned business are the same as the owners of the business will be accountable to other people. Ullah and Mehmood, (2017) note that governance in a family-owned business is often focused on establishing productive, procedural engagement across the system unlike in a conventional business where governance often focuses on establishing boundaries and defining the separation of decision-making powers.

Family business governance requires a holistic perspective that incorporates framework, which includes legitimacy, authority, family councils, boards of directors and non-family managers such that commercial and social aspects of all stakeholders are incorporated (Chancharat & Chancharat, 2019). Family structures must be built on mutual agreement fundamental foundations with clear vision, mission, business strategy and goals, succession plans and ownership structures with sustainable benefits. Diversity, transparency, systems and public engagement are key characteristics of decision making necessary for core growth requirements in management of family business (Khan & Nouman, 2017).

Andow and David (2016) cements the contribution of influential policies, business secrets information among business organizations as strategically important in growth and in inspiration of better performance (Khan & Nouman, 2017). They also expose directors to economic trends, aspects of international business and provide directors with the opportunity to share and learn through comparison of management policy and practices (Khan & Nouman, 2017).

Governance through association and membership exposes family business directors to leadership styles, management approaches and practical experience that are shared within a particular industry that contributes to competitive advantage (Khan & Nouman, 2017). Directorships facilitates business scan according to Ullah and Mehmood (2017), and information gained through a mechanism is perceived as more influential and trustworthy compared to other sources. In addition, they serve as a mechanism for corporate control and effectiveness with favorable legislation promoting favorable competition for growth (Achim & Mare, 2016).

Convergence structures of corporate governance provide relationship between ownership of the business and performance, (Soufeljil & Mighri, 2016). The financial stake through equity provides peculiar expectations on the organizational performance to the shareholders in terms of dividends and capital growth. The structures must therefore support business growth and development through maximization of shareholders wealth. Similarly, when corporate insiders own low levels of firm equity, they have higher incentives to keep their strategies in line with the preferences of other owners since their bonding to the firm's outcome is high (Alabdullah, 2018). However, as ownership by corporate insiders reaches a certain point, they would allocate firm resources for their own interest regardless of the effects on outside shareholders. Investigations conducted on the relationship between managerial stock ownership and firm performance show contradicting results (Soufeljil & Mighri, 2016). The family aspect is what differentiates family businesses from their counterpart non-family businesses. As a consequence, the family plays a crucial role in the governance of these businesses (Soufeljil & Mighri, 2016).

When the family is still at its initial founder(s) stage, very few family governance issues may be apparent as most decisions are taken by the founder(s) and the family voice will be still unified. Over time, as the family goes through the next stages of its lifecycle, newer generations and more members join the family business. This implies different ideas and opinions on how the business should be run and how its strategies are set. It becomes mandatory, then a clear family governance structure that will bring discipline among family members, prevent potential conflicts, and ensure the continuity of the family's business should be established (Mohammed, 2018). This study brings into account the important sense of feeling of ownership of a business.

2.2.4 Family Conflicts and Business Performance

Business conflicts refers to internal and external friction and opposition resulting from actual or perceived differences and incompatibilities in operations. Conflicts arises between family members, customers, competitors and regulatory authorities. Fundamental causes of conflict arise from Management and power struggles, appropriation of incomes, disagreements over future direction of the company, severance pay disputes, misunderstandings, competition for limited resources and personality problem (Arteaga & Menéndez-Requejo, 2017).

Interpersonal dynamics, including conflict and disagreement among family members, has been a major focus of family firm research (Adil et al., 2017). Zainal and Akib (2018) found that the relationship within the family has the single greatest impact on successful succession between generations of family businesses. Other researcher also studied conflict (Oudah et al., 2018). Thus, conflict and disagreement about management decisions is included as a variable influencing family business succession for this study.

Competition for limited resources, divergent issues and organizational structures are significant elements of conflicts leading to poor productivity and strained growth in family business (Aronoff, & Ward, 2016). Content issues, identity issues and process issues. Gordon and Nicholson (2008) dominate conflicts debate in family business with prepositions like negotiations and mediations floated as solutions mechanism. Negative attributes of conflicts are avoidance, immobility, violence, inertia, and maintenance of the status quo. However, conflict has the ability to foster creativity, higher thinking, better listening skills and change. These, in turn, provide management with the tools for significant improvement. Classic family business conflicts like succession results to in fighting for control of certain positions and this impact negatively in functioning and operations of the business (Zainal & Akib, 2018).

Approaches to resolving family business conflicts according to Mohammed (2018) include litigation, binding arbitration and mediation. Litigation is costly, time consuming and psychological and results to negative family relationship. Mediation typically helps parties search for a mutually acceptable solution (Zainal & Akib, 2018). The mediator's objectives are based on a cooperative orientation to conflict and the process has improved social skills that are vital towards improving future relationships (Aronoff & Ward, 2016).

In family business conflicts, relationships are embedded in a system of family dynamics and a business system. It is difficult to separate the two components; familial relationships and business relationships (González-Cruz & Cruz-Ros, 2016). Family relationships have long, deep, emotional histories. When conflicts arise, trust is often the first 'casualty'; as conflict escalates trust decreases and distrust increases. This distrust can impact the parties' ability to act cooperatively together in order to work through conflict.

Successful organizations generally deal with conflict in a positive, proactive manner. Superior conflict management skills can develop into a core competence, enabling organizations to gain a continuing competitive advantage in its industry. If operating units focus their response to internal conflicts towards finding creative, productive solutions, the organization will function at an accelerated level of efficiency.

2.2.5 Business Performance

An organization cannot outperform its leader (Alabdullah, 2018). The performance of any enterprise is heavily dependent on the skills, knowledge and ability of its top executives (Ali & Anwar, 2021). Performance is the level of effectiveness with which an organization realizes its mission and goals (Aronoff & Ward, 2016). Within the context of business organizations, a number of key performance indicators are used to evaluate leadership effectiveness. These have been classified into two.

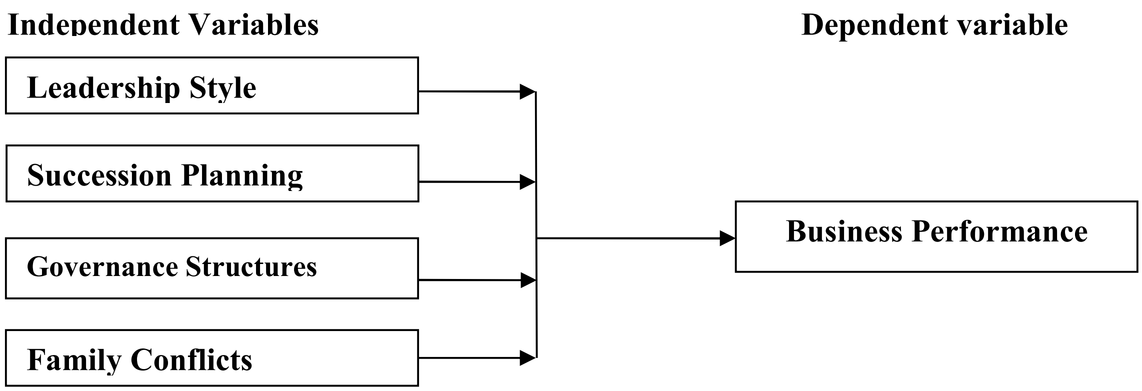
Financial indicators such as profit, return on investment (ROI), return on asset (ROA) and return on equity (ROE). Nonfinancial indicators are customer and employee satisfaction (Marr, 2012). Most family enterprises shy away from disclosing their returns hence the need to use sales volume (SV) as a less direct financial indicator in the research. A leader influences members of the organization towards organizational success (Dyer, 2018).

2.4 Conceptual Framework

According to Soini and Dessein, (2016), the framework forms a section of the agenda for negotiation to be tested, reviewed, scrutinized and reformed as a result of the investigation and it expounds on the possible links between the variables. In this study the dependent variable is Business Performance while the independent variables are; Leadership Styles, Succession planning, Governance Structures and Family Conflicts. A conceptual framework presents the relationship between the dependent variable and the independent variables as shown in Figure 2.1

Figure 2.2:

Conceptual Framework

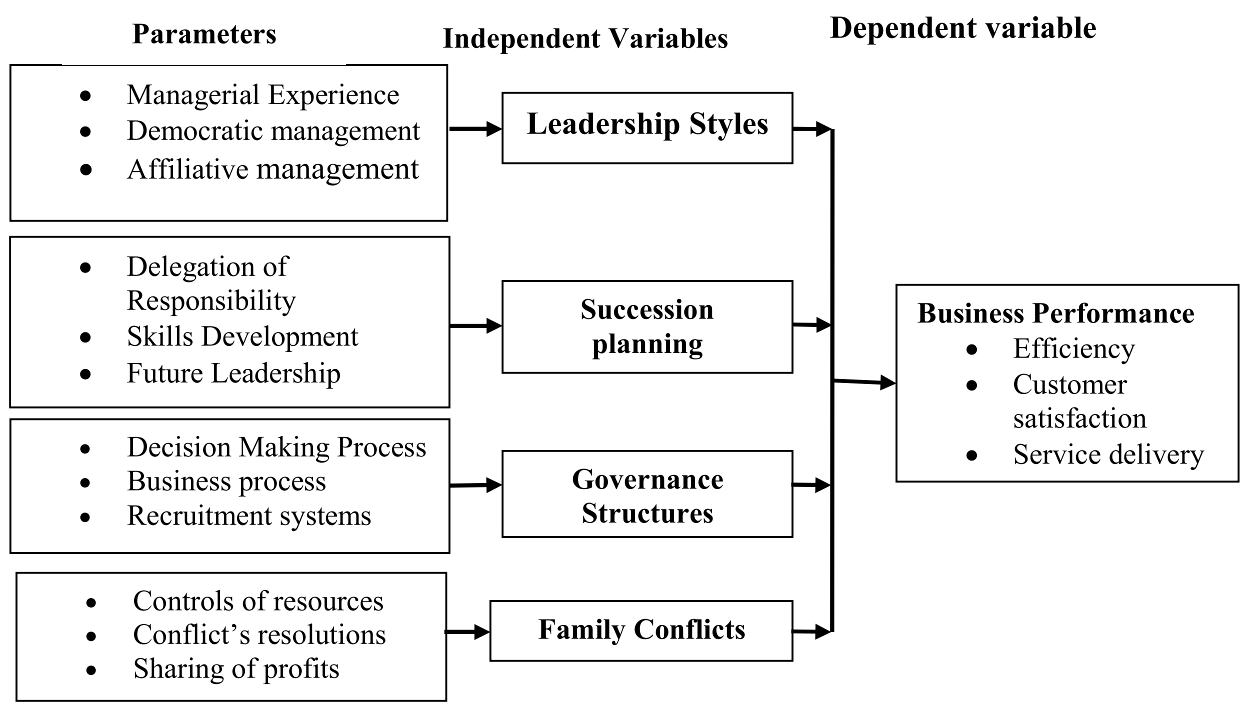


Source: Author (2022)

Figure 2.3:

Operational Framework

2.5 Operationalization of the variables



Source: Author, 2022

2.6 Summary of Literature Review

Several researches have not extensively dove into circle of family members undertaking concerning the organization ordinary execution. For example, Motwani (2016) notice the elements influencing the exhibition of Family Business A PLS-SEM Study. The inspect set that privately-owned companies are impacted particularly through clashes limit of the family people. Njoroge (2019) analyzed the impacts of family-possessed office on representative improvement of Nakumatt Holding Limited; Maalu, et al. (2018) did a have a have a concentrate on progression method and customary execution of little and medium own family associations in Nairobi, Kenya; Rotich (2014) have an investigate the effect of progression anticipating family controlled general stores monetary principal by and large execution in Nairobi County and Kuria (2018) connected progression arranging and ordinary widespread execution of little and medium circle of family members claimed organizations in Kiambu County, Kenya. From the above examinations there might be no investigate which has fixated on what circle of family member's business association means for business association generally execution. This check will hence overcome any issues of measurements to decide. This study therefore seeks to determine the relationship between family business and business performance in Nairobi County.

2.7 Research Gaps

Micro and Small Family businesses have been studied in different context and various aspects in business management have been typically addressed ranging from comparison of motivational leadership. Motwani (2016) study the factors affecting the performance of Family Business *A PLS-SEM Study.* The study found that family businesses are affected mostly by conflicts among the family members. The study is not based in Kenya. Determining succession planning impact on small-medium family ventures in Kiambu County, Kenya. Rotich, (2014) study the impact of succession planning on family managed supermarkets fiscal performance in Nairobi County. The study found that Succession planning has a positive effect on family managed supermarkets fiscal performance in Nairobi County. The study did not focus on the family businesses in Kiambu County. Determining succession planning impact on small-medium family ventures in Kiambu County, Kenya. Benzing and Chu (2019) to the impacts of generational change in business management, growth requires management intervention in terms of efforts towards creation of structural reforms, business conflict management and the transformational leadership approach that is still sufficiently lacking in small business enterprises. Memba (2017) carried out a study on the role of transformational leadership on growth of small and medium enterprises. The study recommended that the impact of transformational leadership style must be studied as an aspect of growth of family businesses. This study seeks to fill the gap as identified above. Pearson et al. (2008) also recommended that a study must be carried out to find out the role of governance structures on growth of small and medium enterprises while Clarke (2016) in his areas of further study suggested a study on the role of succession planning on growth of family-owned enterprises. This study seeks to fill the gaps shown. Further Pearson et al. (2008) suggested that family conflicts is an important aspect of family-owned businesses. This study therefore would like to find out whether family conflicts have an effect on the growth of family-owned businesses in Kenya focusing attention on businesses operating in the Nairobi County.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

Research methodology refers to the study of the general approach to inquiry in a given field. This chapter comprises the research methodology the researcher was use. It involved research design, target population, sampling technique and sample size, data collection instruments, data collection procedure, pilot test study, reliability of research instruments, validity research instruments and data analysis and presentation.

3.2 Research Design

Research design consists of an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004 cited in Xie, 2016). This study adopted a descriptive research design. Descriptive research design is concerned with finding out the what, where and how of a phenomenon. According to Schoonenboom and Johnson (2017) descriptive survey is a method of collecting data by interviewing or administering a questionnaire to a sample of individuals. Descriptive research design is a description of the state of affairs as it exists. In a research where the main interest is exploring further the existing variables on the subject matter without manipulation then a descriptive study design is the best (Xie, 2016). This research design was appropriate because this study sought to build a profile on the relationship between family business and business performance. The researcher chose descriptive research design because it enables the researcher to generalize the findings to a larger population. Descriptive research design allowed the researcher to collect quantitative data which was analyzed quantitatively using descriptive and inferential statistics. This study brought out in-depth information on the relationship between family owned firm's operational strategy on organizational performance of businesses in Nairobi county.

3.3 Target Population

A target population, according to Asiamah et al. (2017) is that group to which a researcher desires to take a broad view in a study. According to Ackerman and Stuart, (2021), population is the total collection of elements with common observable characteristics about which some inferences can be made. The target population is that part of population which the researcher studies, analyses and draws conclusions regarding the entire population. Population refers to the entire group of individual's, events or objects having a common observable characteristic (Feezellet al. 2019). In this study, the target population consisted of employees working for MSFBs family business within the Nairobi County which were duly registered with the Nairobi County Government by way of trading license. The population targeted for this research was MSFBs family business licensed and operating within Nairobi County. There were a total of 1200 MSFBs family business in Nairobi Central Business District (Nairobi County Government, 2018).

Table 3.1:

Target Population

Response	Target Population
Employees working at MSFBs family business	1200
Total	**1200**

Source: (Nairobi County Government, 2018)

3.4 Sampling Technique and Sample Size

3.4.1 Sample Frame

According to Arora, et al.(2021), a sampling frame is a list of elements from which the sample is actually drawn and closely related to the population. In this study, the sampling frame were drawn from the 1, 200 employees of family-owned Business operating within Nairobi County. This was used so as to ensure that the sampling frame was current, complete and relevant for the attainment of the study objective.

3.4.2 Sampling Technique

Sampling design refers to a research plan that indicates how cases are to be selected for observation or as respondents (Watson & Ryan, 2019). To come up with an appropriate study sample, the study will use stratified sampling technique where the MSMEs family business were classified into different business areas including food and restaurants and other non-food item businesses. The rationale behind the selection of the stratified sampling was because the businesses are evenly distributed across the Nairobi County and this ensured collection of unbiased data. This helped to enhance the chances of participation among potential participants (Kothari, 2004 cited in Watson & Ryan, 2019). The simple random technique enhances a sense of independency among participants, as they develop the feeling that they won't in any way pressured to take part in the study.

3.4.3 Sample Size

The research quality is immensely "affected by the suitability of method used, instrument of research and the sampling techniques used (Manion, 2001). Mugenda and Mugenda (2003) recommends a 10% sample size while Babbie (2005) recommends a sample size of between 10% and 30% when undertaking descriptive studies. The sample size for this study was calculated using the Yamane Taros formula, Israel (2012) as follows:

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

Where: *n* is the sample size

N is the population size

e is the precision level with a sampling error of 90 % ±10.

$$\text{Hence: n} = n = \frac{1200}{1+1200(0.10)2}$$

$$n = 92$$

A sample size of 92 respondents was adequate size relative to the goals of the study.

Table 3.2:

Sample Size

Response	Target Population	Sample size
Employees working at MSFBs family business	1200	92
Total	**1200**	**92**

Source: Author, 2021

3.5 Data Collection Instruments

The research questionnaire was developed from the literature and incorporated both open-ended and closed-ended questions items to gather the study's primary data. According to Cooper and Emory (2008), the questionnaire is conveniently used because it is cheaper and quicker to administer, it is above the researcher's effect and variability, and is highly convenient for the respondents as they can fill them during free times or when workloads are manageable. This research collected primary data using questionnaires. The questionnaires comprised of both open and closed ended in line with the objectives of the study. A five-point Likert scale was used for closed ended questions. The questionnaire contains two sections each. The first section sought to establish the respondents' demographic data while the second section seeks to establish the respondents' opinions on the three challenges considered in this study.

3.6 Piloting of the Research Instrument

3.6.1 Validity of Findings

According to Heale and Twycross (2015), validity relates to the quality attributed to the degree to which they conform to establish knowledge or truth. Validity exists if the data measure what they are supposed to measure. In order to test and enhance the validity of the questionnaire, nine questionnaires were pilot tested and reviewed with a view to improving validity of the data that was collected (Kothari, 2004). The research supervisor went through the questionnaire to make sure that it was good enough for the process of data collection.

3.6.2 Reliability of Research Instruments

Reliability is the consistency of a set of measurement items (Cronbach, 1951). Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the repeatability of measurement. A measure is considered reliable if a person's score on the same test given twice is similar. Nine (9) questionnaires were piloted by issuing them to respondents who won't include in the final study sample. The nine questionnaires were then coded and responses input into SPSS which was used to generate the reliability coefficient. The researcher used the most common internal consistency measure known as Cronbach's Alpha (α) which will be generated by SPSS. It indicates the extent to which a set of test items can be treated as measuring a single latent variable (Cronbach, 1951). The recommended value of 0.7 was used as a cut–off of reliability for this study.

3.7 Data Collection Procedures

This study used semi-structured questionnaires to collect primary data that were used to establish the relationship between family business and business performance in Nairobi

County. The questionnaires were self-administered using *"drop-and-pick later method"* in order to allow the respondents sufficient time to fill in the questionnaires comprehensively. Specifically, the researcher was targeting the owners and managers of MSFBs family business. The questionnaire that was used was divided into three sections. Section A had demographic information about the respondents and their business; Section B had questions on the extent of Leadership Styles, Succession planning, Governance Structures and Family Conflicts; Section C had questions on the performance of family businesses.

3.8 Data Analysis and Presentation

Data analysis refers to examining what has been collected in the survey and making deductions and references. It involves uncovering underlying structures, extracting important variables (Dunn, & Davis, 2017). The study used the quantitative method of data analysis. Data analysis played an important role in conversion of raw data into a form that can be subjected to statistical interpretation and presentation. The collected data was edited, coded, keyed in and analyzed using Statistical Package for Social Sciences (SPSS).

The researches yield quantitative and qualitative data. The quantitative data was analyzed using both descriptive statistics and correlations. Descriptive statistics helped to get the measures of central tendency and measures of dispersion which include the mean and standard deviation. The Pearson product movement correlation coefficient (r) was used to determine the strength of the relationship between different variables by use of the correlation coefficient, r, with a confidence interval of 95%. A multivariate regression model was used to link the independent variables to the dependent variable as follows;

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \mu$

Where;

Y=Performance of Family-Owned Business in Nairobi County

X1 = Leadership style

X2 = Succession planning

X3= Governance Structures

X4= Family Conflicts

μ=Error term

In the model, $\beta 0$ = the constant term while the coefficient βii= 1….4 will be used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables X1, X2, X3 and X4. μ is the error term which captures the unexplained variations in the model.

3.9 Research Ethical Concerns

Ethical considerations relate to the moral standards that the researcher should consider in all research methods in all stages of the research design. Prior to the completion of the questionnaire responses, the researcher obtained permission from the Nairobi County. The researcher was upheld ethical issues in the process of the study and gave respondents assurance that confidentiality was observed and data collected was only used for research purposes. The researcher obtained an informed consent from every respondent and all the relevant authorities are consulted. The researcher sought for permission to collect all the necessary data required.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

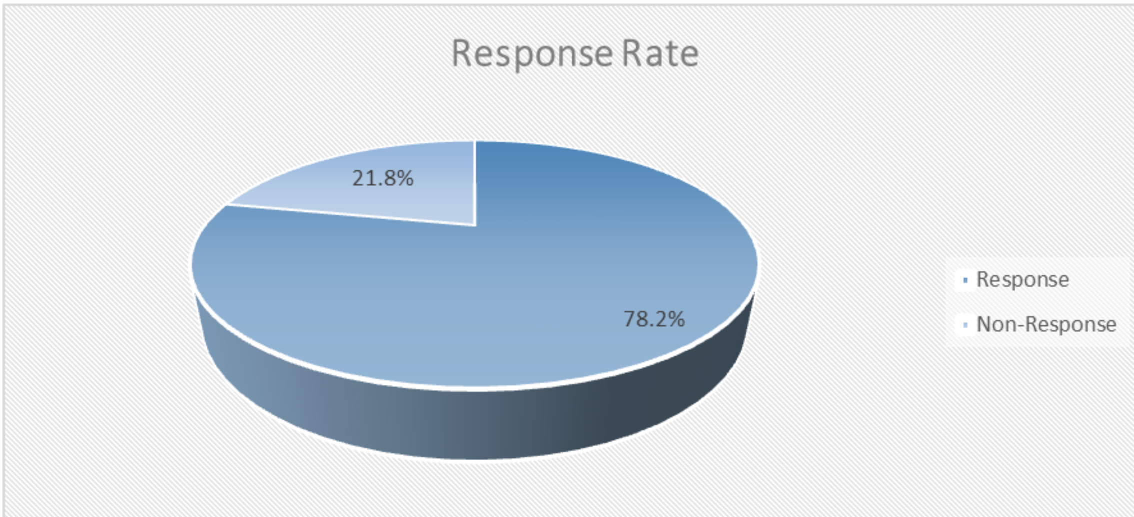
The section presents the analysis of findings and the discussion of the study as set out in the research methodology. This chapter begins by analyzing and presenting the results of the pilot study, the response rate and illustrating the designation of the respondents. The main findings are presented in relation to the overall objective of this study which was to determine the relationship between family owned firm's operational strategy on organizational performance of family owned businesses in Nairobi county. The chapter culminates by presenting the analysis of the study model through inferential statistics.

4.2 Response rate

The study sought to find out the rate at which the targeted respondents participated in the study. This would therefore help to determine whether the study attained a reliable number of respondents to make conclusions and recommendations. The study had a sample of 92 respondents who were surveyed using a structured questionnaire.

Figure 4.1:

Response Rate



Source: Field Data 2022

From a total of 92 target respondents, only 65 respondents managed to fill in and returned their questionnaires successfully, making a response rate of 78.2 percent, this was adequate for making conclusions. A response rate of 50 percent is sufficient for analysis and reporting, according to Mugenda and Mugenda (2003), a rate of 60 percent is fine, and a rate of 77.2 percent or more is excellent. The response rate for this study was considered excellent for making conclusions and recommendations. The response rate and nonresponse rate are.

4.3 Results of the Pilot Study

A pilot study is a small-scale preliminary study used in order to evaluate feasibility, adverse events, cost and time to improve upon the study design before conducting a full-scale research project (Eldridge, et al., 2016). To ensure reliability and validity of the research instruments, a pilot test was carried out. This was done using a total of 9 respondents which was 10% of the sample size (92). The pilot obtained a 100% response rate. The data from the pilot study was analyzed and the results presented herewith.

4.3.1 Reliability Test

To ensure the reliability of the instrument for the study, Cronbach's Alpha was carried out. The findings indicated that all constructs had Cronbach's Alpha values within the suggested value of between 0.5 and 0.7 thus the data collection tool was reliable (Mugenda & Mugenda, 2003). On the basis of reliability test it was supposed that the scales used in this study are reliable to capture the constructs. Findings of the reliability test are shown in table 4.1.

Table 4.1:

Reliability Analysis

Construct	Cronbach's Alpha Value	Number of Items	Comment
Leadership Style	.781	6	Reliable
Succession Planning	.744	6	Reliable
Governance Structures	.712	6	Reliable
Family Conflicts	.870	6	Reliable

The standard minimum value according to Chan and Idris (2017) is α = 0.7. Therefore, the values in Table 4.2 of Leadership Style α = 0.781, Succession Planning α = 0.744, Governance Structures α =0.712 and Family Conflicts α = 0.870, gave sufficient confirmation of data reliability for the four independent variables.

Table 4.2:

Reliability Statistics of the performance of Family Business

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.818	.821	6

4.4 Background information

In this section the researcher sought to find out the personal characteristics of respondents who took part in the study; this includes information such as gender, age in years, length of business operation and generation of ownership.

4.4.1 Gender of the Respondents

The study sought to establish the gender category of the respondents. This was done because of ensuring the fair engagement of respondents in terms of their gender. Results are shown in figure 4.3 below.

Table 4.3:

Gender of the Respondent

Gender	Frequency	Percent
Male	40	59.4
Female	32	40.6
Total	**72**	**100.0**

Source: Field Data 2022

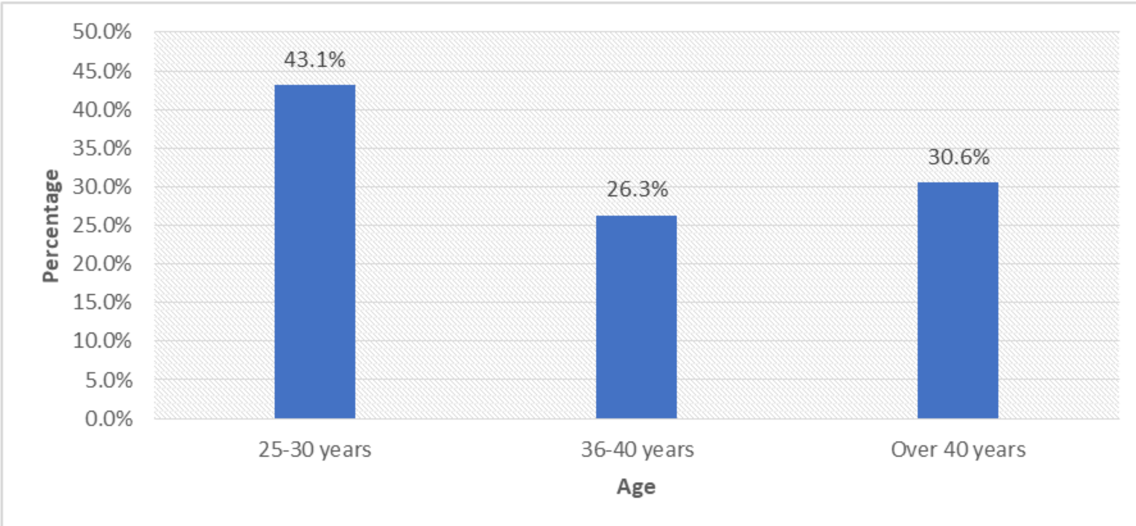
As displayed in figure 4.2 above, the study noted that the majority of the respondents as shown by 40(59.4%) were males whereas 32(40.6%) females. This implies that the males dominated the study but both genders were presented in the study. According to Kuria (2018), most of the family owned enterprises are headed by men who in many cases are initiators of the business and this is confirmed by the study results. According to Kothari (2004), a good study should incorporate all the targeted gender respondents such that they are all represented.

4.4.2 Age Bracket of the Respondents

Different age groups are perceived to hold different opinions on various issues, to ensure that study collected a wide range of opinions from different age groups; respondents were requested to indicate their age category. Results are as shown in figure 4.2.

Figure 4.2:

Age bracket of the Respondents



Source: Field Data 2022

In the findings above, it was found that most of the respondents as shown by 31(43.1%) were aged between 25-30 year, 22(30.6%) of the respondents were over 40 years of age and 36- 40 years of the respondents was found to be both 19(26.3%). The findings imply that all the age brackets as targeted by the study were represented thus making the study to have diverse views based on the experience of the respondents. Kuria (2018) established that many of the owners and managers of family enterprises are middle-aged, that is, between 36 to 40 years. The findings implied that imply that the age distribution did well-articulated hence.

4.4.3 Level of Education Attained

The personal uptake/understanding of various issues is determined by one's level of education. Respondents were asked to list their level of educational qualifications in order to determine their capacity to respond to the research questions. The findings are as shown in table 4.4 below.

Table 4.4:

Level of Education

Education Level	Frequency	Percent
Secondary education	5	6.9
Diploma	20	27.8
Degree	31	43.1
Master	9	12.5
PhD	7	9.7
Total	**72**	**100**

Source: Source: Field Data 2022

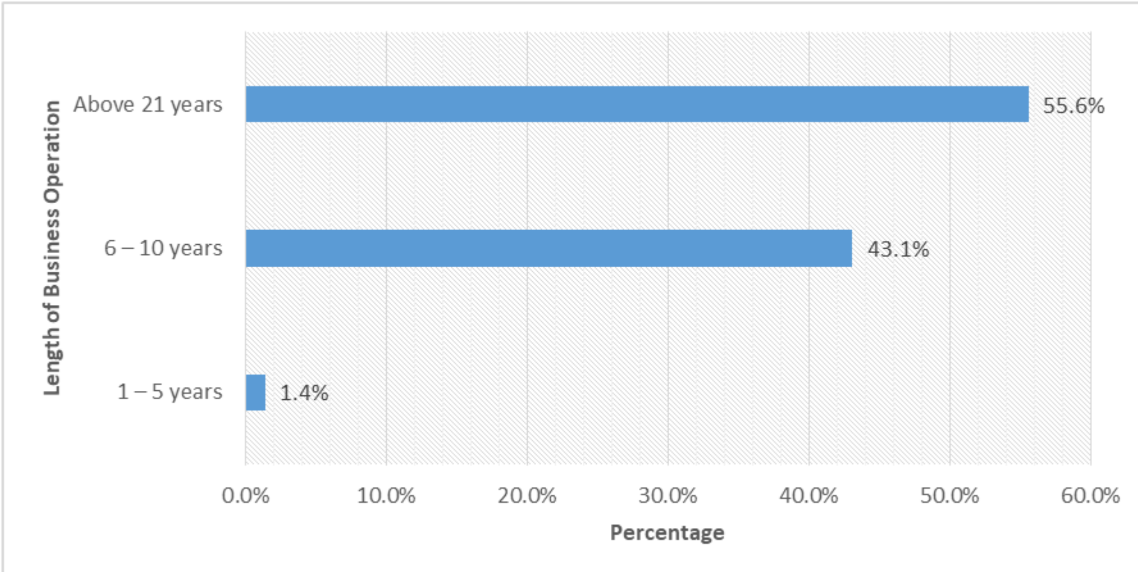
From the research findings in table 4.4, the study revealed that most of the credit managers as shown by 31 (43.1%) held an undergraduate degree, 20(27.8%) of the respondents held college diploma level, 9(12.5%) of the respondents held master's degree as their level of education, while only 9(9.7%) of the responents hold PhD. The findings imply that many of the people in family businesses are college graduates which mean that the sectors had the capacitated potential to provide adequate management and enhance sustainability. The findings also compare with those by Njoroge (2019) who found that most of the persons in family businesses have a background education which enables them to take over the businesses and also start the ventures. Sustainability of family businesses has been affected by the education level attained by the entrepreneurs hence educational level of the entrepreneurs was sought.

4.4.4 Length of Business Operation

The respondents' views on the number of years their businesses had been in operation were sought. The findings are as shown in figure 4.3 below.

Figure 4.3:

Length of Business Operation



Source: Source: Field Data 2022

The findings revealed that a majority of the businesses had been in operation for a period of over 20 years comprising of 40(55.6%) of the total respondents, closely followed by 31(43.1%) of the businesses which had been in operation for a period of 6-10 years. Further, only 1(1.4%) of the businesses had been in operation for a period of 1-5 year. The findings implied that most of the family owned enterprises were over 21 years old. This supports the argument by Njoroge (2019) that many family businesses would hardly survive for one generation meaning they close-up even during the tenure of the first initiator.

4.4.5 Generation Managing the Business

The study sought to investigate which generation of the owners was managing the business. The responses were as shown on the Figure 4.5.

Table 4.5:

Generation Managing the Business

Generation Managing the Business	Frequency	Percent
1st generation	27	37.5
2nd generation	14	19.4
3rd generation and above	31	43.1
Total	**72**	**100**

Source: Source: Field Data 2022

From the responses majority of the respondents 31(43.1%) were in the third generation, followed by 27(37.5%) who were in the category of the first generation while only 14(19.4%) of the business were the second generation of their family. This revealed that, most family business within Nairobi had live up to the third generation.

4.5 Descriptive Analysis

According to Frankfort-Nachmias and Leon-Guerrero (2009), descriptive research entails using statistical procedures to characterize the population under investigation. The responses to each of the items of the means, as well as the standard deviation of the items, are included in this segment. To assess the respondent's levels of agreement based on the following objectives, the analysis used a scale of 1 to 5 where 1 indicated strongly disagree, 2 indicated disagree, 3 indicated neutrals, 4 implied agree, and 5 implied strongly agree.

4.5.1 Leadership style and Business Performance

The study sought to examine relationship between leadership style and organizational performance of family owned businesses in Nairobi county. The results are as shown in table 4.6.

Table 4.6:

Leadership Style and Business Performance

Opinion	SD	D	N	A	SA
The performance of a family-owned business is heavily influenced by leadership experience.	1(1.4%)	15(20.8%)	2(2.8%)	39(54.2%)	15(20.8%)
Democratic leadership style contributes greatly to the performance of family-owned business	2(2.8%)	0.0%	6(8.3%)	33(45.8%)	31(43.1%)
Affiliative leadership style contributes greatly to the performance of family-owned business	0.0%	9(12.5%)	2(2.8%)	32(44.4%)	29(40.3%)
Autocratic leadership style contributes greatly to the performance of family-owned business	0.0%	0.0%	0.0%	32(44.4%)	40(55.6%)
The business owner needs employees to comply with all his requests for the business	0.0%	0.0%	0.0%	25(34.7%)	47(65.3%)
The business founder has set clear roles for all employees in attaining organizational goals	0.0%	0.0%	0.0%	42(58.3%)	30(41.7%)

Source; Author 2022

As indicated in table 4.6, most respondents (75%) generally agreed that the performance of a family-owned business is heavily influenced by leadership experience, (22.2%) disagreed with the opinion while only (2.8%) ere neutral to the statement. Majority (88.9%) of the respondents also generally agreed that democratic leadership style contributes greatly to the performance of family-owned business, (8.3%) were neutral while only (2.8%) of the respondent were in disagreement with the opinion. Most of the respondents (84.7%) as well generally agreed that affiliative leadership style contributes greatly to the performance of family-owned business, (12.5%) were in disagreement with the opinion while only 2.8% were neutral to the opinion. Additionally, most of the respondents (100%) generally agreed that autocratic leadership style contributes greatly to the performance of family-owned business. Further, most of the respondents (100%) generally agreed that the business owner needs employees to comply with all his requests for the business. Finally, they (100%) generally agreed that the business founder has set clear roles for all employees in attaining organizational goals. This finding are in line with Carvalho and Fernandes. (2019) who states that financial management is a crucial field within the environment of the small and medium enterprises thus present numerous potential obstacles.

4.5.2 Succession Planning and Business Performance

The study sought to investigate the relationship between succession planning and organizational performance of family owned businesses in Nairobi county. The results are as shown in table 4.7

Table 4.7:

Succession Planning and Business Performance

Opinion	SD	D	N	A	SA
The business has plans and prepares for future leadership by developing the employees with leadership responsibilities	0.0%	0.0%	0.0%	26(36.1%)	46(63.9%)
The business develops employees with skills to take up more tasks	0.0%	1(1.4%)	0.0%	45(62.5%)	26(36.1%)
The business has planned for the future operations in terms of human capital	0.0%	0.0%	0.0%	37(51.45)	35(48.6%)
The business owner is involved in the skills development of the employees	0.0%	10(13.9%)	13(18.1%)	33(45.8%)	16(22.2%)
Senior managers in the business are given specialized training	0.0%	0.0%	0.0%	23(31.9)	46(63.9)
The business has planned for future operations in terms of human capital	0.0%	1(1.4%)	0.0%	42(58.3%)	29(40.3%)

Source: Researcher 2022

As provided in in table 4.7, majority of the respondents (100) generally agreed that the business has plans and prepares for future leadership by developing the employees with leadership responsibilities. The study outcome also revealed that, the majority of the respondents (98.6%) generally agreed agrees that the business develops employees with skills to take up more tasks while only1.4% of the respondents were neutral to the statement. The study findings also revealed that majority of the respondents (100%)

generally agreed that the business has planned for the future operations in terms of human capital. In addition, majority of the respondents (60.0%) were generally into the agreement that the family business operators are involved in the skills development of their employees, (18.1%) were neutral to the opinion while only (13.9%) were in disagreement. Further, majority of the respondents (95.8%) were in general agreement that senior managers in the family business are given specialized training, while only 4.2% were neural to the same opinion. Lastly, (98.6%) of the family generally agreed that business has planned for future operations in terms of human capital while only 1.4% were neutral to the opinion. The findings concur with Magasi (2016) who revealed that succession management effectively shapes development and management has categorized succession management as an active planning along with performance reviews, mentorship, training and development of employees.

4.5.3 Governance Structures and Business Performance

The study sought to assess the relationship between governance structures and organizational performance of family owned businesses in Nairobi county. The results are as shown in table 4.8

Table 4.8:

Governance Structures and Business Performance

Opinion	SD	D	N	A	SA
There is a clear leadership structure in the business	0.0%	0.0%	5(6.9%)	23(31.9%)	42(58.3%)
The leadership structure in the business encourages faster decision-making processes	0.0%	0.0%	4(5.6%)	31(43.1)	37(51.4%)
The governance structure used provides important information relating to new policies and trade secrets from other businesses	0.0%	12(16.7%)	11(15.3%)	13(18.1%)	36(50.0%)
The governance structure provides insight into how other business pursues new approaches	0.0%	0.0%	13(18.1%)	49(68.1%)	10(13.9%)
The governance structure encourages faster decision-making processes	0.0%	0.0%	0.0%	26(36.1%)	46(63.9%)
One of the family members allocates the business resources for his/her own good regardless of the effects of such decisions on other members	0.0%	0.0%	0.0%	26(36.1%)	46(63.9%)
The amount of each owner's proportion of the business affects their performance towards attainment of business targets	0.0%	0.0%	0.0%	49(68.1%)	23(31.9%)

Source: Researcher 2022

As per the findings in table 4.8, most of the study respondents (90.2%) generally agreed that there is a clear leadership structure in the business, while only 6.9% of the respondents were neutral to the opinion. Majority of the respondents (94.6%) also generally agreed with the opinion that the leadership structure in the business encourages faster decision-making processes while only 5.6% of the respondents were neutral to the opinion. Additionally, majority of the study respondents (68.1%) generally agreed that the governance structure used provides important information relating to new policies and trade secrets from other businesses, 16.7% disagreed with the opinion while only 15.3% were neutral to the opinion. The respondents (100%) further generally agreed that the governance structure encourages faster decision-making processes. Most of the respondent (100.0%) as well generally agreed that one of the family members allocates the business resources for his/her own good regardless of the effects of such decisions on other members. Finally, most of the respondents (100.0%) agreed that the amount of each owner's proportion of the business affects their performance towards attainment of business targets. The study concurs with Chancharat and Chancharat (2019) who agreed that family enterprises regardless of size has a unique mix of personal dynamics that may interfere with business strategy, ownership, decision making and with aging, succession and power issues can create cascading concerns.

4..5.4 Family Conflicts and Business Performance

The study sought to determine the relationship between family conflicts and organizational performance of family owned businesses in Nairobi county. The results are as shown in table 4.9

Table 4.9:

Family Conflicts and Business Performance

Opinion	SD	D	N	A	SA
Some family members fight to have control of the business	0.0%	0.0%	0.0%	26(36.1%)	46(63.9%)
Family members disagree on sharing of profits from the business	0.0%	0.0%	4(5.6%)	44(61.1%)	24(33.3%)
Some family members oppose decision made by experts	0.0%	0.0%	3(4.2%)	40(55.6%)	29(40.3%)
Some family members assigned duties are not qualified	0.0%	0.0%	7(9.7%)	32(44.4%)	33(45.8%)
Family members influence the recruitment of staff in the organization.	0.0%	0.0%	4(5.6%)	26(36.1%)	42(58.3%)
There are clear procedures and policies of solving	0.0%	0.0%	0.0%	32(44.4%)	40(55.6%)

Source: Researcher 2022

As per the study findings shown in table 4.9, majority of the study respondents (100.0%)generally greed that some family members always fight to have control of the business. The majority of the respondents (94.4%) were also in agreement that family members always disagree on sharing of profits from the business. They as well agreed (95.9%) that some family members oppose decision made by experts while only 4.2% of the respondents were neutral to the opinion. I addition, 90.2% of the respondents generally agreed that some family members who are assigned duties the business to operate are not qualified while only 9.7% of the respondents were in disagreement with the opinion. Further, 94.4% of the respondents agreed that family members influence the recruitment of staff in the organization while only 5.6% of them were neutral to the statement. Finally, 100.0% of the respondents agreed with the opinion statement that they always have a set aside clear procedures and policies of solving their disputed whenever they arise. Zainal and Akib (2018) found that the relationship within the family has the single greatest impact on successful succession between generations of family businesses. It as well agreed with Oudah et al. (2018) that conflict and disagreement about management decisions is included as a variable influencing family business succession for this study.

4.5.5 Family Business Performance

The study sought to assess the organizational performance of family owned businesses in Nairobi county. The results are as shown in table 4.10.

Table 4.10:

Family Business Performance

Opinion	SD	D	N	A	SA
The business is able to survive competition effectively and has an edge over its competitors	0.0%	0.0%	0.0%	24(33.3%)	48(66.7%)
The business has been able to meet its clients' demand on time	0.0%	0.0%	0.0%	33(45.8%)	39(54.2%)
The business has employed qualified employees for various tasks	0.0%	1(1.4%)	25(34.7%)	28(38.9%)	18(25.0%)
The business has managed to pay employee salaries on time	1(1.4%)	1(1.4%)	0.0%	37(51.4%)	33(45.8%)
The business has programs designed to get qualified staff for its business operations	0.0%	1(1.4%)	14(19.4%)	32(44.4%)	25(34.7%)
The business has managed to increase its office space over time	1(1.4%)	3(4.2%)	1(1.4%)	34(47.2%)	33(45.8%)

Source: Researcher 2022

According to the study findings as shown in table 4.9, most of the respondents (100.0%) agreed that the business is able to survive competition effectively and has an edge over its competitors. 100.% of them also agreed that their business has been able to meet its clients' demand on time.63.9%of the respondents also agreed that the business has employed qualified employees for various tasks, 34.7% were neutral to the opinion while only 1.4% were neutral to the opinion statement. The business has managed to pay employee salaries on time. Most of the respondents 97.2% were also in agreement that the business has managed to pay employee salaries on time, while only 2.8 generally disagreed with the opinion. 79.1% of the respondents further agreed that the business has programs designed to get qualified staff for its business operations, 19.4% were neural to the opinion while only 1.4% were in disagreement to the statement. Finally, 93.0% of the respondents generally agreed that the business has managed to increase its office space over time, 2.8% generally agreed with the opinion while only 1.4% of the respondents were in disagreement with the opinion. The performance of any enterprise is heavily dependent on the skills, knowledge and ability of its top executives (Ali & Anwar, 2021).

4.6 Regression Analysis

In order to find out the relationship between family business and business performance in Nairobi County, the study used a multiple linear regression through the SPSS version 26 to generate the data and the findings were presented as shown in the table below.

4.6.1 Model Summary

The study sought to assess the model summary of the multiple regression.

Table 4.11:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.979[a]	.807	.583	.306	.607	25.842	4	67	.000	2.125

a. Predictors: (Constant), FC4, LS1, SP2, GS3

b. Dependent Variable: PFB1

Source: Researcher 2022

The study findings indicated in the table 4.11 above were based on the analysis of the model whereby it was found out that the coefficient of determinant based on Pearson concept of R being .979 signified that there was a strong relationship that is positive between business characteristics and performance. On the other hand, R2 was explained to be .807 equivalents to 80.7% variance in the dependent variable which in this case was business performance.

4.6.2 Analysis of Variance

The research carried out an ANOVA in order to test for the best fit of the data. This was done through a comprehensive regression model in order to meet the purpose of the study and the results were presented as shown in the table 4.12 below.

Table 4.12:

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.708	4	2.427	25.842	.000[b]
	Residual	6.292	67	.094		
	Total	16.000	71			

a. Dependent Variable: PFB

b. Predictors: (Constant), FC4, LS1, SP2, GS3

Source: Researcher 2022

The results presented in the table 4.12 above the probability value was found to be less than 0.05 with a significant level of p=.000 which implied that this implied that the regression model was significant in predicting the existing relationship between family business and business performance in Nairobi County.

4.6.3 Model Coefficients

The researcher tested for the model coefficient in order to understand more on the variables co-integration that were under study. This was therefore presented in the table 4.13

Table 4.13:

Model Coefficients

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	3.168	.667		4.748	.000		
	LS1	.240	.040	.538	5.996	.000	.728	1.374
	SP2	-.151	.080	-.177	-1.878	.065	.660	1.515
	GS3	.281	.043	.685	6.591	.000	.544	1.839
	FC4	.030	.058	.041	.518	.706	.916	1.091

a. Dependent Variable: PFB

Source: Researcher 2022

The regression model presented above was based on the study integration that was conducted by the researcher in order to explicit examine the relationship amongst the study variables in independent and dependent variable concept. It therefore signified that amongst the variables, there existed a relationship as derived by the equation below;

The study conducted a regression model to examine the relationship between family business and business performance in Nairobi County. The regression model equation representing the relationship is

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \mu$

$Y = 3.168 + 0.240X_1 - 0.151X_2 + 0.281X_3 + 0.030X_4 + 0.667$

Y (business performance in Nairobi County) = 3.168 + 0.240(Leadership style) - 0.151(Succession planning) + 0.281 (Governance structures) + 0.030(Family conflicts) + 0.667 (Standard Error).

From the equation it is clear that holding all the other independent variables constant, a unit increase in leadership style would lead to a 24% increase in business performance in

Nairobi County. Also, holding other independent variables constant, a unit decrease in succession planning would lead to 15.1% decrease in business performance in Nairobi County. In addition, holding on the other independent variables constant, a unit increase in governance structures would lead to 28.1% decrease in business performance in Nairobi County. Moreover, holding on the other independent variables constant, a unit increase in family conflicts would lead to 3% increase in business performance in Nairobi County.

4.7 Hypotheses Testing

The study sought to test the research hypotheses.

Table 4.14:

Results of Hypotheses Testing

Hypotheses	P-Value	Decision Rule
H_{01}. There is no significant relationship between leadership style and organizational performance of family owned businesses in Nairobi County.	P=0.000<0.05	Reject H_{01}
H_{02}. There is no significant relationship between succession planning and organizational performance of family owned businesses in Nairobi County	P=0.065>0.05	Accept H_{02}
H_{03}. There is no significant relationship between governance structures and organizational performance of family owned businesses in Nairobi County.	P=0.000<0.05	Reject H_{03}
H_{04}. There is no significant relationship between family conflicts and organizational performance of family owned businesses in Nairobi County.	P=0.706>0.05	Accept H_{04}

Source: Researcher 2022

H_{01}: There is no significant relationship between leadership style and organizational performance of family owned businesses in Nairobi County.

From table 4.14, a probability value of ($p=0.000 < 0.05$) was obtained implying that the hypothesis (there is no significant relationship between leadership style and organizational performance of family owned businesses in Nairobi County) is rejected and therefore indicating existence of significant relationship between leadership style and organizational performance of family owned businesses in Nairobi County.

The research findings seem to concur with those of Monye and Ejiro (2018) where they observed that training enhances the growth and competitiveness of the SME's. Also, from the findings appears to be supported with those of Northouse (2021) where the study revealed that leadership plays a key role in achieving organizational excellence and desired business performance

H_{02}: There is no significant relationship between succession planning and organizational performance of family owned businesses in Nairobi County

Table 4.14 showed a probability value of ($p=0.065 > 0.05$) was obtained implying that the hypothesis (there is no significant relationship between succession planning and organizational performance of family owned businesses in Nairobi County) is accepted and therefore indicating there is no significant relationship between succession planning and organizational performance of family owned businesses in Nairobi County.

The study findings seem to in line with those of Kariuki and Ochiri (2017) where they revealed that lack of competence and skills that cause stagnation of family business after the exit of the founder. Also, from the findings appears to be supported with those of Magasi (2016) where lack of proper succession planning structure negatively influences business performance.

H_{03}: There is no significant relationship between governance structures and organizational performance of family owned businesses in Nairobi County.

From the findings a probability value of ($p=0.000 < 0.05$) was obtained implying that the hypothesis (there is no significant relationship between governance structures and organizational performance of family owned businesses in Nairobi County) is rejected and therefore indicating existence of significant relationship between governance structures and organizational performance of family owned businesses in Nairobi County.

The study findings seem to concur with those of Soufeljil and Mighri (2016) where they revealed that convergence structures of corporate governance provide ownership of the business and increases firm performance. Also, from the findings appears to be supported with those of Andow and David (2016) where they found out that policies, business secrets information among business organizations influence the business growth and in inspiration of better performance.

H_{04}: There is no significant relationship between family conflicts and organizational performance of family owned businesses in Nairobi County.

The study indicated a probability value of ($p=0.706 > 0.05$) was obtained implying that the hypothesis (there is no significant relationship between family conflicts and organizational performance of family owned businesses in Nairobi County) is accepted and therefore indicating there is no significant relationship between family conflicts and organizational performance of family owned businesses in Nairobi County.

The study findings seem to concur with those of Zainal and Akib (2018) where they revealed that classic family business conflicts like succession results to in fighting for control of certain positions and this impact negatively in functioning and operations of the business. Also, from the findings appears to be in line with those of Oudah et al. (2018) where the study found out that family conflicts and disagreement about management decisions affect family business succession thus negatively influencing business performance and growth.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter entails the summary of the study, conclusion and recommendation of the research findings.

5.2 Summary of the Findings

The first objective of the study relationship between family owned firm's operational strategy on organizational performance of family owned businesses in Nairobi county as to examine relationship between leadership style and business performance in Nairobi County and the study after data analysis found out that there was a significant relationship between leadership style and business performance in Nairobi County as this was based on the significant level of p=.000. This meant that through use of leadership style in operating the family businesses in Nairobi County affected the business performance.

The second objective of the study was based on analyzing the relationship between succession planning and business performance in Nairobi County whereby after data analysis it was found out that there was no significant relationship between succession planning business performance in Nairobi County and this was attributed to the fact that the value of p=.065 since lack of competence and skills in family succession planning that cause stagnation of family business after the exit of the founder.

The third objective of the study assess relationship between governance structures and business performance in Nairobi County. The study after data analysis found out that there was a significant relationship between governance structures and business performance in Nairobi County as this was based on the significant level of p=.000. This meant that through proper governance structures provide ownership of the business and increases firm performance.

The fourth objective of the study was based on determine relationship between family conflicts and business performance in Nairobi County and after data analysis the study found out that there was no significant relationship between family conflicts and business performance in Nairobi County whereby p=.706. This is due to classic family business conflicts like succession results to in fighting for control of certain positions and this impact negatively in functioning and operations of the business. Also, family conflicts and disagreement about management decisions affect family business succession thus negatively influencing business performance and growth.

5.3 Conclusion of the Study

The results of the first hypothesis tested showed that leadership style explained a variation in business performance in Nairobi County. On the basis of the test results, it was concluded that leadership style influences business performance in Nairobi County. Through leadership theory, leadership experience contributes greatly towards the performance of the family-owned business. Leadership theory and theory of growth of a firm was relevant to the findings since using different managerial approaches in running business operations in Nairobi County helps in attaining firm goals and objectives. Also, it promotes in using firm resources effectively and efficiently thus increasing business performance.

The results of the second hypothesis tested showed that succession planning explained a variation in business performance in Nairobi County. On the basis of the test results, it was concluded that succession planning does not influence business performance in Nairobi County. This is described by succession planning and management theory, lack of proper succession planning structure negatively influences business performance. Succession planning and management theory was relevant to the results where lack of competence and skills of succession planning causes stagnation of family business after the exit of the founder since the ones taking the business does not have the business vision of the founder therefore enhancing business failure.

The results of the third hypothesis tested showed that governance structures explained a variation in business performance in Nairobi County. On the basis of the test results, it was concluded that governance structures influences business performance in Nairobi County. This is through agency theory, the governance structure used provides important information relating to new policies and trade secrets from other businesses therefore enhancing firm performance and competition. Use of agency theory in the study was relevant to the findings where proper governance structures provide ownership of the business and increases firm performance.

The results of the fourth hypothesis tested showed that family conflicts explained a variation in business performance in Nairobi County. On the basis of the test results, it was concluded that family conflicts does not influence business performance in Nairobi County. This is described by theory of growth of a firm, some family members fight to have control of the business thus enhancing conflict of interest in the business decisions leading the business to make wrong policies and judgments. Succession planning and management theory was relevant to the study where family conflicts and disagreement about management decisions affect family business succession thus negatively influencing business performance and growth.

5.4 Recommendations

Based on the findings, the study recommended that the family business leader should continuously encourage employees to think critically and seek new ways to approach their jobs since it led to an increase in employees' level of performance, satisfaction, and commitment to the goals of their organization. The study also recommends that managers in the family business should be given specialized training on how to manage the employees and also that the employees be offered relevant training that will enhance their skills in performing the tasks assigned.

The study recommends that it is important to implement a structured succession plan which distinguishes the importance of establishing ownership of the succession plan and aligning the internal culture with external branding. Additionally, the study recommends that organizations should perform critical internal examinations of their current methods and strategies for the communication of their succession planning program.

The study recommends that more family businesses should adopt multiple directorship structure of governance since the members provided important information related to new policies, trade secrets and practices among business organizations which inspires better performance.

The study further recommends that business do not give sole leadership and management in all departments to family members but rather employ outsiders are the more qualified. This will not only bring impartialness in making decisions but will also reduce conflict in leadership among family members.

5.5 Areas of Further Research

The focus of this study was determine the relationship between family business and business performance in Nairobi County. As a result, the study suggests that more studies be done on the relationship between family business on business performance in the other 47 counties in Kenya to determine whether them exist similar relationship.

REFERENCES

Achim, M. V. & Mare, C. (2016). Corporate governance and business performance: Evidence for the Romanian economy. *Journal of Business Economics and Management*, *17*(3), 458-474. https://doi.org/10.3846/16111699.2013.834841.

Ackerman, B., Stuart, E. A. (2021). Generalizing randomized trial findings to a target population using complex survey population data. *Statistics in Medicine*, *40*(5), 1101-1120. doi: 10.1002/sim.8822.

Adil, E., Nasution, M. D. & Rossanty, Y. (2017). Efforts to Prevent the Conflict in the Succession of the Family Business Using the Strategic Collaboration Model. *Business and Management Horizons,* *5*(2), 49-59. https://ideas.repec.org/a/mth/bmh888/v5y2017i2p49-59.html

Agwu, M. E. (2018). Analysis of the impact of strategic management on the business performance of SMEs in Nigeria. *Academy of Strategic Management Journal*, *17*(1), 1-20. https://www.researchgate.net/publication/324129163.

Akhtar, H. & Rehman, Z. (2019). Impact of Personality Traits and Paternalistic Management Style on Job Performance of Employees in Pakistan. *Journal of Research in Psychology*, *1*(2), 1-5. https://doi.org/10.31580/jrp.v1i2.944.

Alabdullah, T. T. Y. (2018). The relationship between ownership structure and firm financial performance: Evidence from Jordan. *Benchmarking: An International Journal*. *25*, 319-333. https://www.semanticscholar.org/paper/.

Ali, B. J., & Anwar, G. (2021). Strategic leadership effectiveness and its influence on organizational effectiveness. *International Journal of Electrical, Electronics and Computers*, *6*(2).11-24. https://dx.doi.org/10.22161/eec.62.2

Ali, Z., & Mehreen, A. (2019). Understanding succession planning as a combating strategy for turnover intentions. *Journal of Advances in Management Research*. 16(2), 216-233. https://econpapers.repec.org/article/emejamrpp/jamr-09-2018-0076.htm

Ali, Z., Mahmood, B. & Mehreen, A. (2019). Linking succession planning to employee performance: The mediating roles of career development and performance appraisal. *Australian Journal of Career Development*, *28*(2), 112-121. https://doi.org/10.1177/1038416219830419.

Andow, H. A. & David, B. M. (2016). Ownership structure and the financial performance of listed conglomerate firms in Nigeria. *The Business & Management Review*, *7*(3), 1-10. https://cberuk.com/cdn/conference_proceedings/conference_23089.pdf

Arkolakis, C. (2016). A unified theory of firm selection and growth. *The Quarterly Journal of Economics*, *131*(1), 89-155. https://doi.org/10.1093/qje/qjv039

Aronoff, C., & Ward, J. (2016). *Family business governance: Maximizing family and business potential*. Springer.

Arora, S. K., Kelley, S., & Madhavan, S. (2021). Building a Sample Frame of SMEs Using Patent, Search Engine, and Website Data. *Journal of Official Statistics*, *37*(1), 1-30. DOI: https://doi.org/10.2478/jos-2021-0001.

Arteaga, R., & Menéndez-Requejo, S. (2017). Family constitution and business performance: Moderating factors. *Family Business Review*, *30*(4), 320-338. https://doi.org/10.1177/0894486517732.

Asiamah, N., Mensah, H. K., & Oteng-Abayie, E. (2017). General, Target, and Accessible Population: Demystifying the Concepts for Effective Sampling. *The Qualitative Report*, 22(6), 1607-1621. https://doi.org/10.46743/2160-3715/2017.2674

Babbie, R. E. (2005). *Research Methods for Social Work.* Thomson/Brooks/Cole.

Ballaro, J. M., & Polk, L. (2017). Developing an organization for future growth using succession planning. *Organization Development Journal, 35*(4), 41-59. doi:10.3846/16111699.2013.834841

Basco, R. (2017). "Where do you want to take your family firm?" A theoretical and empirical exploratory study of family business goals. *BRQ Business Research Quarterly*, *20*(1), 28-44. https://doi.org/10.1016/j.brq.2016.07.001

Basco, R., Stough, R., & Suwala, L. (2021). *Family Business and Regional Development*. Routledge. https://doi.org/10.4324/9780429058097

Bass, B. M. (1985). *Stogdill's Handbook of Leadership: A Survey of Theory and Research.* NY: Free Press.

Bendickson, J., & Davis, P. E. (2016). Agency theory: background and epistemology. *Journal of Management History*. 22(4), 437-449. DOI:10.1108/JMH-06-2016-0028

Bendickson, J., Muldoon, J., Liguori, E., & Davis, P. E. (2016). Agency theory: the times, they are a-changin'. *Management decision. 54*(1). 174-193. 10.1108/MD-02-2015-0058

Benzing, C. & Chu, M. H. (2019). A comparison of the motivations of small business owners in Africa. *Journal of Small Business and Enterprise Development, 16*(1), 60-77. https://www.academia.edu/30189377/A_.

Berkovich, I. (2016). School leaders and transformational leadership theory: time to part ways. *Journal of Educational Administration*. 54(5) 609-622 https://doi.org/10.1108/JEA-11-2015-0100

Binz, C. A., & Astrachan, J. H. (2017). Family business goals, corporate citizenship behaviour and firm performance: Disentangling the connections. *International Journal of Management and Enterprise Development*, *16*(1-2), 34-56. http://www.inderscience.com/link.php?id=82549

Bosse, D. A., & Phillips, R. A. (2016). Agency theory and bounded self-interest. *Academy of management review*, *41*(2), 276-297. https://www.jstor.org/stable/24906232.

Bucata, G., & Rizescu, A. M. (2016). Management style as a triggering factor for organization effectiveness and efficiency. *Journal of Defense Resources Management*, *7*(2), 159-169. https://www.semanticscholar.org/paper/

Carvalho, L., & Fernandes, A. (2019). Management style and innovation of females in gender-atypical businesses. *International Journal of Entrepreneurship and Innovation Management*, *23*(4), 383-398. https://ideas.repec.org/a/ids/ijeima/v23y2019i4p383-398.html

Chan, L. L. & Idris, N. (2017). Validity and Reliability of the Instrument Using Exploratory Factor Analysis and Cronbacha's alpha. *The International Journal of Academic Research in Business and Social Sciences.* *7*(3), 539-553. https://ideas.repec.org/a/hur/ijarbs/v7y2017i10p400-410.html

Chancharat, S., & Chancharat, N. (2019). Board structure, ownership structure, and performance of Thai listed companies. *Australasian Accounting, Business and Finance Journal*, *13*(3), 53-70. http://dx.doi.org/10.14453/aabfj.v13i3.4

Chege, S. & Suntu, S. L. (2020). Impact of information technology innovation on firm performance in Kenya. *Information Technology for Development*, *26*(2), 316-345. https://doi.org/10.1080/02681102.2019.1573717.

Chipeta, C. & Muthinja, M. M. (2018). Financial innovations and bank performance in Kenya: Evidence from branchless banking models. *South African Journal of Economic and Management Sciences*, *21*(1), 1-11. DOI:10.4102/sajems.v21i1.1681

Chumba, J. & Mutinda, B. (2017). Influence of Management Style and Entrepreneurial Culture on the Performance of Family Owned Matatu Businesses in Nairobi, Kenya. *Journal of Entrepreneurship & Project management*, *1*(1), 1-11. https://stratfordjournals.org/journals/index.php/.

Chung, H. M. & Dahms, S. (2018). Ownership strategy and foreign affiliate performance in multinational family business groups: A double-edged sword. *Journal of International Management*, *24*(4), 303-316. DOI: 10.1016/j.intman.2018.03.002.

Clarke, D. K. (2016). Comprehensive succession planning: Preparing the next generation for success. *Journal American Water Works Association*, *107,* 1-8. https://doi.org/10.5942/jawwa.2015.107.0112

Cooper, D. R. & Emory, W. (1995). *Business Research Methods.* (5th ed.) Irwin, the University of California.

Credit Suisse (2020). *Developing Countries Family Businesses Report 2019.* World Trade Organization. file:///C:/Users/User/Downloads/csi-annual-report-2020.pdf

Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *Psychometrika, 16,* 297-334. https://doi.org/10.1007/BF02310555.

Dalton, D.R. & Kesner, I.F. (1985). Organizational growth: big is beautiful. *Journal of Business Strategy, 6(*1), 38-48. https://doi.org/10.1108/eb039098

Dugan, J. P. (2017). *Leadership theory: Cultivating critical perspectives*. John Wiley & Sons.

Dunn, F. P. & Davis, P. M. (2017). *Measurement and Data Analysis for Engineering and Science.* (4th ed.). CRC Press.

Dyer, W. G. (2018). Are family firms really better? Reexamining "examining the 'family effect'on firm performance". *Family Business Review*, *31*(2), 240-248. https://doi.org/10.1177/0894486518776

Eisenhardt L. G. (1989). The role of family in family firms. *Journal of Economic Perspectives, 20*, 73-96. DOI: 10.1257/jep.20.2.73

Eldridge, S. M., Lancaster G. A., Campbell, M. J., Thabane L., Hopewell, S. & Coleman, C. L. (2016). Defining Feasibility and Pilot Studies in Preparation for Randomised Controlled Trials: Development of a Conceptual Framework. *PLoS ONE 11*(3). e0150205.https://doi.org/10.1371/journal.pone.0150205

Evert, R. E. & Payne, G. T. (2016). Empirics in family business research: Progress, challenges, and the path ahead. *Family Business Review*, *29*(1), 17-43. https://doi.org/10.1177/0894486515593

Feezell, J. T., Glazier, R. A., & Boydstun, A. E. (2019). Framing, identity, and responsibility: do episodic vs. thematic framing effects vary by target population? *Politics, Groups, and Identities*. 9(2) 347-368. https://doi.org/10.1080/21565503.2019.1584751

Frankfort-Nachmias, C. & Leon-Guerrero, A. (2009). *Social Statistics for a Diverse Society*. (7th ed). Sage.

Gablas, B., Ruzicky, E. & Ondrouchova, M. (2018). The Change in Management Style during then Course of a Project from the Classical to the Agile Approach. *Journal of Competitiveness*, *10*(4), 38-53. https://doi. org/10.7441/joc.2018.04.03

Gomez-Mejia, L. & Muller, C. G. (2020). *Family business and local development in Iberoamerica*. *Cross Cultural & Strategic Management*. https://www.emeraldgrouppublishing.com/archived/products/journals/call_for_papers.htm%3Fid%3D7409

González-Cruz, T. F. & Cruz-Ros, S. (2016). When does family involvement produce superior performance in SME family business? *Journal of Business Research*, 69(4), 1452-1457. DOI: 10.1016/j.jbusres.2015.10.124.

Gordon, G. & Nicholson, N. (2008). *Family wars: Stories and insights from famous business feuds.*. Kogan Page Limited.

Harrell, E. (2016). Succession planning: what the research says. *Harvard Business Review*, *94*(12), 70-74. https://chimex.chimecentral.org/wp-content/uploads/2019/01/HBR_What-Research-Says.pdf.

Harrison, C. (2017). *Leadership theory and research: A critical approach to new and existing paradigms*. Springer.

Heale, R. & Twycross, A. (2015). Validity and reliability in quantitative studies. *Evidence-Based Nursing, 18(*3), 1-2. http://dx.doi.org/10.1136/eb-2015-102129

Hoxha, R. & Hoti, H. (2019). Impact of Gender, Age and Management Style on the Success of Family Business in Kosovo. *European Journal of Sustainable Development*, *8*(5), 153-153. Doi: 10.14207/ejsd.2019.v8n5p153.

Inkinen, H. (2016). Review of empirical research on knowledge management practices and firm performance. *Journal of knowledge management*. 20(2), 230-257 DOI:10.1108/JKM-09-2015-0336.

International Finance Corporation (IFC) (2015). *Corporate Governance Terms.* International Finance Corporation. https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home.

Israel, G. D. (2012). *Determining sample size.* University of Florida Press.

Jaskiewicz, P. & Dyer, W. G. (2017). Addressing the elephant in the room: Disentangling family heterogeneity to advance family business research. *Family Business Review.* 30 (2), 111–118. DOI:10.1177/0894486517700469.

Johansson, D., Karlsson, J., & Malm, A. (2020). Family business-A missing link in economics? *Journal of Family Business Strategy, 11*(1), 100-306. https://doi.org/10.1016/j.jfbs.2019.100306

Kamau, D. M., & Oluoch, J. (2016). Relationship between financial innovation and commercial bank performance in Kenya. *International Journal of Social Sciences and Information Technology*, *2*(4), 34-47. https://www.ijssit.com/main/wp-content/uploads/.

Kao, M. F., Hodgkinson, L. & Jaafar, A. (2019). Ownership structure, board of directors and firm performance: evidence from Taiwan. *Corporate Governance: The international journal of business in society*. *orporate Governance*, *19*(1), 189-216. https://doi.org/10.1108/CG-04-2018-0144

Kariuki, S. N., & Ochiri, G. (2017). Strategic succession planning strategies on organizational productivity: A case of Githunguri Dairy Cooperative Society. *International Academic Journal of Human Resource and Business Administration*, *2*(3), 179-200. http://www.iajournals.org/articles/iajhrba_v2_i3_179_200.pdf

Kenya Economic Survey (2020). *A survey on the family business in Kenya*. Government Printers. https://s3-eu-west-1.amazonaws.com/s3.sourceafrica.net/documents/119905/KNBS-Economic-Survey-2020.pdf

Khan, F., & Nouman, M. (2017). Does ownership structure affect firm's performance? Empirical evidence from Pakistan. *Empirical Evidence from Pakistan. Pakistan Business Review*, *19*(1), 1-18 https://qurtuba.edu.pk/jms/default_files/JMS/special_edition/

Kor, Y. Y., & Tan, D. (2016). Penrose's The Theory of the Growth of the Firm: An exemplar of engaged scholarship. *Production and Operations Management*, *25*(10), 1727-1744. https://doi.org/10.1111/poms.12572

Kothari, C. R. (2004). *Research methodology: Methods and Techniques.* New Age International (P) Limited, Publishers.

Kuria, J. M. (2018). *Succession Planning and Performance of Small and Medium Family Owned Businesses in Kiambu County, Kenya*. [Master Thesis, University of Nairobi]. http://erepository.uonbi.ac.ke/bitstream/handle/11295/105965/

LeCounte, J. F. & Phipps, S. T. (2017). CEO succession planning and organizational performance: A human capital theory approach. *Journal of Leadership, Accountability, and Ethics*, *14*(1), 46-57. http://www.na-businesspress.com/JLAE/LeCounteJF_Web14_1_.pdf

Lee, J. (2016). Family firm performance: Further evidence. *Family Business Review, 19*(2), 103–114. https://doi.org/10.1111/j.1741-6248.2006.00060.x

Maalu, J., McCormick, D., K'Obonyo, P. & Machuki, V. (2013). Succession Strategy and Performance of Small and Medium Family Businesses in Nairobi, Kenya. *International Journal of Education and Research*, *1*(6), 1-22. https://www.ijern.com/journal/June-2013/07.pdf

Magasi, C. (2016). Factors influencing business succession planning among SMEs in Tanzania. *European Journal of Business and Management, 8*(3), 126-135. https://mpra.ub.uni-muenchen.de/91352/1/MPRA_paper_91352.pdf

Manion, L. (2001). Research Methods in Education. *British Journal of Educational Studies, 48*, 446-446. https://www.scirp.org/(S(lz5mqp453edsnp55rrgjct55.))/reference/referencespapers.aspx?referenceid=2561143.

Marr, B. (2012). *Key Performance Indicators (KPI): The 75 measures every manager needs to know* (1st ed.). Pearson Financial Times Publication.

McConnel, H. (2015). *Creatilling Modern Capitalism.* Cambridge. Havard University Press.

Memba, S. (2011). Small business growth through geographic expansion: A comparative case study. *Journal of Business Venturing, 13*, 467-492.

Meuser, J. D. & Lord, R. G. (2016). A network analysis of leadership theory: The infancy of integration. *Journal of Management*, *42*(5), 1374-1403.

Meuser, J., Gardner, W., Dinh, J., Hu, J., Liden, R. & Lord, R. (2016). A Network Analysis of Leadership Theory: The Infancy of Integration. *Journal of Management, 42*(5), 1374-1403. https://doi.org/10.1177/0149206316647099

Ministry of Planning, National Development & Vision 2030. (2017) *Development of Micro and Small Enterprises for Wealth Creation, Employment Generation and Poverty Eradication.* Government Printers.

Mohammed, A. M. (2018). The impact of ownership structure on firm performance: evidence from Jordan. *Academy of Accounting and Financial Studies Journal*, *27*(2), 1-9. DOI: 10.47750/cibg.2021.27.02.011.

Mokhber, M., Gi, T. & Seng, Y. W. (2017). Succession planning and family business performance in SMEs. *Journal of Management Development*. The journal of management development. 36(3), 330-347. 10.1108/JMD-12-2015-0171 [DOI].

Monye, M. C. & Ejiro, E. (2018). The Impact of Management Style on Business Performance. *International Journal of Innovative Development and Policy Studies 6*(2), 100-108, https://seahipaj.org/journals-ci/june-2018/IJIDPS/full/IJIDPS-J-13-2018.pdf.

Mosbah, A., & Abd, M., & Wahab, K. (2017). Performance of family business in Malaysia. *International Journal of Social Sciences Perspectives*, *1*(1), 20-26. DOI: 10.34218/IJM.11.11.2020.057

Moskovich, Y. (2019). Management style in kibbutz industries. *Management Research Review*. 43(6), 691-715. https://ideas.repec.org/a/eme/mrrpps/mrr-05-2019-0188.html

Motwani, B. (2016) Impact of Factors of Family Business on the. Performance: A PLS-SEM Study. *Journal of Entrepreneurship & Organization Management*, 5(2), 183-194.doi:10.4172/2169-026X.

Mugambi, E. N. & Karugu, W. N. (2017). Effect of entrepreneurial marketing on performance of real estate enterprises: A case of Optiven Limited in Nairobi, Kenya. *International Academic Journal of Innovation, Leadership and Entrepreneurship*, *2*(1), 26-45. http://www.iajournals.org/articles/iajile_v2_i1_26_45.pdf

Mugenda, O.M. & Mugenda, A.G. (2003). *Research Methods: Quantitative and Qualitative Approaches*. African Centre for Technology Studies (ACTS).

Murathe, F. M. (2016). *Factors affecting growth of micro and small family business enterprises: a case of Nairobi Central Business District.* [Doctoral dissertation, Strathmore University]. https://su-plus.strathmore.edu/bitstream/handle/11071/4751/

Muriithi, S. M., Waithira, V. & Wachira, M. (2016). Family business founders' influence on future survival of family businesses. *International Journal of Economics, Commerce and Management, 4*(1), 560-575. https://www.researchgate.net/publication/291975010.

Musa, C. I., Ramli, A., & Hasan, M. (2019). *How does the family capital and market orientation affect the business performance of the family business in the manufacturing* sector. https://doi.org/10.2991/icmemm-18.2019.27

Njoroge, C. N. (2019) The Effects of Family Owned Business on Employee Advancement: Case Study of Nakumatt Holding Limited. *International Journal of Business and Commerce*, 4(6), 1-44. https://www.ijbcnet.com/4-6/IJBC-15-4602.pdf.

Noermijati, N., Sunaryo, S., & Ratri, I. K. (2019). The influence of emotional intelligence on employee performance mediated by cooperative conflict management style of integrating and compromising. *Jurnal Aplikasi Manajemen*, *17*(1), 37-47. https://jurnaljam.ub.ac.id/index.php/jam/article/view/1432

Nordqvist, M. & Gartner, W. B. (2020). *Literature, fiction, and the family business.* SAGE Publications Sage CA.

Northouse, P. G. (2021). *Leadership: Theory and practice*. Sage publications.

Oro, I. M. & Lavarda, C. E. F. (2019). Interface between management control systems and strategy and performance measures in a family business. *Revista Contabilidade & Finanças*, *30*, 14-27. https://www.scielo.br/j/rcf/a/sM3ngkqmcNtcq7hXDGvnPFN/?lang=en.

Oudah, M., Jabeen, F., & Dixon, C. (2018). Determinants linked to family business sustainability in the UAE: An AHP approach. *Sustainability, 10*(1), *246*. https://doi.org/10.3390/su10010246

Patidar, N., & Weech-Maldonado, R. (2016). Succession planning and financial performance: does competition matter? *Journal of Healthcare Management*, *61*(3), 215-227. https://pubmed.ncbi.nlm.nih.gov/27356448/.

Payne, G. T. (2018). Reflections on family business research: Considering domains and theory. *Family Business Review, 31*(2),167-175. https://doi.org/10.1177/08944865187765

Peng, M. W. & Shay, J. S. (2018). The growth of the firm in (and out of) emerging economies. *Asia Pacific Journal of Management*, *35*(4), 829-857. DOI: 10.1007/s10490-018-9599-3.

Pensore, P. (1959). Stakeholder Theory, Corporate Governance and Public Management. *Journal of Business Ethics,* 7(4), 247-265. https://doi.org/10.1111/j.1467-6486.2004.00427.x

Porfírio, J. A., Felício, J. A., & Carrilho, T. (2020). Family business succession: Analysis of the drivers of success based on entrepreneurship theory. *Journal of Business Research*, *115 (C)* , 250-257. DOI: 10.1016/j.jbusres.2019.11.054

Poza, E. J., & Daugherty, M. S. (2020). *Family business.* Cengage Learning.

Price Water Coppers (2014). *The Africa Business Agenda.* (4th ed.). World Economic Forum.

Rothwell, W. J. (2005). *Effective succession Planning: Ensuring Leadership Continuity and Building Talent from Within*. AMACOM.

Rotich, K. E. (2014). *The effect of succession planning on financial performance of family-owned supermarkets in Nairobi County*. [Master's Thesis, University of Nairobi]. http://erepository.uonbi.ac.ke/bitstream/handle/11295/75152/.

Schoonenboom, J. & Johnson, R. B. (2017). How to construct a mixed methods research design? *KZfSS Kölner Zeitschrift für Soziologie und Sozialpsychologie*, *69*(2), 107-131. doi: 10.1007/s11577-017-0454-1.

Pearson, A. W., Carr, J. C. & Shaw, J. C. (2008). Toward a Theory of Familiness: A Social Capital Perspective. *Entrepreneurship Theory and Practice*, *32*(6), 949–969. https://doi.org/10.1111/j.1540-6520.2008.00265.x

Shogren, K. A. & Palmer, S. B. (2017). Causal agency theory. In *Development of self-determination through the life-course* 50(3), 251–263 https://asset-pdf.scinapse.io/prod/2260436772/2260436772.pdf.

Soini, K. & Dessein, J. (2016). Culture-sustainability relation: Towards a conceptual framework. *Sustainability*, *8*(2), 167-179. doi:10.3390/su8020167

Soufeljil, M. & Mighri, Z. (2016). Ownership structure and corporate performance: The case of listed Tunisian firms. *Journal of Business & Financial Affairs*, *5*(4), 1-8. https://doi.org/10.1186/s40497-017-0081-3

Suárez, C. A. (2017). Internal control systems leading to family business performance in Mexico: a framework analysis. *Journal of International Business Research*, *16*(1), 1-16. https://www.proquest.com/openview/435ec55322895c6317a5943352f7cef2/1?pq-origsite=gscholar&cbl=38747.

Suddaby, R. & Jaskiewicz, P. (2020). *Managing traditions: A critical capability for family business success.* SAGE Publications Sage CA.

Tao, R. & Zhao, H. (2019). "Passing the Baton": The effects of CEO succession planning on firm performance and volatility. *Corporate Governance: An International Review*, *27*(1), 61-78. https://doi.org/10.1111/corg.12251

Ullah, W. & Mehmood, S. (2017). Impact of excess control, ownership structure and corporate governance on firm performance of diversified group firms in Pakistan. *Business & Economic Review*, *9*(2), 49-72. DOI: dx.doi.org/10.22547/BER/9.2.3.

Vitolla, F., Raimo, N. & Rubino, M. (2020). Board characteristics and integrated reporting quality: an agency theory perspective. *Corporate Social Responsibility and Environmental Management*, *27*(2), 1152-1163. https://doi.org/10.1002/csr.1879

Watson, V. & Ryan, M. (2019). Mode and frame matter: assessing the impact of survey mode and sample frame in choice experiments. *Medical Decision Making*, *39*(7), 827-841. https://doi.org/10.1177/0272989X198710

Welsh, D.H.B. (2016). Women-owned family businesses in Africa: Entrepreneurs changing the face of progress. In M. Acquaah, (Ed.), *Family businesses in sub-Saharan Africa*, (pp. 155-173). Palgrave MacMillan. https://doi.org/10.1057/978-1-137-36143-1_6

Xie, Q. (2022). Applying Problem-Based Approach in Business English Courses for China's English Majors. *SAGE Open*, *12*(2).1-12. https://doi.org/10.1177/21582440221093349

Yusuf, F., Yousaf, A. & Saeed, A. (2018). Rethinking agency theory in developing countries: A case study of Pakistan. *Accounting Forum* 42(4), 281-292. DOI: 10.1016/j.accfor.2018.10.002

Zainal, H. & Akib, H. (2018). The influence of strategic assets and market orientation to the performance of family business in Makassar City, Indonesia. *Academy of Strategic Management Journal, 17*(6), 1-9. https://www.abacademies.org/articles/

APPENDICES

Appendix 1: Introductory Letter

…………………..

P.O BOX 45240 – 00100,

Nairobi, Kenya

Dear Sir / Madam.

RE: DATA COLLECTION INSTRUMENT

I am a student from the Kenya Methodist University of undertaking a Master's Degree in Business Administration on "***the relationship between family-owned firms operational strategy on organizational performance in Kenya with special focus on businesses in Nairobi County"***. I am therefore, kindly requesting you to provide me with information by filling the questionnaires concerning my research work. The respondent will be treated with utmost privacy and confidentiality and data collected will be used for nothing else but education purpose only.

Thank you.

Yours Faithfully,

………………………

…………………….

Appendix II: Questionnaire for the Respondents
SECTION A: GENERAL INFORMATION:

By means of a tick (√) kindly indicate an option that best describes:

1. Please indicate your gender

Male { }

Female { }

2. What your Age

Below 25 years { } 25-30 years { }

31-35 years { } 36-40 years { }

Over 40 years { }

3. Your Level of Education

Secondary education (O level) { } Diploma { }

Degree { } Master { } PhD { }

4. For how long has the business been Operational?

1 – 5 years { } 6 – 10 years { }

11 – 15 years { } 16 – 20 years { } Above 21 years { }

5. Which generation of owner(s) is managing the business today?

1st generation { } 2nd generation { } 3rd generation and above { }

SECTION B: FAMILY BUSINESS AND BUSINESS PERFORMANCE

Part A: Leadership Style

5. In each phrase given below tick the number that best describes your responses in relation to leadership and performance of county government.

Where 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree 5=Strongly Agree

	Opinion	**1**	**2**	**3**	**4**	**5**
1	Leadership Experience contributes greatly towards the performance of the family-owned business					
2	Democratic leadership style contributes greatly to the performance of family-owned business					
3	Affiliative leadership style contributes greatly to the performance of family-owned business					
4	Autocratic leadership style contributes greatly to the performance of family-owned business					
5	The business owner needs employees to comply with all his requests for the business					
6	The business founder has set clear roles for all employees in attaining organizational goals					

Part B: Succession Planning

7. In each phrase given below tick the number that best describes your responses in relation to financial resources and performance of county government

Where 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree 5=Strongly Agree

	Opinion	**1**	**2**	**3**	**4**	**5**
1	The business has plans and prepares for future leadership by developing the employees with leadership responsibilities					
2	The business develops employees with skills to take up more tasks					
3	The business has planned for the future operations in terms of human capital					
4	The business owner is involved in the skills development of the employees					
5	Senior managers in the business are given specialized training					
6	The business has planned for future operations in terms of human capital					

Part C: Governance Structures

9. In each phrase given below tick the number that best describes your responses in relation to employees' commitment and performance of county government

Where 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree 5=Strongly Agree

	Opinion	**1**	**2**	**3**	**4**	**5**
1	There is a clear leadership structure in the business					
	The leadership structure in the business encourages faster decision-making processes					
2	The governance structure used provides important information relating to new policies and trade secrets from other businesses					
3	The governance structure provides insight into how other business pursues new approaches					
4	The governance structure encourages faster decision-making processes					
5	One of the family members allocates the business resources for his/her own good regardless of the effects of such decisions on other members					
6	The amount of each owner's proportion of the business affects their performance towards attainment of business targets					

Part D: Family Conflicts

11. In each phrase given below tick the number that best describes your responses in relation to policies and performance of county government

Where 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree 5=Strongly Agree

	Opinion	**1**	**2**	**3**	**4**	**5**
1	Some family members fight to have control of the business					
2	Family members disagree on sharing of profits from the business					
	Some family members oppose decision made by experts					
3	Some family members assigned duties are not qualified					
4	Family members influence the recruitment of staff in the organization.					
5	There are clear procedures and policies of solving					
6	Some family members fight to change the scope of the business					

SECTION C: Performance Family Business

11. In each phrase given below tick the number that best describes your responses in relation performance of county government

Where 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree 5=Strongly Agre

	Opinion	**1**	**2**	**3**	**4**	**5**
1	The business is able to survive competition effectively and has an edge over its competitors					
2	The business has been able to meet its clients' demand on time					
3	The business has employed qualified employees for various tasks					
4	The business has managed to pay employee salaries on time					
5	The business has programs designed to get qualified staff for its business operations					
6	The business has managed to increase its office space over time					

Thank You

Appendix III: Letter of Field

KENYA METHODIST UNIVERSITY

Tel: zr 4-064-} O} O1/31229/§Og6 7/} 1171 Email: info@kemu.ac.ke

Our ref. NAC/ MBA/1/2021/17 1^ NOVEMBER 2021

Commission Secretary,
National Commission for Science, Technology and Innovations,
P.O. Box 30623-00100,
NAIROBI.

Dear Sir/ Madam,

VANESSA HINGA BUS-3-0864-2/2020

This is to confirm that the above named is a bona fide student of Kenya /vtethodist University, undertaking masters in Business Administration . She is conducting a research titled: THE RELATIONSHIP BETWEEN FAMILY OWNED FIRMS OPRATIONS STRATEGY ON BUSINESS PERFORMANCE: A SURVEY OF SELECTED FIRMS IN NAIROBI COUNTY.

In this regard, we are requesting your office to issue a permit to enable her collect data for her masters dissertation.

Any assistance accorded to her will be appreciated.

Yours faithfully,

PROF. Evangeline Gichunge, PhD.
ASS DIRECTOR POSTGRADUATE STUDIES

KENYA METHODIST UNIVERSITY
Dean
01 NOV 2021
BOARD OF POSTGRADUATE STUDIES
P.O. Box 452 - 00100, NAIR

Encl.

Appendix IV: Nacosti Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **833083**

Date of Issue: **20/November/2021**

RESEARCH LICENSE

This is to Certify that Miss.. Vanessa Njeri Hinga of Kenya Methodist University, has been licensed to conduct research in Nairobi on the topic: RELATIONSHIP BETWEEN FAMILY-OWNED FIRMS OPERATIONS STRATEGY ON BUSINESS PERFORMANCE: A SURVEY OF SELECTED FIRMS IN NAIROBI COUNTY for the period ending : 20/November/2022.

License No: **NACOSTI/P/21/14431**

833083

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

The Grant of Research Licenses is Guided by the Science, Technology and Innovation (Research

Licensing) Regulations, 2014 CONDITIONS

1. The License is valid for the proposed research, location and specified period
2. The License any rights thereunder are non-transferable
3. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research
4. Excavation, filming and collection of specimens are subject to further necessary clearence from relevant Government Agencies
5. The License does not give authority to tranfer research materials
6. NACOSTI may monitor and evaluate the licensed research project
7. The Licensee shall submit one hard copy and upload a soft copy of their final report (thesis) within one year of completion of the research
8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice

National Commission for Science,
Technology and
Innovation off
Waiyaki Way, Upper
Kabete,
P. O. Box 30623, 00100 Nairobi, KENYA
Land line: 020 4007000, 020 2241349, 020 3310571, 020 8001077
Mobile: 0713 788 787 / 0735 404 245
E-mail:
dg@nacosti.go.ke /
registry@nacosti.go.ke
Website:
www.nacosti.go.ke