

**STRATEGIC CHOICES, FIRM SIZE AND ORGANISATIONAL PERFORMANCE
OF FAMILY-OWNED BUSINESSES IN NAIROBI COUNTY-KENYA**

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DECLARATION AND RECOMMENDATION

Declaration

I declare that this thesis is my original work and has not been presented for a degree or any other award in any other university.

Signature..... Date

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Recommendation

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

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DEDICATION

Dedicated to my parents, my husband Mathu and my children Kiiru, Wairimu, Ngare and Mugechi for their moral and financial support.

ACKNOWLEDGEMENT

I want to express my deepest gratitude to God for guiding me through this incredible journey. His presence continues to be my source of strength, and I truly believe that His hand has led me every step of the way. I am profoundly thankful to my supervisors, Dr. Paul Kirigia and Dr. Wilson Muema. Your unwavering support, expert guidance, and encouragement have been invaluable to me. Your insightful feedback not only shaped my research proposal but also inspired me to push my boundaries and strive for excellence.

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ABSTRACT

Family-owned businesses play a vital economic role in Kenya, yet many continue to face performance challenges despite numerous interventions. This study examined the influence of strategic choices—digital promotion, geographical diversification, open innovation, and conglomerate diversification on the performance of family-owned businesses in Nairobi. Anchored on the philosophy of positivism and using an ex-post facto design, the study targeted top and middle managers from 226 family-owned businesses that have operated for over ten years. Stratified and simple random sampling techniques were used, and data was collected via structured questionnaires. A pilot study was conducted in Nakuru County to enhance validity. The data analysis tool employed was SPSS version 28, using descriptive and inferential statistics. Findings revealed that digital promotion significantly enhances competitive performance. Geographical diversification and open innovation were also strong positive predictors of performance, while conglomerate diversification had a modest positive effect. Firm size moderated the influence of geographical diversification and open innovation on performance. The study concludes that digital promotion is a universally effective strategy, geographical diversification is essential regardless of firm size, and open innovation is key for sustained growth. While conglomerate diversification offers mixed outcomes, strategic choices overall play a critical role in performance. Recommendations include leveraging strategic choices to align management decisions with firm characteristics. Family businesses should invest in leadership, governance, and operational systems, while policymakers should promote strategies aligned with firm size. Future studies could explore how generational shifts influence strategic decision-making in family-owned businesses. Future research should expand the research across counties in Kenya or comparing urban versus rural family-owned businesses could reveal location-specific barriers or enablers of diversification strategies. A similar study could also be carried out on one specific industry.

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LIST OF ACRONYMS AND ABBREVIATIONS

AI	Artificial Intelligence
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
GPR	Gross Domestic Product
MBR	Market to Book Ratio
NACOSTI	National Council of Science, Technology and Innovation
NSE	Nairobi Stock Exchange
REITS	Real Estate Investment Trust
SEO	Search Engine Optimization

CHAPTER ONE

INTRODUCTION

Strategic choices are key in shaping organizational performance, particularly in environments marked by volatility, complexity, and competition. These choices encompass decisions related to leadership, competitive positioning, innovation and resource allocation, all of which directly impact an organization's ability to maintain performance and achieve long-term goals (Guo et al., 2024). Globally, firms that align strategic choices with environmental demands tend to be more adaptive and competitive, particularly in sectors experiencing digital disruption or climate-related shifts (Whitehead et al., 2025).

In the Kenyan context, strategic choices have proven critical across both small and medium enterprises (SMEs) and large organizations. For instance, (Muli, 2023) found that innovation strategy, product positioning, relationship development, and knowledge acquisition significantly influence SME performance in Mombasa County. Similarly, Ngaruiya et al. (2023) demonstrated that defining a clear strategic direction, through mission and vision statements, positively affects the performance of pharmaceutical companies in Kenya. Strategic leadership, particularly during crises such as the COVID-19 pandemic, has also been shown to be a crucial choice influencing resilience and performance among Nairobi-based SMEs (Musyoka & Ouma, 2024).

Strategic choices are not merely administrative routines but deliberate and dynamic levers through which organizations globally and in Kenya steer performance, respond to risks, and pursue competitiveness. The alignment of strategy with organizational context and external conditions remains a key determinant of success.

1.1 Background of the Study

The degree to which a business uses information, financial, and human resources to position itself in the market is referred to as organizational performance (Contu, 2020). In addition, an organization's performance is measured by its ability to achieve the goals set by management (Bozic & Poola, 2023). Long-term family business success can be attributed to focusing on producing quality products, ensuring your customers and employees are content, devoting yourself to the family and not to oneself, discussing strategic choices available, remaining mindful of what they invest in so that it adds value to the firm in the long term, unity among family members, succession planning and establishing boundaries around areas that can cause conflict.

Family-owned businesses account for 54% of the U.S. gross domestic product and generate 59% of the country's employment (Unanue, 2023). In Germany, 90% of all companies are family-controlled, and 85% are owner-managed (Gottschalk & Murmann, 2022). A business survey of Central and Eastern Europe by PricewaterhouseCoopers (PwC) revealed that 40% - 50% of all jobs in the private sector are contributed by family businesses. Many well-known brands today are family-owned. Wal-Mart Corporation, owned by the Walton family, is a good example, with annual revenue of over \$572.8 billion, while employing 2.3 million people all over the world (Ozbun, 2022). Additionally, according to the Statista (2022) report, Volkswagen Corporation, owned by the Porsche family, generated \$18.8 billion in the year 2022.

Ireland has over 170,000 family-owned businesses across different sectors, employing nearly one million people (Deacon et al., 2020). The study further revealed that these family-owned businesses must deal with challenges arising from the ever-changing business environment,

technological disruption, competition for the available skilled labour, cyber-attacks and intense business competition. Despite their growth, they remain at a crossroads about their future. Product and service diversification improved the performance of Brazilian and Mexican family businesses. Leverage, however, moderated the relationship between diversification and performance of Brazilian and Mexican family businesses (Adam et al., 2023).

A survey revealed that over 50% of the organisations in India are run by family business leaders (Rathore, 2022) and therefore critical for the country's economic growth (Mani, 2022). As for family businesses in China, they are on a growth path, with many surveys indicating that the country is growing faster than other Asian countries (PricewaterhouseCoopers [PwC], 2021). The PwC (2021) Asia Pacific survey pointed out that family businesses can no longer rely on their values to push them forward. Digital transformation, developing a family continuity plan and giving importance to sustainable goals were found to be the strategies for future success. The growth and longevity of family firms in Asia are also largely dependent on political alliances and dynastic succession practices (Bennedsen et al., 2022).

According to Darmawan (2019), there is a significant difference in terms of long-term debt, short-term debt, retained earnings, and performance when the first, second, or third generation manages the family business in Indonesia. However, family firms and non-family firms listed on the Indonesian stock exchange have no significant difference in performance (Juanda & Jalaluddin, 2018). A PwC (2021) report on family businesses in Singapore found that performance is negatively affected by having low governance. The more formal the governance tools are, the more likely the business will succeed. The strength of family ties also influences the performance of family businesses. Family firms nurtured in a society with strong family ties tend to perform much better than those that operate in a society with weak family ties. A study

found that family firms with weak ties underperform non-family businesses (Godlewski & Le, 2024).

The African Family Business Barometer report by KPMG (2020) highlights the factors affecting the performance of family businesses in Africa. They include the poor economic environment, managing profit decline, access to funds for growth, unstable currency and political uncertainty. The PwC African Family Business Survey (2023) report shows that a strong correlation exists between trust and profitability in African family businesses. Environmental, social and governance issues, diversity, inclusion and equity are measures of trust for customers. Organisational creativity of family businesses in Nigeria was found to positively affect performance (Okolocha, 2020).

Wamba (2022) points out that Cameroon family-owned firms that have a family member as CEO or whose management is dominated by family members tend to be the most successful. Countries in East Africa were found not to prioritise research and innovation that would help them overcome economic challenges. The digitalisation wave that was experienced in many regions did not take root in family-owned firms in East Africa. Only 46% of family businesses in East Africa have strong digital capabilities (Anyanzwa, 2023). In Tanzania, the performance of a family business is better when the successor is selected and prepared by the founder as opposed to when the successor is selected and prepared by any other family member (Kiwia et al., 2020).

Family business owners in Uganda who adopt professional, laissez-faire or participative organization culture positively influence performance (Lujja & Katamba, 2023). Additionally, general management skills, technology, financial, and marketing management resources

enabled family-owned manufacturing businesses in Uganda to perform better (Ebewo, 2022). When family-owned businesses in Nairobi County proactively venture into new markets and use technology appropriately to compete and innovate, performance is positively and significantly influenced. In addition, the ability of family-owned businesses to take risks presented new business opportunities which increased their performance (Mburu et al., 2021).

Strategic choices refer to the process by which people with power in the organization decide upon the strategic actions to be taken by the firm (Harney, 2016). Failure by business managers to select a strategic choice has consequences including economic stagnation (Struckell et al., 2022). Strategic choices connect the organization and the environment in which it operates (Omondi, 2025). During times of uncertainty, managers must make the right strategic choices to preserve their core businesses and prepare their organizations for the future (Giones et al., 2019). According to Struckell et al., (2022), when company management and board are unwilling to commit to any strategic choices, shareholder activists will come in to address the inertia and demand for urgent change.

1.1.1 Digital Promotion

Promotion is a crucial activity in marketing. Effective digital promotion leads to brand awareness and helps in the maintenance and existence of a product. Promotion is becoming more modern through the use of internet technology (Dhiyah et al., 2024). According to Pahari et al. (2024) digital promotion is the marketing of products and services using digital technologies mainly on the internet but also including mobile telephones, display advertising and other digital media. Digital promotion allows businesses to reach their customers anywhere and at any time without dealing with the challenge of distance and time, unlike conventional

methods. Digital technology has greatly altered how businesses connect with their customer today.

Conventional media, such as printed media, is now being replaced by internet media, driven by its greater accessibility through smartphones and computers. Print media continues to face disruptions from internet-based media, with many print media shutting down (Pamuji et al., 2022). As the trend of people using digital devices as opposed to visiting physical shops continues, digital marketing campaigns are increasing and becoming more efficient (Dhiyah et al., 2024). Business managers need to create online strategies to remain competitive and survive this disruptive era. Furthermore, they should see and take advantage of the opportunities that digital promotion offers, especially since the number of social media users continues to rise (Umami & Darma, 2021).

Communication of what a firm offers to its customers should be compatible with the turbulent times that companies are currently going through (Wu et al., 2024). An effective promotion strategy will assist a firm in attracting customers, increasing sales and providing added value that creates customer loyalty (Putra et al., 2021). Electronic word of mouth (eWOM), search engine optimization, affiliate marketing, emailing, social media marketing and corporate blogging make up the contemporary strategies of digital promotion. The ability to personalize, customize and interact with customers makes social media strategy more effective than other digital promotion strategies (Nuseir et al., 2023). Digital media is the way to reach modern consumers (Wu et al., 2024). Media cost is however a major consideration for small and medium enterprises. Even though online media is the best option for SMEs due to its cost-friendliness and wide reach, it cannot be fully relied on since many people do not fully

understand it (Wiweko & Anggara, 2025). Additionally, measuring digital metrics is also much easier, making it easier for companies to plan their future campaigns (Gupta & Nair, 2021).

1.1.2 Geographical Diversification

Today's dynamic and turbulent business environment forces organizations to diversify to remain competitive (Mwakama et al., 2024). According to Gonzales (2021), geographical diversification entails businesses ensuring they have assets in different countries and regions across the globe so as to reduce risks associated with one market. Geographical diversification typically follows this sequence: local to regional, national and finally international. Expansion from one geographical area to another depends on the profit potential of the new region and the ability of an organization to exploit the new region (Alvarez et al., 2024). This strategy enables businesses to gain exposure to economies experiencing different growth rates-from emerging to developed economies.

Furthermore, this strategy minimizes specific market downside risks and reduces organizations' exposure to inflation risks (McFee, 2022). Geographic diversification can be extremely useful to mitigate economic shocks in a company's existing market like those experienced during the COVID-19 pandemic (Chu et al., 2021). Geographical diversification improves an organization's value through an increase in scale and scope of economies, cost reduction, corporate governance improvement and gains in synergy. It however can lead to agency challenges, problems monitoring remote operations and inefficiencies such as higher coordination costs (Ibrahim & Falkenbach, 2023) . According to Alvarez et al.(2024), a firm's profit level and size should be carefully considered before implementing this strategy. In

addition, the management of the geographic diversification process will determine its success. The context behind the decision to expand geographically also determines the success of the strategy (Tsai et al., 2019).

1.1.3 Open Innovation

Open innovation is a term coined by Henry Chesbrough in 2003 and was defined as a paradigm that assumes that organizations can and should use external and internal ideas as well as external and internal paths to market as businesses aim to advance their technologies (Chesbrough, 2003). Open innovation is a collaboration that harnesses the strengths of all companies involved leading to creative and unexpected solutions. It has been termed as a strategy worth pursuing whether an organization is facing a crisis or not (Dahlander & Wallin, 2020).

According to Smith et al. (2020) the innovation ecosystem is getting more complicated and diverse. To stay ahead organizations must innovate quickly, thus compelling them to look outside the organization for innovation ideas. External innovation partners could come from related or non-related sectors to the organization. The organization's external environment is constantly changing, and technology is improving daily. With such circumstances, organizations cannot afford to grow exclusively based on their research and development departments since it would be unproductive, expensive and inefficient (Orlova, 2020).

According to Simao and Franco (2018) using external bodies such as scientific research institutes and commercial consultants to aid in innovation influences firm performance, therefore organizations with the capacity to adopt open innovation are encouraged to do so

(Bigliardi et al., 2021). This strategy however requires organizations to put their intellectual property concerns aside and focus on other ways of creating value, maintaining a conducive working relationship, embracing new partners and committing to the success of the project (Dahlander & Wallin, 2020).

The technological capability of a firm greatly influences its open innovation practices which ultimately affects performance (Juarez & Vergara, 2020). The extent to which top management values knowledge and the firm's knowledge-creating practices influences open innovation (Singh et al., 2021). Sourcing knowledge from customers, suppliers and competitors positively influences innovation ambidexterity, which is the ability to explore new opportunities while exploiting existing opportunities. Suppliers according to Ardito et al. (2020) are the greatest source of knowledge, followed by customers and lastly competitors.

1.1.4 Conglomerate Diversification

A firm is said to have engaged in conglomerate diversification when it diversifies into a sector that is not linked to its current line of business (Atieno & Sangoro, 2023). The Cambridge Dictionary defines this strategy as a firm adding its range of products or markets by buying or establishing businesses in different industries. Conglomerates use this strategy to diversify business risks posed by a single market (Chen & Rey, 2023). This strategy involves employing capital in other businesses that are different from the organization's core business to increase the value of the firm and increase its market power.

Achieving competitive advantage and increased profit maximization are motivations for this strategy (Okegbemiro & Adim, 2023). Despite the benefits made by conglomerate diversification, the process of venturing into an unrelated business may be challenging due to

organizational conflict, increased costs and time wasted in decision-making (Abuh & Echukwu, 2020). To succeed with conglomerate diversification, a clear, properly executed strategy is needed.

1.1.5 Firm Size

According to Ahmed et al. (2022), total assets and number of employees are indicators of firm size. Larger firms tend to have more investment opportunities to grow thus making them more preferred than the smaller firms by banks. Banks are more willing to loan larger firms than smaller ones due to the reputation society has for them. However larger listed companies shy away from long term debt due to their access to capital markets for equity finance. Their reputation in the markets makes it possible for them to raise funds through the capital markets (Mallinguh & Zoltan, 2022). Smaller firms pay out less dividends and retain their earnings because they are focused on growth. This is unlike large firms that pay out more in dividends to increase the trust investors have in them (Hashmi et al., 2020).

The return on assets of organizations was found to be directly proportional to firm size as bigger businesses can capitalize on market power competition to smaller firms. Businesses initially enjoy increased profit as they grow but overtime the gains in the profit rate are reduced as the business size grows. This indicated that business inefficiency increases as the firm size increases (Yadav et al., 2022). Small firms also tend to be more flexible and have little bureaucracy, which makes it possible for them to adapt to the market dynamics and make higher per unit profit.

1.1.6 Family-Owned Business in Nairobi County

According to Statistica (2019) Nairobi County is the most populated county in Kenya. Due to the city's opportunities, many family-owned businesses are set up there. Unfortunately, many do not survive long enough to reach their potential. Nakumatt Supermarket which was a family business founded in the 1980s and valued at between 50-60 billion Kenya shillings closed due to mounting debt, gross mismanagement, internal losses caused by employees and suppliers, and poor strategic decisions. The supermarket was tightly controlled by a family. If it were publicly listed, many problems would have been identified earlier on since all key decisions would have been interrogated. Ultimately, its downfall can be attributed to poor leadership since at the centre of every successful or failing business is defined by the decisions made by the people in leadership positions .

Decline in service quality, lack of financial controls, inability to forecast, a domineering CEO, a disinterested BOD, inability to focus on business risk management, and investing in products that were not aligned with the core business led to the collapse of Tuskys Supermarket (Odhiambo et al., 2023). In addition, sibling rivalry, and fierce competition also contributed to the downfall of Tuskys Supermarket (Wambu, 2020). ARM Cement was founded as a family business in 1974 and grew to be one of East and Central Africa's largest producers with business operations in Kenya, Tanzania, Rwanda and South Africa. It collapsed due to heavy debt and mismanagement in 2018 (Mwaniki, 2022). Similarly, debt, sibling rivalry and mismanagement drove another thriving family business Akamba Bus to its collapse. The business did not survive for long after the founder died and bequeathed his shares to his wife and two sons (Muthamia, 2022).

Family-owned businesses in Nairobi, much like elsewhere, play a significant role in the local economy (Asoko Insight, 2020). They are often characterised by their resilience, community ties and adaptability. Family-owned businesses in Nairobi operate across various sectors, including retail, services, education, manufacturing, and hospitality. They range from small companies to medium-sized businesses and even larger corporations. These businesses contribute greatly to Nairobi's economy by providing employment opportunities, generating revenue, and contributing to local taxes. Many are integral parts of the supply chain and contribute to economic stability. Like any business, family-owned firms in Nairobi face challenges such as regulatory issues, competition from larger corporations, access to finance, and succession planning.

According to Asoko Insight (2020), succession planning is particularly crucial as many family businesses struggle with transitioning leadership from one generation to the next. Many family-owned businesses in Nairobi have shown resilience by adapting to technological advancements and changing market demands. Those that successfully integrate technology into their operations often gain a competitive edge. Family-owned businesses often support local initiatives and maintain a personalized relationship with customers.

1.2 Statement of the Problem

Family firms account for the majority of the existing businesses in Kenya and contribute significantly to the employment and GDP levels in the country (Omondi, 2025). According to Asoko Insight (2020), 70% of SMEs registered in Kenya are family-owned and employ 60% of workers in the small business sector. In addition, the Asoko Insight (2020) report indicated that 490 family-owned firms earn annual revenues of over \$10 million, 70 of the 490 earn over

\$50 million and 22 earn more than \$100 million. Unfortunately, due to the inability to prepare competent leaders across generations, only 33% survive into their second generation, and approximately 15% make it into their third generation. In addition, there is a disturbing trend of first-generation family businesses outperformed those run by subsequent generations mainly due to lack of knowledge transfer (Kaibunga, 2022)

A study on family firms in Nairobi-Kenya by Kiilu and Ntale (2019) points out that despite efforts put in place to improve the performance of family-owned businesses, many continue to fail due to weak financial systems, poor sales levels, expensive litigation cases, non-professionalism, failure to respect organizational values and lack of a vision and mission. This is clearly shown in the fate that befell Nakumatt Holdings Limited Nandonde (2020) and Tuskys Supermarket (Shitanda & Margaret, 2023). The firm size of businesses is a major consideration for external lenders. Outside investors continue to have a conservative attitude towards start up firms and those with majority shares held by one family. This means that family firms are not able to grow past a certain scale due to financing constraints (Poza & Daugherty, 2020).

Various studies have been carried out on family business performance. For instance, Hassan & Bichanga (2022) analysed the effect of succession planning on the sustainability of family-owned firms in Nairobi and Ogwang (2016) studied how family business ownership affects employee advancement at Nakumatt Holdings Limited. The effect of Kenyan family firm proactiveness (Mburu et al. 2021), capital structure (Shitanda & Margaret, 2023) and governance structures (Hinga et al., 2022) on performance was also studied.

From the above studies, limited research has focused on how strategic choices affect the organisational performance of family-owned businesses in Nairobi County. This study sought to

bridge the knowledge gap that exists by establishing the relationship that exists between strategic choices and the performance of family-owned businesses in Nairobi County-Kenya. According to the Kenya National Bureau of Statistics (KNBS,2022), Nairobi County generates 21.7% of Kenya's gross domestic product (GDP). This signifies a huge percentage when compared with other counties. For instance, the county that follows Nairobi generates only 6% to the GDP. Nairobi County also dominates the key economic sectors of manufacturing, construction and the service industry. These facts make Nairobi the most appropriate county for this study.

1.3 Objectives of the Study

The general objective of the study was to identify the moderating effect of firm size on the relationship between strategic choices and the performance of family-owned businesses in Nairobi County-Kenya.

The study was guided by the following specific objectives:

- i. To determine the influence of digital promotion strategy on the organizational performance of family-owned businesses in Nairobi County.
- ii. To determine the influence of geographical diversification strategy on the organizational performance of family-owned businesses in Nairobi County.
- iii. To determine the influence of open innovation strategy on the organizational performance of family-owned businesses in Nairobi County.
- iv. To determine the influence of conglomerate diversification strategy on the organizational performance of family-owned businesses in Nairobi County.

- v. To determine the moderating influence of firm size on the influence of strategic choices and the organizational performance of family-owned businesses in Nairobi County.

1.4 Hypothesis

To establish how each independent variable influences the dependent variable, the study sought to test the following null hypothesis:

H₀₁: Digital promotion strategy has no statistically significant influence on the organizational performance of family-owned businesses in Nairobi County.

H₀₂: Geographical diversification strategy has no statistically significant influence on the organizational performance of family-owned businesses in Nairobi County.

H₀₃: Open innovation strategy has no statistically significant influence on the organizational performance of family-owned businesses in Nairobi County.

H₀₄: Conglomerate diversification strategy has no statistically significant influence on the organizational performance of family-owned businesses in Nairobi County.

H₀₅: Firm size has no statistically significant moderating influence on the relationship between strategic choices and the organizational performance of family-owned businesses in Nairobi County.

1.5 Justification of the Study

The owners of family-owned businesses in Nairobi County-Kenya may benefit from this study since the role played by strategic choices in influencing organizational performance was highlighted. This study will help family firm owners to carry out their strategic planning process

more effectively. According to Mworira et al. (2022) family-owned businesses account for the majority of businesses in Kenya. Thus, the government of Kenya will also benefit from this study as it could better understand what is required to ensure that family-owned businesses thrive. The study will help advocate for solid policy initiatives by the central and county governments in the field of family businesses. When family-owned businesses perform well, the employment level of the country could go up which then leads to increased tax collection by the government. Academicians will also add to their existing knowledge of the relationship between strategic choices and the performance of family-owned businesses in Nairobi County.

1.6 Scope of the Study

The scope of the study was the 226 family-owned businesses in Nairobi County, Kenya that have been in operation for over ten years. The variables under study included digital promotion strategy, geographical diversification strategy, open innovation strategy, conglomerate diversification strategy and firm size. Primary data was collected from senior managers that included heads of departments who are responsible for strategy formulation, implementation and evaluation. Business founders and founder CEOs also provided primary data, especially in the smaller family-owned businesses.

1.7 Limitations of the Study

One of the significant challenges encountered during the data collection phase was the difficulty in locating respondents at the time of the survey. Often, substantial time was spent waiting for the intended participant to become available. This not only delayed the data collection process but also increased logistical costs and fatigue among the research team. To address this issue,

the strategy of scheduling appointments in advance was adopted wherever feasible. This allowed for better planning and reduced idle time in the field. Additionally, rather than relying on the drop-and-collect method, which often resulted in incomplete or missing questionnaires, personal interviews were prioritized to ensure completeness and accuracy of responses.

Another considerable challenge was the large sample size, which necessitated the coordination of multiple research assistants to ensure timely completion of data collection. Managing a team of assistants presented difficulties related to consistency, quality control, and effective communication. To mitigate these issues, thorough training sessions were conducted prior to field deployment, focusing on standardizing data collection procedures and improving interpersonal communication skills. This training equipped assistants to handle diverse respondent interactions and enhanced the reliability of the data gathered.

1.8 Definition of Terms

Conglomerate diversification occurs when a firm enters new industries unrelated to its core industries (Atieno & Sangoro, 2023). This diversification refers to the strategic choice of expanding into entirely unrelated industries or markets that are outside the firm's core business. This may be driven by the desire to reduce risk, tap into new revenue streams, or leverage excess capital .

Digital promotion is the process of marketing goods and services through digital technology mainly through the Internet but also through mobile devices, digital media and display advertisements (Dasic et al., 2023). Digital promotion refers to the strategic use of online platforms, tools, and technologies such as social media, websites, email marketing, and digital advertising to enhance a business's brand loyalty, brand awareness, purchase confidence, customer engagement and cost efficiency.

Dynamic Capability refers to how organizations use resources to achieve sustainable and superior performance. It involves sensing opportunities and threats, seizing them, innovative action, and learning (Bett & Anene, 2023). These are the abilities of a family firm to integrate, build, and reconfigure internal and external resources to adapt to changing environments. This includes innovation, strategic renewal, and responsiveness to market shifts.

Family-owned businesses are firms that have family members in ownership and often management / board roles; they employ family governance to align expectations of the family with the firm's operations (Idowu, 2023). It is an enterprise in which one or more families hold

significant ownership and influence over strategic decisions, and where family members are actively involved in the management or governance of the firm, often across multiple generations.

Geographical diversification refers to diversifying the same business to many countries or regions mainly to generate earnings for the company (Anh & Linh, 2023). It involves businesses expanding into new regional, national, or international markets. It aims to reduce dependence on a single market and to exploit growth opportunities abroad.

Open innovation assumes that firms can benefit from using both internal and external ideas to accelerate innovation. Organizations can introduce ideas from outside into the organizational as well as sell their knowledge to other firms through licensing agreement (Bigliardi . et al., 2020). Open innovation in family businesses involves the use of external ideas, technologies, or partnerships such as universities, or suppliers to accelerate internal innovation and improve competitiveness. It reflects a shift from a closed, inward-looking research and development approach to a more collaborative one.

Organizational performance consists of two components: financial performance, which can be measured in terms of monetary value, and non-financial performance, which cannot be measured in economic value, such as customer satisfaction (Artha & Satriadhi, 2023). Business performance refers to the extent to which a firm achieves its desired outcomes in areas such as profitability, revenue growth, market share, customer satisfaction, and employee satisfaction.

Strategic choices refer to the process by which people with power within the firm make choices about how to maintain legitimacy, protect market position, and pursue growth despite uncertainty (Struckell et al.,2022). It points to the deliberate decisions made by an organization's leadership to select specific courses of action. These choices reflect how a business positions itself for competitiveness and long-term growth.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Research work by other scholars is reviewed in this chapter. Relevant theories will also be reviewed. The underpinning theories include the strategic choice theory, the contingency theory, the dynamic capabilities theory and the stakeholder theory. The empirical review, conceptual framework, and operational framework as relates to the study will also be analyzed. The initial part of the chapter looks at theoretical literature on strategic choices, firm size and organizational performance. The second section looks at the empirical literature.

2.2 Theoretical Review

This section reviews the theories underpinning the study. These theories relate to strategic choices, firm size and organizational performance of family-owned businesses in Nairobi County. This study was hinged on the strategic choice theory, the contingency theory, the dynamic capabilities theory and the stakeholder's theory.

2.2.1 Strategic Choice Theory

The strategic choice theory was authored by John Child in 1972. The theory first influenced policymakers before getting attention from the private sector (Jasper, 2004). The strategic choice theory was developed as a result of other theories' failure to recognize the importance played by managerial agency. The theory aimed to highlight the limitations of the deterministic organizational views and emphasize the importance of managerial choice (Child, 1972). Before Child (1972), the element of agency in decision-making was neglected (Jewer & McKay, 2012).

Thereafter, strategic choice came to be viewed as an important element in organizational theory (Chandler, 1962; Child, 1972).

The theory has a lot of significance in the study of management and organizations Harney (2016) as it highlights how an organization's performance is influenced by the choices made by top management (Child, 1972). According to Shook et al.,(2009), management decisions are the key drivers of business performance. The future of an organization is dependent on the functions carried out by those who guide it (Chandler, 1962). In agreement, Njuguna and Muathe, (2020) add that the complex business environment firms are now experiencing requires a management team that can make effective decisions so that their companies remain relevant. Top management should understand the organization's environment and identify ways to respond to environmental conditions. The response could include changing the business portfolio, diversification, strategic alliances and internal restructuring (Namada, 2017).

The strategic choice theory highlights that an organization's top management should make strategic decisions that match the turbulent environment to remain competitive. Advancements in technology and globalisation have made the business environment change significantly and quickly, which may sometimes make organizations unable to adapt. In the absence of current market information, viable strategic opportunities may be lost, or management may make the wrong decisions that could lead to the closure of the business (Meyer et al., 2002).

The strategic choice theory has however come under some criticism. According to Hrebiniak and Joyce (1985), organizational choices are non-existent, and on the rare occasions that they do, they are scarce due to the lack of resources and power of the firm within the environment they operate in. The strategic choice theory has overemphasised the role played by managers in

decision-making and underplayed the role played by environmental factors. Environmental factors can play a more critical role in decision-making than the strategic choice theory accounts for. This led to the strategic choice-resource dependence approach being developed (Rohof, 2013).

The strategic choice theory is most pertinent to this study, emphasising the key role top management plays in strategic decision-making. Top management influences the organization's strategy, structure, innovation and internal dynamics. They also determine how scarce resources are utilised. The involvement of the top managers is also core to successful customer relationship management. Furthermore, top managers also have the responsibility of identifying and circumnavigating business obstacles.

2.2.2 Contingency Theory

Contingency Theory remains a foundational perspective in contemporary strategic management. It asserts that there is no universally optimal strategy or organizational structure; rather, the effectiveness of any strategic decision is contingent upon the specific internal and external conditions facing the firm. Originating from the work of Burns and Stalker (1961) and Lawrence and Lorsch (1967), the theory has since evolved and continues to be applied in modern contexts to explain strategic fit and organizational adaptation.

Recent studies reinforce its relevance by demonstrating how firms, particularly in dynamic or emerging markets, achieve superior performance when they align their strategies with environmental demands (Nguyen et al., 2023). For instance, small enterprises in competitive and uncertain markets are more likely to succeed when they adopt flexible, innovation-driven

approaches, rather than rigid, standardized strategies (Nguyen & Pham, 2024). The contingency theory thus supports the view that strategic choices such as market penetration, product development, or diversification must be contextually informed, taking into account factors such as market volatility, technological shifts, competitive intensity, and resource availability. One of the theory's core strengths lies in its practical applicability; offering a nuanced, situational framework for decision-making. However, it is often critiqued for being more descriptive than prescriptive, providing limited guidance on how to achieve optimal fit, and for the complexity involved in accurately identifying relevant contingencies in diverse settings. Despite these limitations, the Contingency Theory remains highly valuable for explaining variation in firm performance and guiding strategic alignment in an increasingly volatile global business environment.

2.2.3 Dynamic Capabilities Theory

The dynamic capabilities theory was introduced by Gary and Teece in 1994 (Massingham, 2019). There are two existing definitions of dynamic capabilities. Firstly, according to Teece et al. (1997) dynamic capabilities are abilities that integrate, construct and also reconfigure internal and external capabilities so as to achieve competitive advantage in a technologically changing environment. Secondly, Eisenhardt and Martin (2000) define dynamic capabilities as a specific set of identifiable processes that are both path-dependent as well as best practices across organizations.

According to Marzo (2014) the dynamic capabilities view is a more flexible version of the resource base view. An organization's dynamic capabilities allow an organization to make the most of their assets and also adapt to the changing environment (Najib et al., 2019). According

to Breznik and Lahovnik (2014), dynamic capabilities theory views managers as those who identify opportunities, adjust assets to these opportunities hence remain competitive. Dynamic capabilities in SMES are developed through experimentation rather than through strategic planning. The process involves coordinating organizational actions and resources with managers playing a significant role (D'Annunzio et al., 2015). Organizations are complex systems, hence needing different combinations of capabilities. Achieving sustained competitive advantage cannot be determined by any one dynamic capability acting on its own (Sunder & Ganesh, 2021).

Organizations can only be competitive when their capabilities and assets are valuable, rare and irreplaceable. Thus, dynamic capabilities are key to achieving sustainable competitive advantage (Naguibet et al.2012). The ability to notice changes in the market is a key capability for organizations. Dynamic capability theory goes past the idea that sustainable competitive advantage is based purely on the firm's acquisition of valuable, non-substitutable resources (Bleady et al., 2018). The dynamic capabilities theory is key to this research since family businesses in Nairobi have diverse capabilities that determine their growth and their size. In addition, the complexity of family-owned businesses means that different companies combine capabilities differently in order to achieve their desired results.

2.2.4 Stakeholder Theory

This theory originated from R. Edward Freeman in the year 1984. This theory focuses on organizational management and ethics in business (Fontaine et al., 2006). Any group that is key to the survival and success of an organization is referred to as a stakeholder. Stakeholders can be categorized as primary stakeholders, secondary stakeholders and key stakeholders. Primary

stakeholders are directly affected by the work done in the organization; secondary stakeholders are indirectly affected by the work done in the organization and key stakeholders greatly influence the work done in the organization to ensure the business succeeds. Each group of stakeholders has different objectives, interests and agendas (Fassin, 2009).

According to Minyu (2012), organizations should consider the views of different stakeholders. Freeman defines a stakeholder as any individual or group of individuals that are influenced or capable of influencing the achievement of the company's objectives. The identification of critical stakeholders in a business is, however, a challenge. Identification of the stake held by different stakeholders has been daunting. The measure of business performance in reference to different stakeholders has been difficult to specify (Dooms, 2019). The stakeholder theory also holds that firms should appraise both stakeholders and shareholders. According to Freeman et al. (2004), organizations should seek to meet all if not most of their stakeholder needs. In addition, the theory emphasizes the importance of maintaining a good relationship between the organization's stakeholders and its shareholders.

For an organization to succeed, Rhenman and Stymne (1965) point out that stakeholders must be properly managed. Stakeholders must be considered legitimate partners with powers that allow them to be included in the firm's decision-making process. Management's role is to formulate and embrace decisions that do not conflict with stakeholder expectations (Fontaine et al., 2006). Family firms outperform non-family firms due to their ability to focus not only on maximizing shareholder value but also on creating sustainable value for their stakeholders. (Breton-Miller & Miller, 2009).

The stakeholder theory highlights that the success of an organization depends purely on how well it manages its relationship with key groups and community organizations (Robbins, 2008). The manager's role therefore is to manage these relationships and ensure their diverse interests are aligned (Freeman & Phillips, 2002). Managers have the responsibility of ensuring the long-term objectives of different stakeholders are met and the survival of the firm is ensured. By maintaining a close relationship with major stakeholders, a company will enjoy long-term cooperation that will benefit all parties mutually (Noland & Phillips, 2012). Companies that have good relationships based on cooperation and mutual trust with their stakeholders were found to have competitive advantages over those companies that did not (Lukviarman, 2010).

According to Gibson (2000), businesses owe special duties to their various stakeholders just as they owe different duties to their investors. Managers therefore need to ensure that shareholders receive a fair return on their investment but also ensure obligations to the other stakeholders are also met. It may sometimes require moderating or eliminating the demands and interests of some stakeholders when a conflict in their interests arises. Previous studies show that family owned businesses focus on the well-being of stakeholders (Cabrera-Suarez et al., 2011), build sustainable relations with their clients (Kowalewski et al., 2010) and employees (Sraer & Thesmar, 2007). This theory has however come under attack since it doesn't give managers the blueprint of how to compare the diverse and sometimes conflicting interests of the stakeholders (Nesvadbora, 2010).

The Stakeholder Theory was linked to the dependent variable and was key to this research as it emphasized that business performance is influenced not only by shareholders but by various stakeholders also. The managers of family-owned businesses therefore have a role of

establishing who the key stakeholders of their businesses are and maintain a close relationship with them. The views of critical stakeholders should be taken into consideration when business strategies are being laid out since each stakeholder's view on performance is different. Family business managers, however, need to carefully manage the stakeholders since they have powers that can influence the direction an organization takes. Top managers should ensure that the interests of shareholders and stakeholders do not clash and end up negatively influencing business performance.

2.3 Empirical Review

The following section reviews recent literature of what other researchers have reported on the objectives under study. This section indicates the aim of the study, research methodology used, how data was analyzed and the research findings.

2.3.1 Digital Promotion and Performance

Research exploring digital marketing strategies during the new normal era in enhancing the use of digital payment by Noviana and Darma (2020) emphasise that the use of FaceBook and Instagram can aid an organization increase its market share especially when using Native advertisements. Using creative content such as videos and photos to promote your products online, then utilising search engine optimisation so that your product appears first when searches are carried out by consumers was the most effective way to increase sales. Digital promotion increased Indonesia's MSME survival rates during COVID-19 and also increased the adoption of digital payments. The study used a qualitative method in the form of a case study conducted on a MSME.

A study with a population of 200 people, a sample size of 50, accidental sampling used, data collected through questionnaires submitted to respondents through Google Forms to establish the influence of billboard advertising and social media on brand awareness concluded that billboard advertising has a partial effect on brand awareness, social media affects brand awareness partially, billboard advertising and social media simultaneously influence brand awareness which in turn influences purchasing decisions as consumers easily buy (Wasserbauer, 2023).

A survey to establish the effect of Instagram on the buying intention of students in EkaSakti University established that this social media platform generates 97% of the buyer interest. The use of Instagram was found to be critical in strengthening the bond between users due to its trust and convenience indicators and ultimately leads to increased sales. This study used the descriptive research technique and proportional random sampling. The data was collected using questionnaires and analysed using SPSS (Rahmayani et al., 2022).

A qualitative design was used in a study to investigate the relationship between social media marketing and the performance of small enterprises in Buea Cameroon. A purposive sampling technique was used to identify 15 participants who were interviewed using semi-structured interviews. The study found that SMEs that use social media marketing enjoy rewards much greater than the costs incurred. This is because these SMEs incorporate promotional tactics and do door-to-door deliveries to their customers. These door-to-door deliveries increased the sales levels. The study recommends that the government consider setting up a house numbering system to ease door-to-door deliveries for online purchases (Wantchami et al., 2020).

In a cross-sectional study, with a target population that included all the 157 coffee marketing firms in Kenya, that sought to establish the effect of digital marketing on the sales growth of coffee export in Kenya, digital promotion was found to positively and significantly affect the sales growth of coffee exports. The use of digital marketing strategies such as email marketing, search engine optimization (SEO) and social media marketing was encouraged (Muriuki et al., 2022).

A qualitative study of the survey of literature was carried out by Shekhar and Kandoth (2024) to establish the critical role conventional and digital promotion play in guaranteeing the long-term success of family businesses. The study aimed to fuse theoretical understanding and practical application. The study found that digital promotion has a lot to offer the future of family-owned firms. Consumer engagement and acquisition were highlighted as one of the gains digital promotion can give a business. New trends such as video marketing, voice search optimization and marketing strategies anchored on artificial intelligence (AI) were responsible for growing their presence online.

A study to establish the influence of digital promotion on room occupancy and revenue per available room in 132 Belgian hotels located in the five recognized art cities in Flanders, Belgium was undertaken by Pelsmacker et al., (2018). In the study, 66 of the hotels were 1-2 star rated, 1 was 5 star rated and the rest were 3-4 star rated. The total hotel population in the city was 224 licensed hotels. The findings showed that responsiveness and tracking of guest reviews drove room occupancy up. The review valence affected the revenue per available room in chain hotels and higher star hotels and ultimately affected performance (Pelsmacker et al., 2018).

A survey carried out using questionnaires administered to 142 respondents from a selected population of 221 SMEs to investigate the influence of online promotion on the performance of SME in Nigeria concluded that online promotion can single-handedly increase the performance of SMEs in Ikeja Local County in Lagos. In addition, digital promotion increased youth employment and improved economic growth. The study used the survey research design. Structured questionnaires were used to collect the needed information. To analyze the data, correlation, ANOVA and regression was used.

The Kenya National E-Commerce Strategy report by GoK (2023) points out that a significant number of micro-businesses in Kenya transact through the use of social media. The GoK (2020), through a project on digitizing travel and tourism in Kenya, acknowledged that digital promotion is vital to the tourism business and the MagicalKenya brand awareness in Kenya. To develop the tourism industry in Kenya, having a website, social media presence or digital advertising strategy was necessary. Digital content is the way consumers rely on to learn about travel destinations. This then leads to increased travel bookings.

A study exploring contemporary digital marketing strategies and the role they play in different marketing activities was carried out by Nuseir et al. (2023). A systematic literature review was carried out. The NVivo software was used to achieve the systematic mapping of the chosen publications. The study established that social media promotion is the most effective digital promotion strategy due to its customization and interactive qualities. Furthermore, the study recommends using social media promotion to maximize customer experience. When a customer's experience is positive, they easily influence other potential buyers on social media to purchase the product and leads to an increase in sales for the organization.

A study issued questionnaires to 200 randomly selected small firms in the Brcko District in Bosnia, intending to establish the significance of digital promotion in the overall promotion mix. The questionnaires were delivered personally or through e-mail. Thirty-six responses were received and analyzed using SPSS Statistical Package. The study found that small businesses use both modern and traditional promotion tools. Traditional tools were, however, more popular than modern methods in increasing market share and increasing competitiveness. The most popular digital promotion methods were e-mails and social networks. Mobile applications and blogs are the least used tools (Poljic et al., 2018).

Challenges and opportunities of women MSMEs in times of crisis were examined by Sultan & Sultan (2020). To reduce loss of sales in a period of crisis like the one experienced during the Covid-19 pandemic, women-owned MSMEs in Palestine resorted to digital promotion and cash management to survive. A qualitative and quantitative study was carried out. Questionnaires were used to gather information from 260 Palestinian women business owners.

A study on Modest Clothing Company, which was the first Muslim clothing e-commerce in Indonesia that sought to establish suitable ways of enhancing sales during the Covid-19 pandemic, found that out of 143 shoppers, only 54 visited the physical shop. The rest shopped using various e-commerce platforms. The study recommends that the company should adopt the use of social media promotions, online influencers and virtual clothes try-ons to increase sales (Elverina & Furinto, 2021).

Digital promotion platforms in the agricultural sector have increased greatly. Farmers are, however, reluctant to use these platforms to market their products, hence the research carried out to establish the factors that influence the access to and utilization of agricultural marketing

platforms. The study established through the use of a semi-structured questionnaire on 375 potato farmers from Nakuru County that the age, size of the household, farm income, gender of the marketing decision maker, years of potato farming and ranking of potato farming as the main enterprise significantly influenced the adoption and use of M-Shamba in potato marketing. The study recommends that those involved in the development of digital marketing platforms should emphasize extensive training and transfer of knowledge, especially to older farmers (Maina et al., 2023).

Research was carried out to establish the association between technology innovation, environmental sustainability, and its impact on small business performance. A sample of 204 small businesses was used. The hierarchical regression model was used for the analysis. Study findings show that technological innovations affect environmentally friendly owners and positively impact the firm's performance. Well-performing companies that support environmental community projects and social well-being beyond what is economically expected of them can bring great financial success to the organization (Chege & Wang, 2020).

Semi-structured interviews were carried out on 6 out of 55 wineries selected using the non-probability sampling purposive technique in the Balaton region in Hungary to establish the purpose, benefits, and challenges of using social media in family-owned businesses. Challenges found include the inability to respond to customers in real time and dealing with negative comments, which had the potential to influence the attitude of other buyers. Attracting new customers, improving relationships, and increasing traffic to the business website were the benefits of using social media. Organizational performance increased with the use of social

media. Facebook was found to be most commonly used to increase brand awareness and the acquisition of new customers (Obermayer et al., 2022).

A study that aimed to establish the affordances of digital platforms in Sub-Saharan Africa through collecting evidence from relevant literature and digital platforms in Kenya, Nigeria, and South Africa highlights that low literacy levels, lack of electricity, expensive electricity, and expensive internet connectivity are hindrances to digital promotion (Daramola & Etim, 2022). In critically reviewing published articles, digital marketing websites, and research papers to establish the challenges, solutions, and problems of digital marketing in today's competitive era, meeting customer expectations, keeping up with changing promotion trends that require firms to maintain engaging content, and dealing with changing privacy rules were concerns faced by businesses. Organizations are, however, asked to look at digital promotion as an opportunity to exploit rather than a threat to be avoided (Somanchi et al., 2022).

Despite the numerous advantages there are to digital promotion, a few limitations exist. These include a lack of 100% internet penetration, a lack of trust, not everyone has embraced it, high dependence on technology, and copyright concerns. A study that relied on reviewing relevant literature emphasized that there is no point in relying on one promotional method when both are available to the marketer. Combining traditional and digital promotion strategies was recommended (Dole, 2020). The future of social media in marketing was analyzed through discussion with industry leaders, popular discourse, and academic research. The study emphasized that despite the future of social media in marketing being very exciting, it is also very uncertain. The study highlighted the importance of comprehending social media since it is

becoming culturally relevant and a dominant form of expression used by companies for advertising and other forms of communication (Appel et al., 2020).

2.3.2 Geographical diversification and performance

A study by Njari and Muathe (2018) aimed to establish the influence of geographical expansion strategy on the growth of East African Breweries Limited (EABL) in Kenya. The descriptive research design was adopted by the study. 225 respondents were targeted. This comprised 4 managers and 221 employees. The population was grouped into four strata, namely the production department, sales department, quality assurance department, and the production department. A census of 4 managers was done, and 140 employees were selected through simple random sampling. Questionnaires and interviews were used as data collection instruments. The study established that the geographical expansion strategy had a significantly positive effect on the growth of EABL through the acquisition of new customers.

The relationship between geographical diversification and profitability was studied. Data of public organizations listed on the main market of Bursa Malaysia between the years 2010-2014 was analyzed using the quantile regression approach. The study points out that firms can benefit financially from geographical diversification strategies if these activities are carried out wisely, fully taking into account the size of the business and its profitability levels. It, however, recommends that small businesses should not continuously conduct geographical diversification activities if they are already enjoying good profits (Subramaniam & Wasiuzzaman, 2019).

A five-year study (2013-2017) of commercial banks in Kenya was carried out by Ndungu and Muturi (2019). All commercial banks in Kenya were studied through the use of secondary data. Descriptive and inferential statistics were used to analyze the data. The study found that geographical diversification, product diversification, and income diversification account for 13.3% of return on assets and 18.7% of the variations in return on equity. The need to prioritize diversification was recommended.

The unique ownership advantages of emerging market multinational enterprises (EMNEs) to better understand the sources of their success when judged from the perspective of international business was studied and found that strategic agility, autonomy delegation and integration capability promote the positivity of geographic dispersion. The need to increase competitiveness against global brands and reduce vulnerability to the domestic market are part of the reasons organizations decide to diversify geographically. These findings were arrived at after studying 220 multinational enterprises headquartered in China (Luo & Maksimov, 2021).

A census was conducted on 55 registered and licensed insurance companies in Kenya from 2016 to 2020 to establish the effect of diversification on financial performance. The main instrument for collecting secondary data was a data collection schedule. Data on the insurance companies' performance was obtained from audited financial reports. A regression analysis model was used to establish the relationship between variables. The findings of the study show that the return on assets of insurance companies that diversify concentrically and geographically performed better than those that maintained a focused approach (Gachoki et al., 2022).

The relationship between corporate diversification strategies and the performance of commercial banks in Kenya was studied by Mbai et al. (2022). Simple and multiple linear

regression were used to test the study's hypothesis. The study concluded that every increase in branch networks leads to decreased bank efficiency. This highlights the diseconomies of scale present when branch expansion in the banking sector is not planned well.

According to Mochabo et al. (2017), geographical diversification positively and significantly correlates with the financial distress of commercial banks listed on the Nairobi Securities Exchange. This conclusion was reached after conducting a panel data study between 2006-2015 from published financial and audited statements of 10 listed commercial banks in Kenya to establish how bank diversification affects their financial distress. Descriptive and inferential statistics were used to analyze the data. The study recommended a moderate adoption of a geographical diversification strategy to enhance the financial health of commercial banks.

According to Rajesh (2023), who studied 12 listed I.T firms in India that represented 93% of the market share to establish the geographical and segment diversification effect on the financial performance of the I.T sector in India, concluded that small-scale Indian I.T firms should be encouraged to undertake international diversification activities confidently, since it strongly impacted firm profitability. The study used regression analysis on panel data to find the stated relationship.

Using a deductive and quantitative methodology to establish the impact of different types of innovation, financial constraints, and geographical diversification on SMS export growth, a study by Bodlaj et al. (2020) established that SMEs that export their products benefit from marketing innovation when they diversify geographically. The study survey data for this research were from SMEs operating in Central and Eastern Europe.

The impact of geographical diversification on the value of a bank was studied by looking into data sets from the largest banks in the world from both emerging and developed countries. Data from a country level was collected from three primary sources: the World Bank Development Indicators, and the CEPII's GeoDist Database. A total of 160 banks headquartered in 56 countries were analyzed. The value impact of diversifying internationally depended on the bank's home country. Higher diversification levels are associated with changes in valuation only for banks originating from emerging countries. The location of the diversification efforts also matters for the direction of effects: higher levels of intra-regional diversification led to value enhancement, while higher levels of inter-regional diversification induced an adverse effect on the valuation of emerging country banks (Yildirim & Efthyvoulou, 2018).

Having family firms that strongly prioritize economic goals leads to greater success when they compete in the international market, unlike family firms that focus more on non-economic goals. The goals that family firm owners emphasize can either facilitate or inhibit sales internationally. These findings were highlighted by a study by Pongelli et al. (2021), whose aim was to investigate whether family-centered goals impact family firm export performance and whether the extent of geographical focus of the firm's strategy changes this relationship. The sample used for the study was 195 medium to large family-owned businesses. A population made up of Spanish manufacturing companies with over 10 employees was studied to establish the combined effects of geographical and product diversification on the performance of manufacturing SMEs. The study involved 2217 SMEs and 21,138 observations.

Research findings of a study to establish the combined effect of product and geographical diversification on the performance of manufacturing companies show that while product

diversification positively enhances the profitability of SMEs involved in geographical diversification, unrelated product diversification may impair it significantly, especially for SMEs that opt for low and high levels of international diversification (Osorio et al., 2020). The empirical analysis was based on data from a survey on business strategies for the period 1994-2014.

A sample of 225 U.K. industrial exporters was examined to establish whether organizations' export success levels are dependent on the extent to which they adopt national diversification and/or regional diversification and establish the critical contingencies of these linkages. Random sampling of the Kompass U.K. database was carried out. Various industries were included in the sample. The respondents comprised people holding top management positions. Simultaneously increasing national and regional export diversification led firms to gain the highest export sales benefits. Further results showed that the link between the extent to which exporters participate in national and/or regional diversification strategies is weaker when organizations operate in a market with high market dynamism. The relationship between national and regional diversification is stronger when both resource sharing and inter-functional coordination are high (Oliveira et al., 2023).

In slight contrast to Oliveira et al. (2023), Arte and Larimo (2022) who studied the effect of international diversification on firm performance and the moderation effect of diversification through the review of relevant literature using keywords in the search highlights that there exists a U-shape relationship between international diversification and company performance since at first there was increased improvement, then optimal improvement then declining improvement.

Related product diversification was found to be better for business performance than unrelated product diversification.

A sample of equity real estate investment trusts (REITs) was studied to establish the relationship between geographical diversification and REITs during the period 2010-2016. A nonlinear relationship was established between geographical diversification and firm value. Geographical diversification was associated with higher REIT values for organizations that were termed as being more transparent, that is, having high levels of institutional ownership or investing in core property types. Geographic concentration was associated with high REITS values for organizations considered less transparent, meaning they have low levels of institutional ownership and invest in non-core property types. Operating efficiently was found to be the main contributor to firm value (Feng et al., 2021).

A study of 38 firms listed on the Nairobi Stock Exchange from various industries in Kenya sought to establish whether geographical and industrial diversification affected firm value. The study was carried out between 2006 and 2011. Excluded from the study were firms in the banking, insurance, and real estate sectors, and those with missing data for more than two years. Information was from the financial statements that listed companies in Kenya must submit to the NSE. The study's results pointed out that geographical diversification did not affect firm value, implying that this strategy cannot be used to increase the performance of firms in the NSE. Managers should therefore pursue this strategy cautiously (Manyuru et al., 2017).

The risk implications of diversification and the integrating effects of product and geographical diversification were studied by Mammem et al. (2021). The hypothesis was tested in a longitudinal model on a sample of S&P 500 firms. Product and geographical diversification

were found to have different effects on firm risk. Total product diversification and related product diversification reduce risk, while total geographical diversification increases risk.

A total of 4532 observations were made between 2002 and 2012 that covered 412 financial institutions in France, intending to establish the impact of activity and geographical diversification on financial performance. A negative relationship was found to exist between geographical diversification and financial performance. However, when a dual diversification strategy is applied (activity and geographical diversification) the relationship is significantly positive (Jouida et al., 2017).

2.3.3 Open Innovation and Performance

The inflow of external knowledge positively influences the performance of family and non-family firms. External agents such as suppliers, customers, universities and research institutes influence the innovation process of firms. These new products then lead to increased profitability. Outbound innovations, such as the sale of royalty agreements and licenses, were found not to have a significant effect on profitability. This is according to a survey carried out on 308 Mexican family and non-family SMEs to establish the influence of open innovation practices on performance. These firms were selected from the Business Information System directory for the State of Aguascalientes, Mexico. Only firms with 5-250 employees were considered. The sample was selected randomly. Questionnaires were used to collect data from owners and managers of the firms (Vidales et al., 2019).

A comprehensive and systematic review of literature to establish the influence of open innovation on organizational performance was carried out. Most of the literature reviewed was for the year 2016. The study found that when adopting inbound open innovation, firms must

refine their ability to manage the relationship with the firm from which they are acquiring knowledge. A strategic plan needs to be formulated to effectively combine internal knowledge with newly acquired knowledge in a way that does not lead to inefficiencies, which can negatively affect profitability (Bigliardi et al., 2020).

As per Bogers et al. (2019), who studied the strategic management of open innovation through reviewing relevant literature, found that in almost every organization, the best business ideas and people lie elsewhere. This can be attributed to advancements in education and technology. Organizations are in a position to connect with larger technical partners quickly and efficiently find solutions to problems that would have otherwise been difficult to solve. This increases firm competitiveness. To successfully capitalize on open innovation, organizations must be flexible. They may need to restructure their current business model to accommodate open innovation strategies. The process of combining internal and external technologies to align with its existing business model is what leads to the successful implementation of open innovation strategies. In a world with widely diffuse knowledge, real value does not come from creating another piece of knowledge but in creating systems capable of combining these divergent pieces of knowledge in practical ways that solve real current problems. This system integration is valuable in an open innovation environment.

A study employed stratified random sampling to come up with a sample of 63 respondents, comprised of senior and middle-level managers of deposit-taking SACCOs in Nyeri County. Questionnaires collected data from 55 respondents, which represented an 87.3% response rate. The collected data were analyzed using the Statistical Package for Social Sciences (SPSS) tool to generate both descriptive and inferential statistics. The findings of the study were that

technology, commitment by top management, and availability of resources positively and significantly influenced the adoption of the open innovation strategy in cooperative societies. The action of their competitors also influenced their open innovation adoption. The study recommends that cooperative societies start embracing technology, as this leads to the adoption of an open innovation strategy that influences their profit potential. It further recommends that, before any open innovation implementation, the top management's commitment and support should be sought (Micheni et al., 2017).

To establish if open innovation models hold for family firms, a longitudinal study by Belitski and Rejeb (2022) of 21,140 observations in 17859 most innovative U.K. organizations between the years 2002 and 2014 was carried out. The study found that family-owned firms are most likely to benefit from open customer innovation with regionally or nationally located customers. The geographical location of customers was found to affect the returns gained from open customer innovation. The research further points out that family firms are less willing to collaborate with stakeholders beyond their regional markets. Family firms rely heavily on their customers to introduce new products into the local or regional market. Non-family firms also have equal potential to rely on customers as family firms do; the difference is the configurations of geographical location required to produce an innovation premium. For family businesses, proximity to customers is a condition for open innovation success. They also need to have met their financial and non-financial goals before engaging in collaborations. Smaller family businesses were also found to benefit more financially from open customer innovation than larger ones.

Between January 2003 and June 2017, Usman et al. (2018) reviewed 118 articles, eight book chapters, and six books. The aim was to review the literature on open innovation in SMEs systematically. The study highlights that SMEs organize and manage open innovation in an entirely different way from larger firms. SMEs only participate in open innovation based on their own strategic needs. These needs include wanting to remain competitive in the market, crisis management, and reinventing to cope with a harsh business environment. Open innovation mechanisms have to be designed differently for SMEs if they are to remain competitive and profitable.

Liao et al.(2020) emphasize that a firm that has technological competence and management skills related to market information is better placed to reap the benefits of open innovation. This finding was from a study to assess how a firm's functional capability moderates the relationship between open innovation and performance. Data was collected from 238 Chinese high-tech enterprises. Structural equation modeling and linear regression were used to test the data. Study findings show that using external knowledge properly requires extensive delegation, intensive vertical and lateral communication, and the offering of rewards for knowledge sharing. This will result in new product offerings by organizations, employee empowerment, and increased revenue.

The study of relevant literature on strategic management of open innovation points out that knowledge acquired from outside may not “plug and play” with the organization's technological systems. There may need for the organization to do some system adaptation and integration. The process of integrating external knowledge may lead to some level of disruption. The organization's culture may require change. Many firms are eager to build a collaborative culture

that is open to external ideas; however, they do not know how to go about making that shift (Bogers et al., 2019).

Two industrial SMEs were studied to establish what causes businesses to switch from closed learning to open learning, and what leads to one business integrating open learning successfully and the other not being successful. A qualitative study was carried out. Semi-structured questionnaires were administered to internal and external stakeholders of both businesses. The findings show that one firm successfully implemented the open innovation strategies while the second one struggled to evolve from a closed to open innovation model. It was established that the difference between the two firms is brought about by the characteristics of the CEOs, stakeholder engagement, and differences in open innovation activities carried out (Saidi et al., 2020).

The relationship between external knowledge, internal innovation, firms' open innovation performance, service innovation, and business performance in the Pakistani Hotel industry was studied. A simple random sample of 285 management staff in Pearl Continental Hotels and Resorts was examined, and questionnaires were used to collect the data, which was analyzed using partial least squares. The study found that open innovation significantly contributed to the promotion of service innovation and business performance. External knowledge and internal innovation influence firms' open innovation performance, which then leads to service innovation and increased hotel occupancy rates (Hameed et al., 2021).

Data was collected by Singh et al., (2021) from 404 SMEs in the manufacturing sector to examine top management knowledge value, knowledge sharing, open innovation and performance. The SMEs studied had to have an established human resource and production

department and be over 2 years old so that their processes and systems are relatively developed. The data was collected using questionnaires. Structural equation modeling was used to test the hypothesis. Top management knowledge value and the knowledge-creating practices in the organization influenced open innovation, which then influenced performance. Top management must value knowledge for there to be knowledge sharing of any kind in the organization. Knowledge sharing leads to reduced manufacturing costs, which improve profitability.

2.3.4 Conglomerate diversification and performance

The product portfolio of Hungarian firms in the 2003-2012 period was analyzed to determine how technological relatedness influences the portfolio of multi-product firms experiencing external shocks. Data was obtained from the Hungarian PRODCOM database. The database contained approximately 7000 organizations. Firms were found to take into consideration the relatedness of additional products to their core product when they are deciding on their product portfolio. During times of economic downturns, firms tend not to significantly reduce the production of goods that are closely related to their core product. Firms tend to downsize or drop additional products that are not related to their core product and focus their resources on related products. However, not all firms are capable of implementing the conglomerate diversification strategy, especially during times of crisis, because it requires resources. Firms during a crisis tend to focus on cost-cutting strategies and short-term survival goals (Kiss et al., 2018).

A study to establish the relationship between diversification and firm performance in the context of the decline in levels of diversification over time was undertaken by Schommer et al. (2019). Meta-analytical regression was used to test the hypothesis using 267 primary studies.

A total of 150,000 firm-level observations were made from over 60 years of research on diversification-firm performance relationships. Findings show that unrelated diversification levels have decreased, whereas levels of related diversification have increased since the mid-1990s. In addition, the relationship between unrelated diversification and firm performance has improved significantly over the years while the relationship between related diversification and performance has remained relatively stable. Conglomerate diversification affects company revenue, sales growth, return on equity, and returns on assets of firms differently, hence managers should not rely on one recipe when implementing this strategy across their different businesses.

A study was carried out by Oladimeji and Udosen (2019) to establish the effect of the diversification strategy on the performance of a population of 31 firms listed by the Nigerian Stock Exchange during the period 1997-2017. A sample size of 6 firms purposively chosen based on their life span and diversification level was studied. The study found that firms that diversified outperformed those that did not diversify. Firms that had related diversification strategies had a return on assets (ROA) of 26.8% while those with unrelated and hybrid diversification were positive in return on equity (ROE) at 81.7% and 20.5% respectively. However, as market reforms take root and institutions develop, unrelated diversification leads to decreased performance. This was established by a longitudinal study of Indian business groups between 1988 and 2012 as they responded to pro-market institutional reforms (Ramaswamy et al., 2017).

According to Nguyen (2018), who studied the effectiveness of conglomerate diversification strategy in Vietnam, found that a statistically insignificant relation exists between conglomerate

diversification level and firm value. These findings are a result of a study carried out on 70 listed firms in Vietnam during the period 2007-2014. Using Stata 12.0, three regression methods are applied, namely pooled OLS regression, fixed effects model, and random effects model. The study further highlighted that conglomerate diversification levels were very low, partly explained by the ownership structure of the firms. The majority of the listed firms in Vietnam have large numbers of shares held by the government, which preferred to adopt other growth strategies such as vertical, horizontal, or concentric diversification instead of conglomerate diversification to avoid risks.

Using two international trade databases, the frequency and timing of unrelated diversification were studied. Related diversification was found to be more common than unrelated diversification. Unrelated diversification was used to avoid economic lock-in and provide new long-term opportunities for the organization. Related diversification is common in countries at low levels of development, but it reduces as the countries climb the complexity ladder. In addition, unrelated diversification activities were found to increase as the country's development increases (Pinheiro et al., 2022).

The effect of innovation as a moderating factor for the effectiveness of diversification strategies was studied. Questionnaires were used on a sample of 104 respondents from 3 four-star hotels in Nigeria. Multiple regression analysis was used to test the hypothesis. The study showed that conglomerate and concentric diversification have a significant positive effect on the sustainability of hospitality companies. Innovation was found to moderate the relationship between diversification strategies and the sustainability of hospitality firms. The study

recommends consistent innovation and diversification of products and services to gain market share and improve the performance of hospitality firms (Enobong et al., 2022).

Research on the relationship between unrelated diversification and organizational performance in the context of the decline in levels of diversification over time was carried out. Meta-analytical regression was used to test the hypothesis. The conventional belief that the diversification-performance relationship was in an inverted U-shape was challenged by Schommer et al.(2019). The study pointed out that the unrelated diversifier numbers have decreased with the strengthening of the selection environment over the years. For the few firms that have conglomerate diversification activities, the sales growth appears to be better than it was decades ago.

A study by Atieno and Sangoro (2023) investigating the adoption of conglomerate diversification as a strategic move that public universities in Kenya can use to achieve sustainable income levels targeted a population of 297 participants chosen from 22 public institutions in Kenya. A sample of 170 participants was selected using stratified random sampling. A questionnaire was used to collect data. Descriptive and inferential statistical methods were used to analyze the quantitative data. Conglomerate diversification was found to influence the sustainability of public universities in Kenya significantly. The need for universities to embrace diversification strategies aligned with the organization's key objectives can help them deal with social, economic, and technological challenges.

A study by Cerrato et al.,(2022) examines the financial factors that influence the performance effects of the unrelated diversification strategy. A unique panel dataset of Italian firms from 1980-2010 was used. Conglomerate diversification was found to increase sales and cash flow

in weak financial contexts. These positive effects were enhanced by greater industry external finance dependence and greater firm financial constraints.

2.3.5 Firm Size and Performance

A study was carried out to establish the effect of firm size, board size, ownership structure, and independence on the performance of firms in Asia. Quantitative and secondary data was reviewed. The study found that firm size (return on assets) contributed to the improvement of corporate governance practices. In addition, the extent to which an organization disclosed their assets and performance was linked to the firm size and return on assets (Almashhadani & Almashhadani, 2022).

The moderating effect of firm size and environmental dynamism on the social media agility of small and medium-sized enterprises in Thailand was studied. Using the business directory, 337 firms were selected using the simple random sampling method. The study found that smaller organizations were able to perform better due to their social media agility when compared to larger firms (Onngam & Charoensukmongkol, 2024).

According to Hindasah et al. (2021), the Board of Directors, the Board of Commissioners, institutional ownership, and firm size positively influence the financial performance of banks listed in the Indonesian stock exchange from 2015 to 2018. This study was carried out to determine the influence of good corporate governance mechanisms and firm size on listed banks in Indonesia. This research used the purposive sampling technique, and a double linear regression analysis was carried out using SPSS.

A research study was carried out on 816 Uruguayan manufacturing firms that had six or more employees between the years 2010-2016. The study sought to establish how two firm size proxies-number of employees and asset level influence debt levels. Panel data was used. The study concluded that both total employee numbers and asset levels influence an organization's debt level (Pascale, 2018).

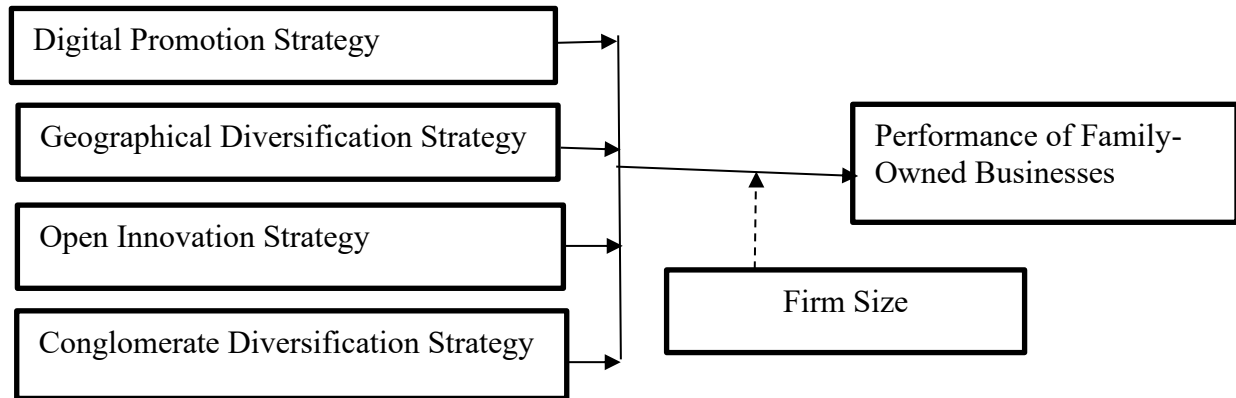
2.4 Conceptual Framework

This is a diagram that presents the relationship between the variables in the study. The variables were the independent, moderating, and dependent variables. The independent variable is strategic choices, and the dependent variable is organizational performance. Firm size was the moderating variable between strategic choices and organizational performance. In this study, the nexus between strategic choices, firm size and organizational performance was examined. The attributes of strategic choices are digital promotion strategy, geographical diversification strategy, open innovation strategy, and conglomerate diversification.

Figure 2.1:

Conceptual framework

Conceptual Framework



Independent Variable

Moderating Variable

Dependent Variable

Source: Wangu Ngare (2025)

Digital Promotion Strategy

The use of digital technologies, mainly through the internet, is referred to as digital promotion. This strategy enables businesses to reach their customers anywhere and at any time of the day. This variable is measured by attributes such as brand loyalty, purchase confidence, brand awareness, customer engagement and cost efficiency.

Geographical Diversification Strategy

This strategy entails businesses having their operations in different countries and regions. The aim of this is to reduce the risks associated with having business operations in a single market. It can also be used when organizations want to control the market or access new markets.

Competitive advantage, economies of scale, risk diversification, sales volume, and efficiency attributes were used to measure this variable.

Open Innovation Strategy

This strategy refers to the use of both internal and external ideas to develop creative and unexpected solutions. This could include the use of commercial consultants and scientific research institutes to help the organization innovate and hence improve performance. This variable was examined by attributes such as new product development, inbound open innovation, outbound open innovation, cost reduction and innovation speed.

Conglomerate Diversification Strategy

Conglomerate diversification involves selling new products or services to new customers. Products offered while using conglomerate diversification strategies are different from those currently on offer by an organization. Corporate governance, brand image, competitive advantage, increased revenue, and human resource cost savings were used to measure this variable.

Firm size

This refers to the magnitude to which an organization operates. Several factors determine firm size, such as asset value, employment numbers, business volume, units sold and asset values. It is a quantifiable measure of the business scale and operating capacity.

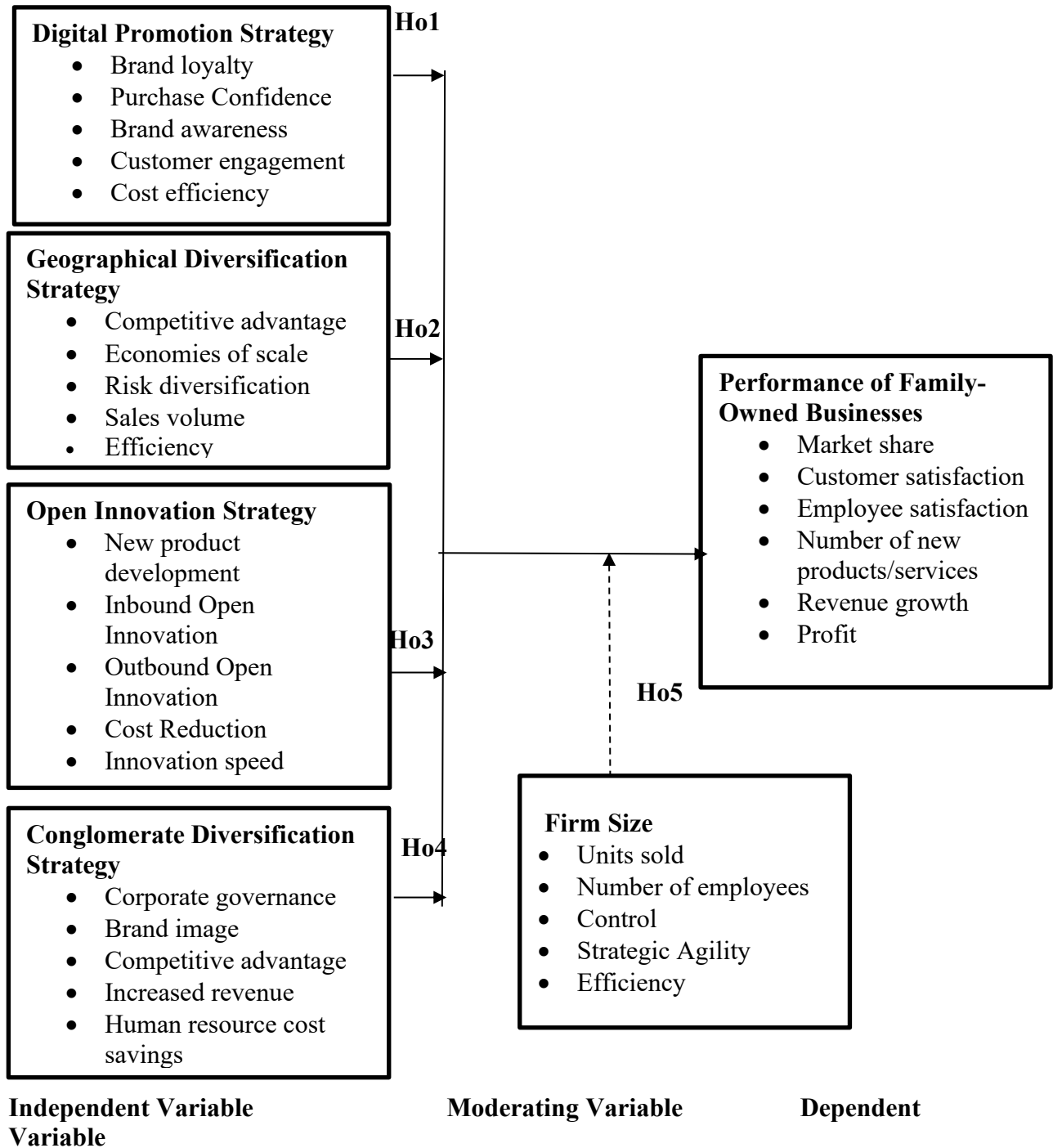
Organizational Performance

This is the extent to which an organization uses its finances, information, and human resources to position itself in the market. The performance of an organization is measured by its ability to achieve set goals. Market share, customer satisfaction, employee satisfaction, number of new products or services, and revenue growth were used to measure performance.

2.5 Operational Framework

Figure 2.2

Operational framework



2.6 Research Gaps

Evidence of studies on strategic choices and performance exists. These include Awino et al. (2017), Wangui and Muathe (2020) and Muli (2023). However, limited studies exist on the influence of strategic choices on the organizational performance of family businesses. The influence of strategic choice dimensions (digital promotion strategy, geographical diversification strategy, open innovation strategy, and conglomerate diversification strategy) on the performance of family businesses has been scarcely studied. Limited studies exist on the moderating effect of firm size on strategic choices and organizational performance of family businesses. This study aimed to fill the gap by establishing the influence of the four strategic choice dimensions on the organisational performance of family businesses in Kenya.

The reviewed literature shows that a digital promotion strategy influences performance through increasing market share (Noviana & Darma, 2020). The study was, however, focused on SMEs in Indonesia. Similar research was also carried out by Pelsmacker et al.(2018), but it studied the influence of digital promotion on hotel occupancy rates, unlike this study, which focuses on family businesses in diverse industries. A study on the impact of digital promotion on customer experience was done by Nuseir et al. (2023). Consumer experience formed the dependent variable. This study has organisational performance as its dependent variable. The perception of digital promotion by marketing professionals was studied in Pakistan. The study did not seek to establish the influence of digital promotion on performance (Khan & Siddiqui, 2023). Digital promotion was studied by Rodrigues and Martinez (2020). It, however, was not studied as a strategic choice dimension.

The combined effect of product and geographical diversification on the performance of manufacturing SMEs was analyzed by Benito-Osorio et al. (2020). This differs from this study,

which only looks at the geographical diversification of family businesses. Geographical diversification was studied as a moderating variable by Aleksandra (2021), while this study used firm size as its moderating variable. The impact of geographical diversification on real estate investment trusts (REITs) was studied by Feng et al. (2021). This differs from this study, which analyzed the influence of geographical diversification on all industries. The influence of geographical diversification on performance of I.T firms in India was studied (Rajesh, 2023), whereas this study focused on family businesses in Nairobi-Kenya.

This study examined open innovation as a strategic choice dimension, whereas Kashosi et al. (2021) examined it as a transformational leadership dimension. The present, past, and future of open innovation were researched by Bigliardi. et al. (2021). This study, however, focused on the present and past influence of open innovation on performance. A survey by Micheni et al. (2017) was carried out on the factors that influence the adoption of open innovation by SACCOs in Nyeri County. This study, however, focused on a different county, Nairobi. It also studied family businesses in all industries.

Conglomerate diversification in public Universities in Kenya was studied by Atieno and Sangoro (2023). This study aimed to study diverse business industries and not only the higher education sector. The timing and frequency of when organizations choose the conglomerate diversification strategy were studied by Pinheiro et al. (2022). This study, however, aimed to establish how this strategy influences organisational performance. The ability of organizations to implement conglomerate diversification in an unfriendly environment was researched by Zhu et al. (2021). This study, however, focused on how market share, customer satisfaction, employee satisfaction, number of new products, and revenue growth were influenced by conglomerate diversification.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter examines the philosophy and design of research. It also highlights the target population, sample size, and sampling technique. The data collection instrument and procedure were also examined. Ethical considerations of the study are also highlighted. The methodology used in the study aimed to ensure that the study objectives were met.

3.2 Research Philosophy

Research philosophy can be defined as the development of research assumptions, knowledge, and nature. The assumption is based on a person's knowledge and insight born as a product of intellectual activity. Scientific research philosophy is a method that, when applied, allows the researcher to generate ideas into knowledge in the context of research (Zukauskas, 2018). This set of beliefs guides the design and implementation of the research study. Research philosophies represent a view of the world and an individual's place in that world. It also represents an individual's possible relationships to that world and its parts. (Tamminen & Poucher, 2020). The research philosophy informed the choice of research design, data collection method, and analysis. According to Mbanaso et al. (2023), the researcher should be grounded in a research philosophy early in the research process.

In positivist research philosophy, the scientist is an objective analyst, dissociates himself from personal values, and works independently (Zukauskas, 2018). The study was therefore based on mindful observations and measurements (Joslin & Muller, 2016). The positivist research philosophy abides by the perception that trusted knowledge is only obtained from using

observations comprising measuring (Bryman & Bell, 2015). The role of the researcher is only to collect data and objectively interpret it (Turner, 2001).

This philosophy prefers to work with an observable reality, and the end product of such research can be law-like generalizations. This philosophy enables the researcher to rely more on statistical findings, which can lead to the development of universal laws (Alharahsheh & Pius, 2020). Research based on positivist philosophy depends on inferential rationality, hypothesis testing, and operational meaning, and conclusions are drawn based on mathematical models. It aims to give explanations and predictions that are based on measurable outcomes (Kivunja & Kuyini, 2017).

Research aligned with positivist philosophy usually focuses on identifying explanatory associations or causal relationships through the use of quantitative approaches (Park et al., 2020). This made positivist philosophy most appropriate for this study since it worked with an observable social reality to determine how one variable (strategic choice) affects another variable (organizational performance). In addition, the research findings were observable and quantifiable.

3.3 Research Design

A research design is the blueprint within which research is undertaken. It is an action plan to be followed by the researcher, which shows how data was collected, measured, and analyzed. It is a procedural plan used by the researcher to answer their research questions in a valid way (Khanday & Khanam, 2019).

The ex post facto research design was used in this study. This research design is appropriate for conducting social research when it is not acceptable or possible to manipulate the characteristics

of the human participants. It can also be used to test the hypotheses about cause and effect or correlational relationships where it is not practical or ethical to apply an actual experimental or quasi-experimental design (Simon & Goes, 2013). According to Kerlinger (1964), this research design studies independent variables or variables that have already happened. The researcher retrospectively studied the independent variable for their possible effect on the dependent variable. The ex post facto research design required the researcher to predict a possible impact that has already occurred. The researcher chose the participants based on pre-existing characteristics (Condron, 2024)

3.4 Target Population

The target population is a set of units from which data was collected (Khan, 2014). Those who participate in a given survey are collectively referred to as the target population (Asiamah et al., 2017). According to Casteel and Bridier (2021), the target population should be exclusive enough to avoid having participants who do not represent the population of interest. The target population should be a complete subset of the population the researcher is interested in studying. This research's target population comprised top and middle managers in 226 family-owned businesses in Nairobi County that have been in operation for over ten years.

3.5 Sampling Method

Selecting a subset of the population of interest is known as sampling. In most research studies, studying the entire population of interest is challenging. The researcher must rely on a smaller group for data collection (Turner, 2020). The sampling technique selects the number of respondents for a given study. Stratified random sampling was used in this research. This involved separating the target population into homogeneous, mutually exclusive segments and then carrying out simple random sampling on each segment (Lliyasu & Etikan, 2021). Stratified

random sampling involved dividing the population of interest into subgroups (business sectors) and then randomly picking units from the subgroups (Frey, 2018). After stratification, a sample was chosen from each stratum using simple random sampling.

3.6 Sample Size

A sample represents a fraction of the population. A smaller set of the entire population is referred to as a sample size (Blumberg, 2014). An appropriate sample size will lead to precise conclusions about the study. A small sample size will give inconclusive conclusions. It is also unscientific and unethical to use a small sample size. Using a very large sample size is unnecessary and unethical in some disciplines (Andrade, 2020).

The sample size was obtained from the following Yamane formula:

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

n = sample size

N = population size

e = acceptable sampling error

$$n = \frac{226}{1+226(0.05)^2}$$

= 399 respondents

3.7 Data Collection Instrument

The researcher got answers to research questions through collecting data. Data collection aims at generating insights into the research topic (Taherdoost, 2021). Data collection instruments include observational forms, paper questionnaires, computer-assisted interviews, and checklists

(Goyal, 2022). According to Sharma (2022), the final results of a study can be significantly influenced by the method used to collect data. In quantitative studies, the data collection instrument has to be developed in a way that allows it to be independent of the person collecting the information (Firmansyah et al., 2021). Various specialized approaches are used to collect data. However, these new, updated, or existing data collection methods need clear instructions on how they are to be used to avoid data errors.

This research collected data using questionnaires. The questionnaire is the most prevalent data collection instrument due to its efficiency and cost-effectiveness, especially when collecting a vast amount of information (Mazikana, 2023). Questionnaires can cover a broad range of subjects, can be easily analyzed using different software, and descriptive information can be readily obtained (Kabir, 2016). Respondent anonymity is made possible through the use of questionnaires. It is the researcher's responsibility to ensure that respondent confidentiality is guaranteed (Cohen et al., 2017).

Questionnaires can be administered online. Everything from creating the questionnaire, contacting the sample population for the study, storing the responses, and visualizing the results can be done online. Online surveys are cost-friendly and can be carried out in a short period. However, they have limitations such as failure by the entire sampled population to respond to the questionnaire, maintenance of confidentiality, and ethical issues (Nayak & Narayan, 2019).

According to Kothari (2004), limitations include the low return rate of correctly filled questionnaires, which may lead to potential bias due to non-response. In addition, respondents are required to have some level of literacy and cooperativeness. Once questionnaires are distributed, there is a risk of losing control over them, which may result in alterations or misuse.

Some responses given may be ambiguous, making it difficult to know what the respondent wanted to say. Lack of in-depth, comprehensive data, sampling errors, and interviewer errors are also limitations to using questionnaires (Kabir, 2016).

3.8 Reliability and Validity Test

The reliability and validity of the scales used are very important for healthy research results (Surucu & Maslakci, 2020). An instrument is considered reliable when it yields consistent results when used repeatedly on the same subjects under the same conditions (Kothari, 2004). Reliability is the framework that makes sure that research outcomes are consistent, meaning that if another researcher carries out the same study using the same tools in the same target population, the findings would be the same (Moser & Kalton, 2017). The sample under study was clearly defined to achieve reliability in the collected data. Cronbach's alpha was used to test the authenticity of the questionnaire. To increase the validity of the research instrument, a pilot test was carried out in 39 family-owned businesses in Nakuru County. Nakuru is a city like Nairobi, hence share some similar characteristics. Both cities are urban hubs with a mix of formal and informal businesses. They support various business sectors such as manufacturing, real estate, agriculture, and the service industry. Both cities have many family businesses, making comparative analysis possible. Nakuru County also has an educated workforce and reliable infrastructure, hence improving the business environment. These similarities made Nakuru appropriate for the pilot study.

A pilot study is likely to increase the quality of the research. A proper analysis of the pilot study facilitated the identification of the weaknesses in the questionnaire that needed to be addressed (Malmqvist, 2019). The Cronbach alpha coefficient was calculated to check on questionnaire

reliability. The Cronbach's alpha coefficient was evaluated using the guidelines suggested by George and Mallery (2018) where $> .9$ excellent, $> .8$ good, $> .7$ acceptable, $> .6$ questionable, $> .5$ poor, and $\leq .5$ unacceptable. The Cronbach alpha coefficient for the pre-test was found to be 0.9, which is greater than the 0.7 minimum threshold. Reliability of the data collection tool was therefore confirmed.

3.9 Data Analysis Methods

Once the data were collected, it was sorted and coded into a statistical software, specifically SPSS, for analysis. Descriptive and inferential statistical methods were used, including frequencies, percentages, and cross-tabulations, and inferential statistics utilizing binary logistic regression to assess the relationship between independent variables and a binary outcome variable. To ensure the validity of the binary logistic regression model, several assumptions were tested: linearity of the logit (using the Box-Tidwell test), independence of errors (assessed with the Durbin-Watson test), no multicollinearity (checked using the Variance Inflation Factor, where values above 10 indicate problems), homoscedasticity (examined through residual plots), and no outliers (identified using leverage and Cook's distance). Tables and figures were used to illustrate the study findings clearly. Data was analyzed in June 2025.

The empirical model for the research was:

$$P(Y_i) = \frac{1}{1 + e^{-(b_0 + b_1X_{1i} + b_2X_{2i} + \dots + b_kX_{ki})}} \dots\dots\dots \text{Eqn 2}$$

Where:

- $P(Y_i)$ is the projected odds that Y is true for case i
- e is a mathematical constant approximated as 2.72
- b_0 is a constant estimate from the data
- $b_1, b_2, \dots, b_k$ is a b-coefficient estimated from the predictor 1, 2, 3, ..., k .
- $X_{1i}, X_{2i}, \dots, X_{ki}$ is the observed score on predictors $X_1, X_2, \dots, X_k$ for case i

Equation 2 was used to model both the direct effect and the moderated effect.

3.9.1 Measuring Direct Effect.

To measure the direct effect in the model specified in equation 2, all four independent variables were input into SPSS version 28 and regressed against the dependent variable;

The steps were as follows:

- i. The variables are computed using the compute function. The Likert-scaled items corresponding to each variable were condensed into the binary responses to yield the respective variables.
- ii. Inputting the data into the binary logistic regression model.
- iii. Specifying the reference categories
- iv. Generating the output

The output from the logistic regression relevant in this study included:

- i. Nagel Kerke R- Square
- ii. -2loglikelihood statistics
- iii. Odds ratios

3.9.2 Moderated Effect

To determine the moderating effect of firm size, the binary logistic regression model was run with all the independent variables plus the moderator. Performance was taken as the dependent variable while firm size was taken as the moderator. The variations in the - 2loglikelihood statistics and the odds ratios were used to gauge which model was parsimonious.

The steps were:

- i. The variables are computed using the compute function. The Likert-scaled items corresponding to each variable were condensed into binary responses to yield the respective variables.
- ii. Inputting the data into the binary logistic regression model.
- ii. Specifying the reference categories
- iii. Generating the output

The output from the logistic regression relevant in this study included:

- i. Nagelkerke R-Square
- ii. -2loglikelihood statistics
- iii. Odds ratios.

The moderation process followed three steps:

Step 1: Main Effects Model (Strategic Choices Only)

$$\text{Logit}(P)=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4$$

Step 2: Add Moderator (Firm Size)

$$\text{Logit}(P)=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5Z$$

Where:

- Z= Firm Size (moderator)

Step 3: Moderation Model (Interaction Terms Added)

$$\text{Logit}(P)=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5Z+\beta_6X_1Z+\beta_7X_2Z+\beta_8X_3Z+\beta_9X_4Z$$

3.10 Ethical Considerations

A data collection permit was obtained from NACOSTI, which was presented together with an introduction letter from Kenya Methodist University to all respondents. Ethical considerations included voluntary participation. The researcher explained to the respondents the purpose of the study, which was to enable them to decide whether or not they wanted to participate. The researcher also assured the respondents of the total confidentiality of all information provided. Neither their names nor the institutions they represent were revealed. Respondents were also assured that the information collected would only be used for the intended study. The data was used as it was obtained without alterations. The respondents were also assured of communication of research results if they needed it after the study was concluded. This helped increase the cooperation rate among the target population.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

The chapter contains key findings inferred from the results, starting from the reliability statistics drawn from the pilot study and the response rate. This is followed by the personal attributes of the respondents drawn from various family-owned businesses in Nairobi County. The study presents the descriptive statistics from the independent, dependent, and moderating variables. Finally, the chapter presents the inferential statistics and the models that outline the relationship between various models and the test for hypotheses.

4.2 Validity of the Instruments

According to Surucu and Maslakci (2020), validity refers to the degree to which research data analysis reflects the reality of the situation being studied. This study employed the sample sufficiency index (KMO) by Kaiser-Meyer-Olkin and Barlett's test of sphericity to test for validity. The KMO measures of sampling adequacy results are presented in Table 4.1.

Table 4.1

Measures of Sampling Adequacy

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.641
Barlett's Test of Sphericity	Approx. Chi-Square	15.239
	Df	6
	Sig.	.018

The results show that the KMO measures were between 0 and 1. When a value is close to 1, it implies that each of the measured variables is closely predicting the other variables. However, any measure below 0.5 is unsatisfactory. The results show a KMO statistic equal to 0.641, which is greater than 0.5. This shows that 64.1% of the variance was likely to be explained by the variables of the study. The Barlett's Chi-Square value of 15.239, with 6 degrees of freedom and significance level at 0.018 confirms sufficient inter-variable correlations. The two figures indicated that the validity results were adequate to proceed with regression analysis.

4.3 Reliability Statistics

The reliability test assesses how likely it was that study findings would hold up over time. With the goal of fixing the questions, it examined the questionnaire's consistency. For this, a pilot test is ideal since it reveals ambiguous questions and any directions that might not be apparent. Additionally, a pilot test gives respondents a platform to offer ideas and feedback on how to make the tool more effective.

According to Surucu and Maslakci (2020), a pilot study should use a sample of 10% of the whole population with comparable characteristics. The study began with a pilot test of 39 family-owned businesses in Nakuru County (10% of sample size of 399). A Cronbach alpha coefficient was calculated for the scales. The Cronbach's alpha coefficient was evaluated using the guidelines suggested by George and Mallery (2018) where $> .9$ excellent, $> .8$ good, $> .7$ acceptable, $> .6$ questionable, $> .5$ poor, and $\leq .5$ unacceptable. Table 2 presents the results of the reliability analysis.

Table 4.2*Reliability Statistics*

Variable	N	Cronbach's Alpha	Comments
Digital Promotion Strategy	8	.820	Reliable
Geographical Diversification Strategy	7	.702	Reliable
Open Innovation Strategy	8	.789	Reliable
Conglomerate Diversification Strategy	6	.845	Reliable
Firm Size	5	.714	Reliable
Performance of Family-Owned Businesses	5	.736	Reliable
	39	.900	Reliable

The aggregate Cronbach's Alpha coefficient of reliability as indicated in Table 4.2 was 0.900. This was significantly greater than the suggested threshold of 0.7. This resulted in the situation where all the items of the questionnaire were maintained. Based on the research results, the inferences are accurate and meaningful, and thus the study confirms the research instrument to be valid.

4.4 Response Rate

The study response rate is outlined in this section. Table 4.3 categorizes the family-owned business owners who responded and those who failed to respond to the survey.

Table 4.3*Response rate*

Business	Questionnaires Distributed	Questionnaires Received	% Response
Small business	399	381	95.5
Total	399	381	95.5

According to the data, the questionnaire distribution to family-owned businesses was highly successful; 399 were sent out and 381 were returned, yielding a 95.5% response rate. This shows that responders were highly engaged and interested, indicating that the issue was pertinent and the distribution strategy was successful. A high response rate like this improves the validity and dependability of the findings, offering a strong basis for analysis and judgment. Additionally, it is a positive reflection on the outreach strategy, demonstrating that the target group was reachable and eager to engage. For any poll pertaining to business, this degree of responsiveness is outstanding overall. The findings support the assertion by Bryman (2011) that a response rate of more than 80% is highly sufficient to proceed with data analysis.

4.4.1 Individual Attributes of Respondents

The demographic characteristics of the family-owned business staff were collated and reviewed. It entailed the gender, age, role in business, length of service, who started the business, period in business, and the business sector. The analysis in Table 4.4 was based on the information that the respondents provided in the questionnaire.

Table 4.4 : Demography of Family-Owned Businesses

Main Factor	Factor Level	Frequency	Percentage (%)
Gender	Male	196	51.4
	Female	185	48.6
Age	Less than 20	17	4.5
	21-30	113	29.7
	31-40	144	37.8
	41-50	81	21.3
	Over 50	26	6.8
	Founder/Owner	148	38.8
	Manager who is also a family member	120	31.5
Role	Manager who is a non-family member	43	11.3
	Stakeholder	50	13.1
	Supervisor	20	5.2
	Less than a year	26	6.8
Service	Between 1 - 5 yrs.	121	31.8
	Between 6 -10 yrs.	146	38.3
	Between 11 - 15 yrs.	57	15.0
	Between 16 -20 yrs.	24	6.3
	Over 20yrs	6	1.6
	Myself	125	32.8
	My parents	110	28.9
Started Business	My grandparents	61	16.0
	Spouse	23	6.0
	None of the above	62	16.3
	10 - 20 yrs.	223	58.5
Period in business	21- 30 yrs.	82	21.5
	31-40 yrs.	51	13.4
	41 - 50 yrs.	10	2.6
	Over 50 yrs.	6	1.6
Industry	Retail	87	22.8
	Manufacturing	36	9.4
	Agriculture	36	9.4
	Hospitality	68	17.8
	Energy	17	4.5
	Education	36	9.4
	Financial services	17	4.5
	Construction	32	8.4
	Transport	33	8.7
	Other specify	19	5.0

4.4.2 Gender Profile of Respondents

Information on respondents' gender was crucial since gender determines an entrepreneur's strategic preference regarding access to finance, technology, and human labor. This may affect decision-making in family-owned businesses and navigation of competitive environments (Allison et al., 2023). The findings indicate that the gender profile of family-owned businesses reflects a nearly equal demographic makeup, with males comprising 51.4% and females ranking second at 48.6%. This parity is encouraging, particularly given the historical male dominance of business ownership. Fair allocation can indicate family businesses' improvement in gender inclusivity. The near gender parity (51.4% male, 48.6% female) supports literature suggesting increased inclusivity in Kenyan family businesses. This contrasts with historical male dominance and aligns with evolving societal norms. However, studies like Kiilu and Ntale (2018) caution that parity in ownership doesn't always extend to leadership or influence, highlighting the need for further research on gender roles in governance and succession.

4.4.3 Age Distribution

Data on the age of respondents was important since age defines and reflects generational values held by an individual. It also portrays the risk tolerance and strategic inclination that is important in creating business priorities in competitive market conditions. Younger managers have been found not to handle organizational stress as well as older managers, making them less efficient (Lundmark et al., 2024). Regarding age distribution, most respondents fall within the productive age groups of 31–40 years (37.8%) and 21–30 years (29.7%). This indicates a vibrant workforce dominated by young and middle-aged individuals, essential for innovation, adaptability, and growth. The modest representation of individuals below 20 (4.5%) and above 50 (6.8%) might reflect limited involvement of the very young due to experience constraints

and older adults due to succession or retirement. The age distribution aligns with literature affirming the value of young and middle-aged contributors in innovation and growth. However, literature also flags generational succession challenges (PwC, 2020), where a lack of mentorship and leadership preparation hinders long-term sustainability.

4.4.4 Business Role

Data on business roles was necessary since the position held by an individual determines their influence over strategic direction and assessment of business performance. It also provides insight into authority over decision-making in family businesses. The results indicate that a significant 38.8% identify as founders or owners, suggesting robust entrepreneurship and proactive engagement in initiating enterprises. A substantial 31.5% are family-member managers, reinforcing the familial nature of these businesses. Interestingly, only 11.3% are non-family managers, pointing to a low level of professionalization. The presence of stakeholders (13.1%) and supervisors (5.2%) suggests additional governance layers, though their limited size could imply centralized decision-making. The dominance of founders and family-member managers support findings by Ogwang (2016) and Asoko Insight (2020), highlighting robust family ownership. However, low non-family professionalization echoes concern from PwC (2018) and Kiilu and Ntale (2018) about succession and governance challenges.

4.4.5 Years of Service

Information on the respondents' service length was vital since it indicated the magnitude of experiential knowledge and commitment held by an individual in the business. This is crucial in dictating strategic evolution and stability of family enterprises over a given time span. Various studies show that the longer one works in a given organization, the higher their

performance (Othman et al., 2019). The years of service of respondents suggest relatively young businesses, with 38.3% having 6–10 years of experience and 31.8% reporting 1–5 years. Only 1.6% have surpassed 20 years of service, suggesting that longevity is rare or that many family businesses experience high attrition before reaching maturity. The short lifespan of most family-owned businesses agrees with KPMG (2020) and PwC (2020), which highlight sustainability, succession and strategic challenges across generations. However, studies like Mburu et al. (2021) and Lujja and Katamba (2023) suggest that proactive strategies, digital adoption, and inclusive leadership can enhance longevity.

4.4.6 Business Initiator

The data on who started the business was sought since it assists in identifying the founder's strategic business legacy, vision, entrepreneurial roots, and current and future business trajectory. The performance of family businesses managed by the founder differs from that managed by the second or third generation. Second-generation leaders play a significant role in professionalizing the business and creating new initiatives (Jaffe & Grubman, 2020). While 32.8% of businesses were personally started by the respondents, 28.9% and 16.0% were inherited from parents and grandparents, respectively. These findings reflect a dual narrative: on one hand, fresh entrepreneurial ventures; on the other, traditional family business succession. The 16.3% who fall under "None of the above" might point to businesses acquired through other channels, such as partnerships, buyouts, or gifts, indicating evolving ownership pathways. The mix of personally founded and inherited businesses supports entrepreneurship and family legacy continuity, aligning with succession literature (Kiwia et al., 2020). However, the low percentage of businesses beyond 20 years (1.6%) reflects sustainability challenges raised by KPMG (2020) and PwC (2018).

4.4.7 Time in Business

Information on the period of stay in business was crucial in informing the organization's consistency and performance trends. Younger businesses have a high percentage of profit increase until a certain age. Once they pass that threshold, older firms perform better. (Haykiri & Celik, 2018). The results show that 58.5% of businesses have been operational for 10–20 years, and another 21.5% between 21–30 years. The steep decline beyond 30 years could again indicate challenges in succession, evolving market conditions, or a lack of institutional resilience. The mix of entrepreneurial startups and inherited ventures supports findings on legacy and innovation in family business ownership. However, the low percentage of firms beyond 20 years reflects KPMG's (2020) and PwC's (2020) concerns about sustainability and succession.

4.4.8 Industry Distribution

Finally, information on industry distribution highlighted the market dynamics and competition levels that influenced family business performance. Various industries have different unique factors that influence their performance. It was therefore essential to establish the industries captured in the study (Obina & Bayo, 2022). Results of industry distribution reveals a concentration in consumer-focused sectors. Retail (22.8%) and hospitality (17.8%) dominate, followed by agriculture, manufacturing, and education (each at 9.4%). The prominence of retail and hospitality reflects accessibility and relatively low entry barriers, typical of family-run enterprises. Meanwhile, less representation in financial services (4.5%), energy (4.5%), and transport (8.7%) could indicate greater capital and regulatory requirements that deter family businesses. However, diversity across 10 listed industries points to a healthy spread of entrepreneurial interests. The concentration of family businesses in retail and hospitality aligns

with KPMG (2020), which underscores accessibility and resilience in consumer-facing sectors. However, the underrepresentation in capital-intensive industries like finance and energy supports findings by Anyanzwa (2023) and PwC (2023) highlighting innovation and resource constraints.

4.5 Descriptive Statistics of Analysis on Study Variables

This section focuses on the descriptive analysis of the study variables. This is based on the specific objectives of the study that includes: to determine the influence of digital promotion strategy on the performance of family-owned businesses in Nairobi County; to determine the influence of geographical diversification strategy on the performance of family-owned businesses in Nairobi County; to determine the influence of open innovation strategy on the performance of family-owned businesses in Nairobi County; to determine the influence of conglomerate diversification strategy on the performance of family-owned businesses in Nairobi County; and to determine the moderating effect of firm size on the influence of strategic choices and the performance of family-owned businesses in Nairobi County.

4.5.1 Descriptive Statistics on Digital Promotion Strategy

The first specific objective was to determine the influence of digital promotion strategy on the performance of family-owned businesses in Nairobi County. Digital promotion strategy was studied on the premise of five parameters: brand loyalty, purchase confidence, brand awareness, customer engagement, and cost efficiency. Presentation of the results of the influence of the five initiatives on the performance of family-owned businesses in Nairobi County is outlined.

4.5.1.1 Presence of Digital Promotion Strategy

The respondents were requested to state their agreement on whether their organization has a digital promotion strategy (marketing of goods and services is done using digital technology, especially the internet).

Figure 4.1

Marketing via the Internet

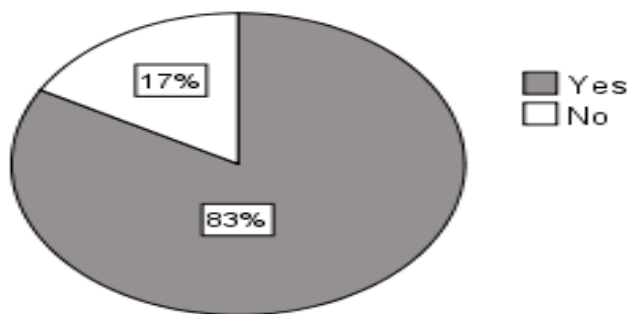


Figure 4.1 shows 83% agreement and 17% disagreed with the statement. The strong 83% agreement indicates that digital marketing is being widely adopted, indicating that firms are becoming more competitive and digitally mature. However, the 17% dissent highlights a digital divide that may prevent those businesses from efficiently utilizing internet-based solutions in a rapidly changing market environment. The results strongly agree with research highlighting the broad use and strategic significance of digital promotion. Research by Noviana and Darma (2020), Rahmayani et al. (2022), and Muriuki et al. (2022) confirms that digital tools, particularly social media and SEO, increase visibility, engagement, and sales. The 17% digital divide reflects issues echoed by Maina et al. (2023), highlighting the need for equitable access and digital upskilling.

4.5.1.2 Use of Social Media Platforms

The respondents were asked to indicate the social media platforms currently used in their organization. The findings are shown in Table 4.5.

Table 4.5

Use of social media platforms

Social Media Platforms	Frequency	Percent
Instagram	8	2.1
Facebook	19	5.0
WhatsApp	33	8.7
TikTok	12	3.1
LinkedIn	2	0.5
All	13	3.4
Facebook, WhatsApp and TikTok	110	28.9
Instagram, Facebook, WhatsApp and Tiktok	136	35.7
Facebook, WhatsApp, Tiktok, LinkedIn	8	2.1
Instagram, Facebook	35	9.2
Total	376	98.7

The findings show that most businesses favor the integrated usage of several social media platforms, with 28.9% utilizing Facebook, WhatsApp, Instagram, and TikTok, and 35.7% utilizing Instagram, Facebook, WhatsApp, and TikTok. This demonstrates how strategically important varied digital outreach is. With LinkedIn's notable 0.5% usage rate, standalone use is still low, indicating little interest in professional networking. The findings support the claim made by Noviana and Darma (2020) that MSMEs in Indonesia increased their adoption of digital payments and survival rates through Facebook and Instagram. According to Rahmayani et al. (2022), Instagram's simplicity and trust generated 97% of buyer interest. Wantchami et al. (2020) validated strategic multi-platform usage by confirming that SMEs using integrated social media and direct outreach achieved notable performance benefits.

4.5.1.3 Determinants of Use of Social Media Platform

The respondents were asked to provide answers to the determinants of the social media platforms used in their business. The following answers were provided.

When selecting a social media platform for their business, respondents indicated a range of interconnected determinants that guide their decisions. Chief among them is the number of people on the platform, reflecting a desire to access the largest possible audience. Related to this is the target audience, where businesses aim to align their online presence with where their ideal customers are most active. The frequency of new offers also influenced platform selection, signaling the need for flexibility and timely updates. The number of followers in each platform serves as a metric of reach and influence, shaping brand credibility. Cost efficiency plays a crucial role too; the cost of adverts, the cost of internet, and low expenditure on marketing highlight financial considerations central to platform sustainability. Social preferences, such as industry norms and high popularity, further impact choice, promoting platforms that competitors or peers already favor. Respondents also emphasized increased engagement and customer service as key to performance, indicating that platforms must enable two-way communication and swift response. The importance of visual appeal underscores the role of rich multimedia in attracting and retaining customer attention. Lastly, platforms are seen as customer engagement tools for broadcasting content, building relationships and brand loyalty, signaling a strategic shift toward more interactive digital marketing.

These results corroborate Noviana and Darma's (2020) finding that Facebook and Instagram were chosen because of their user bases and marketing potential, consistent with respondents' focus on audience reach. According to Rahmayani et al. (2022), platform trust motivates buyers. Shekhar and Kandoth (2024) also emphasize engagement, visual attractiveness, and interaction

as essential factors that companies looking for long-lasting, customer-focused digital platforms emphasize.

4.5.1.4 Frequency of Engaging Customers on Social Media

The participants were requested to state how often they engaged with their customers on social media. Table 4.6 shows the results.

Table 4.6

Engaging Customers on Social Media

Engage	Frequency	Percent
Daily	186	48.8
2-3 times a week	69	18.1
4-6 times a week	47	12.3
Weekly	41	10.8
Every two months	12	3.1
Monthly	19	5.0
Missing	7	1.8
Total	381	100.0

The results indicate that regular digital engagement is clearly prioritized, since nearly half of the respondents (48.8%) engage with clients on social media daily. This emphasizes the need for constant, real-time communication to preserve client connections and digital relevance. There is also a substantial trend toward semi-intensive communication tactics, as 30.4% of respondents engage many times each week (2–6). The lesser frequencies, which are weekly (10.8%), monthly (5.0%), and every two months (3.1%), are indicative of either a lack of social media integration or resource limitations in some companies. The 1.8% missed answer rate indicates that there is little doubt about the frequency of involvement. The results are consistent with those of Rahmayani et al. (2022), who discovered that regular contact on Instagram created 97% buyer interest. Additionally, Noviana and Darma (2020) highlighted how improving market share can be achieved by constant, unique content. According to Wantchami et al.

(2020), SMEs with high levels of engagement did better than others, confirming the necessity of scalable digital connection tactics.

4.5.1.5 Determinants of Customer Engagement on Social Media Frequency

The participants were asked to provide their opinion on the determinants of the frequency of customer engagement on social media. The following responses were provided.

Participants listed a number of variables that affect how frequently they interact with clients on social media. These include answering client questions and giving prompt feedback, both of which promote participatory contact. While product launches and organizational events cause focused engagement surges, high-quality content maintains interest. A client-centric approach to managing the frequency of digital communications is also reflected in the relevance and consistency of interactions that are aligned with the demands and interests of the customer.

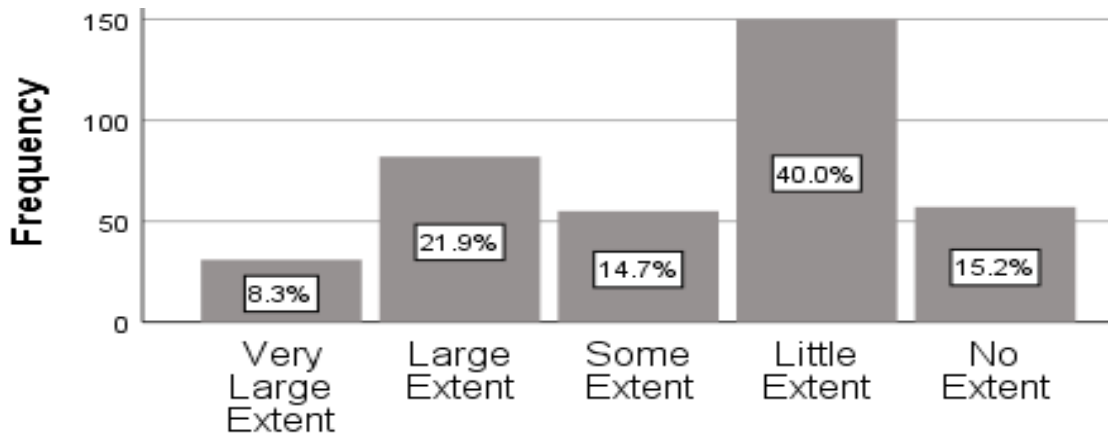
The findings support the notion put forth by Noviana and Darma (2020), and Shekhar and Kandoth (2024) affirm that customer contact is fueled by consistent, interesting, and audience-relevant information, such as timely updates, high-quality images, and rapid responses. According to Rahmayani et al. (2022), smart, client-centered communication on social media platforms maintains relationships and builds brand loyalty by fostering regular involvement through ease and trust.

4.5.1.6 Digital Promotion Strategy and Performance of Family-owned Business

The respondents were asked to provide the extent to which the digital promotion strategy affected the performance of their business. Figure 4.2 shows the results.

Figure 4.2

Digital Promotion Strategy



The results show that a significant 40% observed only a slight effect, while 15.2% saw no effect at all, despite a combined 30.2% acknowledging either a huge or very large extent of the effects. This discrepancy could result from variations in the implementation, quality, or industrial context of digital strategies. Furthermore, the 14.7% who said merely "some extent" indicates that many businesses are still unsure of the measurable benefits of digital promotion, underscoring the need for more precise measures and improved alignment with their overall objectives. The findings support research showing that focused, well-executed digital promotion increases market access and export growth, such as that conducted by Noviana and Darma (2020) and Muriuki et al. (2022). The results imply that while digital promotion is acknowledged by some as impactful, a significant portion perceives limited or no benefit, indicating inconsistent strategy implementation or unclear value across businesses.

4.5.1.7 Status of Digital Promotion Strategy on Performance of Family-owned Business

The opinion of respondents was sought on the influence of digital promotion strategy on the performance of family-owned businesses. This was measured using the Likert scale of 1=Strongly Disagree 2= Disagree 3= Neutral 4=Agree 5=Strongly Agree, and the results shown in Table 4.7.

Table 4.7

Status of Digital Promotion Strategy

Digital promotion strategy	D (%)	A (%)	Mode
We have noticed changes in brand loyalty related to our social media presence	15	85	4
We have an operational website	52	48	2
Online reviews and testimonials influence consumer purchase confidence	22	78	4
Our business offers digital payment options	5	95	4
Social media marketing contributes to our brand awareness	16	84	4
Our business uses email marketing	77	23	2
Our website, email marketing, and social media activities facilitate consumer engagement	29	71	4

Starting with the statement “we have noticed changes in brand loyalty related to our social media presence,” the majority (mode of 4) of respondents agreed that social platforms contribute positively. This supports the widely accepted view that consistent, engaging online interactions can foster deeper brand connections and long-term customer relationships. The results of the study are in good agreement with Obermayer et al. (2022), who discovered that social media sites like Facebook promote brand recognition and client acquisition, two important aspects of consumer loyalty.

The statement “we have an operational website” appears to be a more divisive factor. While most (mode of 2) disagree, there is also a considerable segment that agrees. The findings demonstrate both agreement and disagreement regarding the adoption and perceived usefulness of operational websites in business, which is in part consistent with the literature. According to Somanchi et al. (2022) many organizations view digital platforms as essential tools for visibility, client engagement, and competitive positioning, as supported by the study findings. Yet, the significant variation in answers, as evidenced by the majority who disagreed, reflects the difficulties mentioned by Daramola and Etim (2022). These include Sub-Saharan Africa's prevalent digital literacy gaps, expensive internet, and inadequate infrastructure. This disparity implies that although digital adoption is increasing, contextual obstacles still prevent consistent application across companies, particularly in family-owned or resource-constrained enterprises.

Regarding the statement “Online reviews and testimonials influence consumer purchase confidence, most respondents agreed (mode of 4) that online endorsements play a crucial role in consumer decisions. The minority that disagreed could reflect either industry's less sensitivity to reviews or businesses with limited review footprints. The results agree with prior studies on how digital marketing and online reviews affect customer behavior and company performance. The high agreement rate attests to respondents' perception of internet reviews as practical resources for boosting purchasing confidence. This backs up the findings of Pelsmacker et al. (2018) who found that monitoring and reacting to reviews increased hotel occupancy and income.

Among all the components measured, the statement on “our business offers digital payment options” had the most frequent response in agreement. The results (mode of 4) of responses indicated strong affirmation of the availability of digital payment systems, suggesting

widespread integration. For family businesses, adopting such technologies is both a competitive necessity and a signal of modernization. The high frequency of agreement with digital payment adoption reflects a widespread trend recognized in studies like Noviana and Darma (2020) and the GoK (2023) report, confirming that digital payments are integral to modern business competitiveness and consumer preference. This result strongly aligns with the literature.

The statement on “social media marketing contributes to our brand awareness” was also highly rated, with a mode of 4 result. Similarly, the high rating for social media marketing’s role in brand awareness aligns with findings from Rahmayani et al. (2022), Wantchami et al. (2020), and Nuseir et al. (2023), all of whom emphasize social media’s power to engage consumers, boost trust, and increase brand awareness.

In contrast, the statement “our business uses email marketing” appears to be less favorably viewed, as indicated by the mode of 2 results. Although email remains a viable marketing channel in many sectors, it may feel outdated or less impactful for small, informal, or hyper-local businesses. However, the lower confidence in email marketing partially disagrees with studies like Muriuki et al. (2022) and Poljic et al. (2018), affirming email as a helpful tool. This divergence likely stems from limited digital capacity among family businesses or a preference for more interactive tools, like WhatsApp or social media.

Similarly, the statement about “consumer engagement through digital tools” (website, email marketing, and social media) yielded a respectable mode of 4, suggesting that not all businesses experience meaningful engagement through digital integration. Consumer engagement through digital tools also aligns moderately with the findings of Shekhar and Kandoth (2024) which support a conditional agreement.

Looking at the mode score of 4 on most statements asked, it is evident that most family-owned businesses recognize the importance of digital promotion strategies to business performance. This score underscores a strong acknowledgment among family-owned businesses of the value of digital promotion. However, the variation in adoption and confidence across individual strategies affirms findings by Elverina and Furinto (2021) and Obermayer et al. (2022) that digital tools, especially social media, enhance performance, but adoption varies depending on resources, digital fluency, and business type. Concerns raised by Daramola and Etim (2022) and Maina et al. (2023) highlight that adoption of digital tools remains constrained by infrastructure, digital literacy, and demographic factors.

4.5.2 Descriptive Statistics on Geographical Diversification Strategy

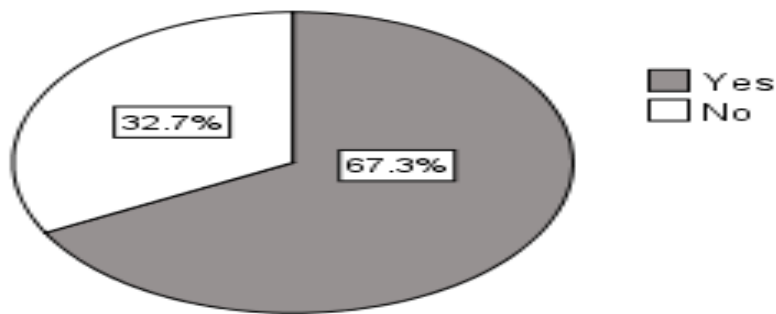
The second specific objective was to determine the influence of geographical diversification strategy on the performance of family-owned businesses in Nairobi County. Geographical diversification strategy was studied based on five indicators: competitive advantage, economies of scale, risk diversification, sales volume, and efficiency. This section outlines the results of the five initiatives that have influenced the performance of family-owned businesses in Nairobi County.

4.5.2.1 Presence of Geographical Diversification Strategy

The respondents were requested to indicate their opinion on the statement “Our organization has a geographical diversification strategy (we have operations and customers across different regions, countries, and continents). The responses as shown in Figure 4.3.

Figure 4.3

Geographical Diversification Strategy



The results indicate that of most respondents, 67.3%, affirm that their organization employs a geographical diversification strategy. This suggests that more than two-thirds of the family-owned businesses surveyed have expanded operations or customer bases across multiple regions, countries, or continents, potentially to mitigate risk, tap into new markets, or enhance growth. Conversely, 32.7% of respondents reported no such strategy, implying a focus on local markets, resource constraints, or cautious expansion approaches. The results agree with the findings by Njari and Muathe (2018), which demonstrated how EABL's geographical expansion led to customer growth. Similarly, Subramaniam and Wasiuzzaman (2019) emphasized strategic implementation for profitability. Gachoki et al. (2022) also found that diversified insurance firms performed better. While 32.7% of businesses remain localized, the broader trend shows that thoughtful geographical diversification supports market expansion, performance, and risk mitigation across industries and firm sizes. The results reflect a strong inclination toward cross-regional engagement among these enterprises.

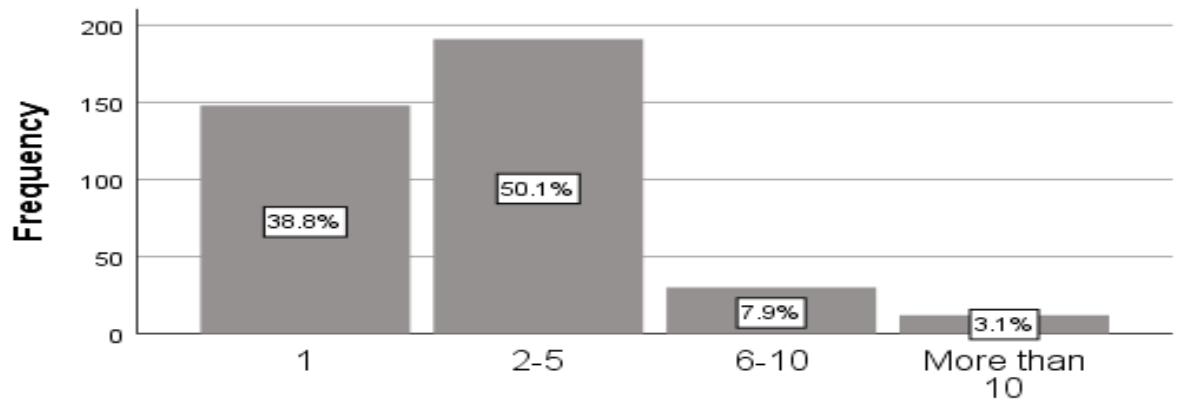
4.5.2.2 Number of locations Family-Owned Businesses Operate in.

The respondents were asked to state the various locations where the family business operates.

Figure 4.4 shows the results.

Figure 4.4

Location of the Business



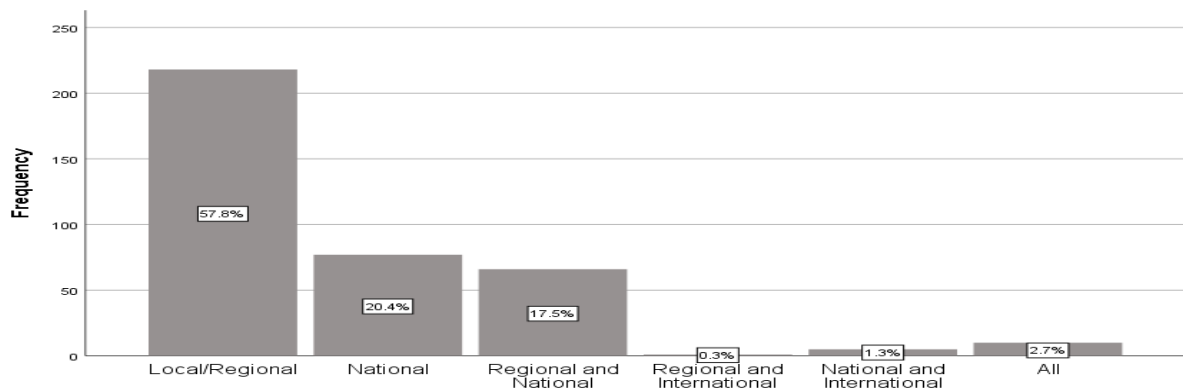
Most (50.1%) of family businesses operate in 2–5 locations, suggesting moderate regional expansion and a focus on manageable growth. About 38.8% remain in a single location, indicating limited scalability or a preference for local operations. A small percentage, 7.9% and 3.1%, operate in 6–10 or more than 10 locations, respectively, pointing to advanced expansion strategies. The finding that 50.1% of family firms operate in 2–5 locations reflects a balanced expansion approach, aligning with Gachoki et al. (2022), who observed that moderately diversified firms performed better. Similarly, Pongelli et al. (2021) found that geographical focus enhances performance when aligned with economic goals. This suggests family firms carefully scale expansion to optimize value while managing operational risk. These findings imply that while most businesses pursue growth through branching out, a notable share still prioritizes centralized control. Resource limitations may also constrain broader geographic presence.

4.5.2.3 Geographical Regions Currently Served By Business

The participants were required to pinpoint the geographical regions currently served by the business. Figure 4.5 illustrates the results.

Figure 4.5

Geographical Regions Currently Served



Most businesses (57.8%) serve only local or regional markets, indicating a strong community focus and limited geographic expansion. A significant 20.4% operate nationally, while 17.5% combine regional and national outreach. Only a small fraction ventures into international markets, with just 4.3% operating beyond national borders. This distribution suggests that while most businesses remain domestically rooted, a minority are beginning to embrace broader market opportunities, hinting at potential for future international growth through innovation and strategic scaling. The dominance of businesses serving local or regional markets, as shown by 57.8%, aligns with Gachoki et al. (2022), who found moderate geographical diversification enhances performance. Rajesh (2023) and Bodlaj et al. (2020) support gradual expansion into international markets for growth. This cautious scaling reflects strategic conservatism, resource

limitations, or localized focus, yet signals readiness for broader market exploration through innovation.

4.5.2.4 Determinants for Locations of Business Served

The participants were requested to show the determinants for the locations they serve. Business location decisions are influenced by various factors that shape sustainability, competitiveness, and growth. The nature of the service, proximity to clients or industrial zones, is a primary determinant. Logistics like availability of raw materials, infrastructure, water availability, and production costs are crucial for manufacturing and processing businesses. Demographic factors, such as high population, distribution, and customer concentration, also play a role in decision-making. Market demand, market penetration strategy, and accessibility signal alignment with customer reach and product visibility. Labor availability and industry specialization influence siting decisions, allowing businesses to tap into existing skill pools. Social technological services like internet connectivity and mobile infrastructure enable digitized operations and marketing outreach. Security and political stability are non-negotiable, as they provide predictable and safe environments. Practical variables like space, rent, land availability, and cost affect affordability and potential for expansion. Government incentives are also important drivers for businesses looking to reduce costs or enter designated economic zones. Overall, location is a strategic decision involving infrastructure, demographics, economics, and institutional support.

The findings concur with findings from Gachoki et al. (2022) and Pongelli et al. (2021), which emphasize strategic location selection for competitive advantage and expansion success. Similarly, Benito-Osorio et al. (2020) and Oliveira et al. (2023) support that location decisions affect firm performance based on resource availability, cost, and market proximity.

4.5.2.5 Status of Geographical Diversification Strategies on Performance of Family-owned Businesses

The respondent's interpretation of the insights into how geographical diversification strategies influence the performance of family-owned businesses was sought. This was measured using the Likert scale of 1=Strongly Disagree 2= Disagree 3= Neutral 4=Agree 5=Strongly Agree, and the results, expressed as percentages, as shown in Table 4.8.

Table 4.8

Status of Geographical Diversification Strategies

Geographical Diversification Strategies	D (%)	A (%)	Mode
Our organization's competitive advantage is a major consideration when opening a new branch	12	88	4
Having more business locations affects our organization's ability to reach customers	21	79	5
Our organization's expenses do not change significantly when we open new branches	81	19	2
Having branches in other locations, including internationally, impacts our organization's exposure to currency fluctuation risks	26	74	4
Having branches in other locations, including internationally, impacts our organization's exposure to political risks	28	72	4
Operating in different regions affects the stability of our organization's sales volume throughout the year	17	83	4
Branch expansion affects the sales volume of our products	14	86	4
Production efficiency is always impacted as our organization expands its branch network	52	48	2
Operational efficiency in different departments (e.g., accounting, marketing, and information technology) is influenced by the expansion of our branch network	14	86	4

To begin, the statement “our organization’s competitive advantage is a major consideration when opening a new branch” emerges as a dominant driver in expansion decisions. The mode of 4 results is a clear highlight of strong consensus. This may suggest that family-owned businesses are strategically deliberate, leveraging internal strengths to sustain or enhance market positioning when exploring new geographies. The study results are in good agreement with previous research that highlights the importance of strategic aim in diversification. According to Gachoki et al. (2022) and Rajesh (2023), organizations that leverage internal assets like profitability or market expertise get better outcomes when they spread geographically. However, Mbai et al. (2022) and Mochabo et al. (2017) caution that poorly planned expansion may produce inefficiencies or financial distress.

Closely aligned with this, the “ability to reach customers through additional business locations” recorded a mode of 5, implying that expansion is primarily motivated by improved customer access. The results are consistent with research indicating that expansion is driven by better customer access. This is corroborated by studies by Njari and Muathe (2018) and Luo and Maksimov (2021), demonstrating that regional expansion boosts growth and competitiveness by reaching a wider market. However, Mbai et al. (2022) state that expansion may burden resources or lower operational efficiency in the absence of strategic planning.

Interestingly, “the impact of branch openings on organizational expenses” generated a mode of 2 rate meaning that expenses change significantly. This suggests a division in opinion, likely due to the variance in cost structures across industries or locations. The outcome is fairly in line with the literature. While some businesses, like banks, experienced growing expenses and inefficiency, others, like EABL (Njari & Muathe, 2018), profited from expansion (Mbai et al., 2022; Mochabo et al., 2017).

On “having branches in other locations, including internationally, impacts our organization's exposure to currency fluctuation risks”, particularly currency and political risk, respondents provided nuanced feedback. A mode of 4 results was achieved concerning currency fluctuations, meaning that international branches are exposed to such risks. This finding indicates awareness of macroeconomic volatility among those venturing abroad. A similar pattern is seen with “having branches in other locations, including internationally, impacts our organization’s exposure to political risks”, where a mode of 4 was generated. The results of the study are in good agreement with previous research. Yildirim and Efthyvoulou (2018) noted that emerging market enterprises experience valuation swings based on geographic reach, which is reflected in the perceived risks of currency volatility and political instability. Similar to the respondents' worries, Mochabo et al. (2017) and Mbai et al. (2022) agreed that unexpected foreign expansion exposes businesses to political and financial uncertainty.

Regarding “operating in different regions affects the stability of our organization’s sales volume throughout the year”, a majority (mode of 4) believe that geographical diversification helps even out sales through the year. This points to a widespread belief that operating in multiple markets buffers against seasonal or regional demand fluctuations, an important advantage for long-term performance. The findings are in line with literature that acknowledges geographic diversification as a protective factor against fluctuations in sales. Research by Rajesh (2023) and Ndungu and Muturi (2019) demonstrates that diversifying activities across geographies enhances market resilience and financial success. In a similar vein, Bodlaj et al. (2020) validate respondents' perception in year-round stability by confirming that SMEs benefit from consistent sales patterns while expanding geographically.

The statement that “branch expansion boosts product sales” reinforces this conclusion. From the research findings, it is evident that most businesses observe a tangible performance uplift following expansion. The results are in good agreement with previous research. Research by Gachoki et al. (2022) and Ndungu and Muturi (2019) demonstrates that concentric and geographic diversification improve performance, particularly sales growth. Similar to this, Luo and Maksimov (2021) confirm that strategically growing geographically opens up new markets, supporting the idea that branch growth increases product sales by improving competition and customer access.

The view that “production efficiency is impacted by expansion” yielded a mode of 2. A total of 182 out of the 381 respondents agreed with the statement, indicating that they likely recognize that growth often necessitates scaling production systems, improving workflows, or investing in automation to meet increased demand. The results are in good agreement with the literature that highlights the operational benefits of growth. Luo and Maksimov (2021) and Gachoki et al. (2022) point out that strategic diversity promotes agility, scalability, and profitability, which concurs with respondents' perception that production efficiency increases with growth.

Similarly, the effect of expansion on “departmental operational efficiency is influenced by the expansion of our branch network”, including accounting, marketing, and IT, elicited a modal response of 4, indicating agreement, underscoring that organizational systems are stretched and restructured as businesses grow geographically. The outcome coincides with the literature that highlights how expansion affects internal structures. Geographic growth necessitates strategic agility, restructuring, and system integration, particularly in operations like accounting and I.T, according to studies like Rajesh (2023) and Luo and Maksimov (2021). This confirms the

widely held belief that departmental efficiency is altered by expansion, calling for management frameworks that are more adaptable and scalable.

4.5.3 Descriptive Statistics on Open Innovation Strategy

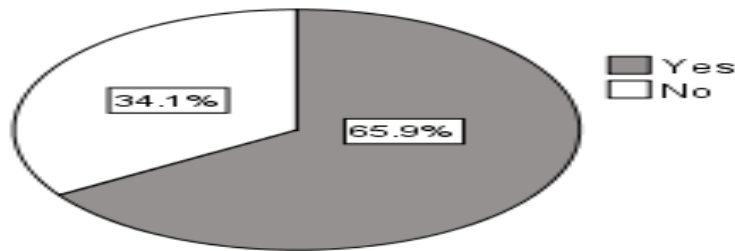
The third specific objective aimed at determining the influence of open innovation strategy on the performance of family-owned businesses in Nairobi County. Open innovation strategy was studied on the premise of five parameters: new product development, inbound open innovation, outbound open innovation, cost reduction, and innovation speed. The results of the five initiatives that influence the performance of family-owned businesses in Nairobi County are presented.

4.5.3.1 Presence of Open Innovation Strategy

The participants were asked to indicate whether their business has an open innovation strategy (involving external organizations such as research institutions in developing new products and ideas). Figure 4.6 shows the results.

Figure 4.6

Development of New Products



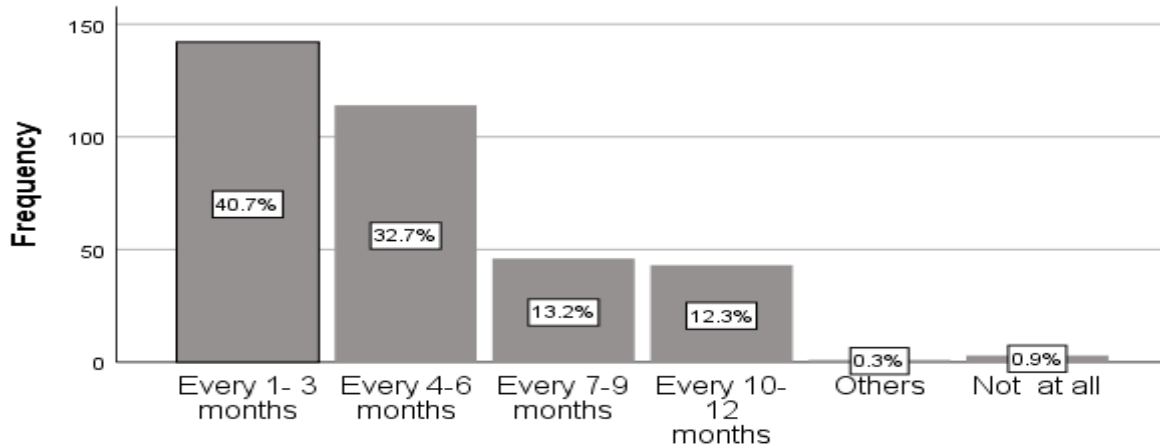
Most businesses (65.9%) embrace open innovation strategies, collaborating with external entities like research institutions. The 34.1% who do not participate may face limitations in accessing novel ideas or technologies, possibly affecting competitiveness in dynamic markets. The findings support Vidales et al.'s (2019) assertion that external cooperation especially with academic institutions and research centers fosters innovation and increases SMEs' profitability. Bogers et al. (2019) highlighted the importance of using outside expertise to handle complicated challenges. Additionally, Micheni et al. (2017) discovered that management commitment and technology improve the uptake of open innovation, consistent with participants' high acceptance of external collaborations to increase competitiveness and adaptability.

4.5.3.2 Frequency of Developing New Products/Services

The respondents' opinions on the frequency of developing new products/services were sought. Figure 4.7 shows the results.

Figure 4.7

Frequency of New Products/Service Development



Most businesses (73.4%) develop new products or services within 1–6 months, indicating a strong commitment to innovation and responsiveness to market demands. Another 25.5% innovate less frequently, ranging from every 7 to 12 months, while only 0.9% do not engage in product development. This trend suggests that businesses recognize the importance of staying competitive by regularly introducing new offerings. The finding that 73.4% of businesses create new goods in less than six months correlates with Vidales et al.'s (2019) findings that innovation and profitability are related in Mexican SMEs. Bogers et al. (2019) highlighted that timely innovation is fostered by integrating internal and external knowledge. According to Singh et al. (2021), knowledge sharing is a key performance factor, which explains why quick innovation boosts market relevance, competitiveness, and customer retention.

4.5.3.3 Determinants of Organization Collaboration

The respondents' opinions were sought to highlight how they determined which organization to collaborate with in developing new ideas or products. A number of essential factors are considered when choosing a business to work with when creating new concepts or goods. Along with a business's professionalism and experience, high value is also placed on authenticity and credibility. Synergy depends on a shared vision and culturally compatible objectives. An organization's capacity for innovation and its receptiveness to collaborative research initiatives and emerging technology are also considered. The attraction is increased by the capacity to assess risk, provide growth prospects, and freely exchange market knowledge. Cost is also taken into account to provide value without sacrificing quality. Working with partners with greater expertise than the organization, one that can guide and improve the business procedure while upholding moral principles and respect for one another, is also considered. Trust and a cooperative attitude are the foundation of successful collaborations in any field driven by innovation.

The findings corroborate the findings of Vidales et al. (2019) and Bogers et al. (2019), who emphasized that trustworthiness, complementing skills, technological alignment, and similar values are essential for successful open innovation collaborations. Micheni et al. (2017) also discovered that a collaborative culture and top management commitment drive innovation success. These fit the respondent's criteria quite nicely, demonstrating how strategic, trust-based cooperation boosts innovation and competitive advantage.

4.5.3.4 Influence of Open Innovation Strategy On Performance of Family-Owned Businesses

The influence of open promotion strategy on the performance of family-owned businesses was measured using the Likert scale of 1=Strongly Disagree 2= Disagree 3= Neutral 4=Agree 5=Strongly Agree, and the results, expressed as percentages, are shown in Table 4.9.

Table 4.9

Open Innovation Strategy

Open Innovation Strategy	D (%)	A (%)	Mode
Our organization sets aside a certain percentage of sales revenue for new product development each year	28	72	4
Accessing external technologies and ideas provides our organization with new knowledge	18	82	5
Internal resource limitations affect our organization's ability to pursue external technologies and ideas	47	53	4
Finding suitable partners for external collaboration is a challenge for our organization.	47	53	4
Our organization shares its innovation with external entities (e.g., through licensing)	87	13	2
Sharing our innovation with external entities generates revenue for the organization	80	20	2
Engaging with external technology and ideas impacts our organization's research and development costs	19	81	4
The use of external technologies and ideas has influenced the speed of new product development in our organization	14	86	4

Beginning with the statement “our organization sets aside a certain percentage of sales revenue for new product development each year”, most respondents (mode of 4) agreed that their organization sets aside a certain percentage of sales revenue for new product development annually. This high agreement level signals a widespread institutional recognition of the value of consistent investment in innovation. Nevertheless, the relatively low strong agreement suggests that the commitment, while present, may not always be robust or formalized across all firms. The results mostly concur with previous studies, highlighting the significance of consistent investment in innovation. Studies like Vidales et al. (2019) and Bigliardi et al. (2020), which emphasize consistent innovation financing as a performance driver, are supported by the general agreement in this study. The low strong agreement, however, is consistent with Usman et al. (2018) and points to variation in SME innovation commitment.

The statement “accessing external technologies and ideas provides our organization with new knowledge” is strongly affirmed, with a modal response of 5. The results agree with previous studies demonstrating the critical role that external knowledge acquisition plays in organizational learning and creativity. Research like Vidales et al. (2019) and Bogers et al. (2019) confirms that engaging with outside partners, such as suppliers and academic institutions, enhances businesses' knowledge bases. However, as Bigliardi et al. (2020) and Micheni et al. (2017) point out, an organization's capacity to strategically incorporate this knowledge determines its effectiveness.

The third item measures the perception that “resource limitations hinder the pursuit of external innovation opportunities”. A mode of 4 response highlights a structural barrier faced by many family-owned businesses. The results are in good agreement with previous research, particularly works like Usman et al. (2018) and Micheni et al. (2017), which highlight how

SME and family firm participation in open innovation is often hindered by resource limitations, including a lack of funds, staff, and managerial assistance. Although external knowledge is universally acknowledged to have strategic value, internal skill gaps and funding constraints frequently impede its practical adoption.

A more tangible hurdle emerges in the area of “finding suitable partners for external collaboration”, which is a challenge for our organization. A mode response of 4 was generated, indicating that finding appropriate partners for innovation is seen as a significant challenge. However, nearly 50% of the respondents disagreed with the statement. This dispersion points to inconsistent experiences with partnership formation, perhaps driven by market fragmentation, lack of trust, or inexperience in navigating collaborative frameworks. The findings agree with the literature that highlights how difficult it is to choose partners in open innovation. According to studies like Belitski and Rejeb (2022) and Saidi et al. (2020), family businesses frequently find it challenging to interact with partners that are far away or unknown, as they place a higher value on closeness and confidence. These difficulties are reflected in the observed range of answers, demonstrating that forming partnerships is still a significant and unequal obstacle to innovation.

Many (mode of 2) organizations appear not to be engaging in “external sharing of innovation”. A high percentage (mode of 2) do not agree that “sharing innovations yields financial returns for the organization”. The results partially differ from previous research. Bogers et al. (2019) and Bigliardi et al. (2020) observe that businesses increasingly view innovation as a monetizable asset, which is reflected in the reasonable consensus that innovation sharing takes place and yields rewards. The results, however, agree with Vidales et al. (2019), who discovered that outward innovation, such as licensing, had little effect on profitability.

The impact of external engagement on “engaging with external technology and ideas impacts our organization’s research and development costs” is also notable. A mode of 4 response affirmed that external technologies influence their research and development costs. This could suggest that external innovation either reduces duplication of effort or requires upfront licensing or adoption fees. The results are in line with research that recognizes how external participation affects R&D cost structures. According to Bigliardi et al. (2020) and Liao et al. (2020), incorporating outside expertise can speed up development or cut down on internal duplication, but it may also result in additional expenses for licensing or adaptation. This dual effect is supported by the high agreement rate, which emphasizes how external innovation changes R&D investments, whether positively or negatively.

Likewise, a modal response of 4 indicated that the use of external technologies and ideas has influenced the speed of new product development in the organization. The results are in good agreement with research showing that external innovation greatly speeds up product development. According to studies by Liao et al. (2020) and Bogers et al. (2019) collaborating with outside partners enhances time-to-market, flexibility, and problem-solving speed, particularly in dynamic markets driven by innovation.

4.5.4 Descriptive Statistics on Conglomerate Diversification Strategy

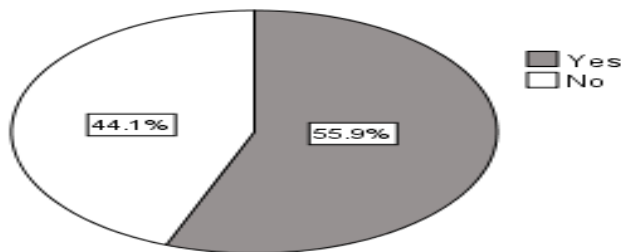
The fourth specific objective was to determine the influence of conglomerate diversification strategy on the performance of family-owned businesses in Nairobi County. Conglomerate promotion strategy was studied on the premise of five parameters: corporate governance, brand image, competitive advantage, increased revenue, and human resource cost savings. The presentation outlines the results of the influence of the five initiatives on the performance of family-owned businesses in Nairobi County.

4.5.4.1 Presence of Conglomerate Diversification Strategy

The respondents were requested to show their agreement on whether their business has a conglomerate diversification strategy (we have added products/ services that are not related to our existing core business). The results are in Figure 4.8.

Figure 4.8

Presence of Conglomerate Diversification Strategy



A majority of respondents (55.9%) agreed that their business has adopted a conglomerate diversification strategy, indicating a shift toward offering products or services unrelated to their core business. This reflects a strategic attempt to spread risk, explore new markets, and increase revenue streams. Conversely, 44.1% have not embraced such diversification, possibly due to a preference for specialization, resource constraints, or risk aversion. The findings suggest a growing trend among businesses to innovate through unrelated ventures. The findings of Oladimeji and Udosen (2019), who indicated high profits from unrelated diversification, are consistent with the results showing that 55.9% of organizations use conglomerate diversification. According to Enobong et al. (2022), it also enhances sustainability, particularly when combined with innovation. Although there are hazards, as Kiss et al. (2018) point out, when used carefully and backed by enough resources, the technique presents chances for growth and risk-spreading.

4.5.4.2 Determinants of the Use of Conglomerate Diversification

The respondents' opinions were sought on what influenced the organization to use the conglomerate diversification. The business's strategic aim to improve its market presence and financial stability had an essential influence on conglomerate diversification. The business sought to increase overall revenue allocations and decrease dependence on a single industry by venturing into other markets or sectors. Diversification was also significantly influenced by consumer behavior and needs, such as requests for new services. By reaching a wider audience, the business was able to grow its clientele, acquire market share, and obtain a competitive advantage. Additionally, this strategy strengthened bargaining leverage, particularly under erratic market conditions driven by fierce competition and shifting demand. Innovation was essential, as creating new goods not only satisfied consumer demands but also attracted a wide range of customers. Conglomerate diversification was ultimately viewed as a proactive strategy to maximize long-term performance and sustainability while adapting, expanding, and remaining robust in a changing business environment.

The results concur with those of Enobong et al. (2022) and Cerrato et al. (2022), who attribute increased sustainability and financial resilience to conglomerate diversification. Additionally, unrelated diversity improves equity returns, according to Oladimeji and Udosen (2019). Businesses can adapt to change, seize new markets, and protect themselves from industry-specific downturns by using this tactic.

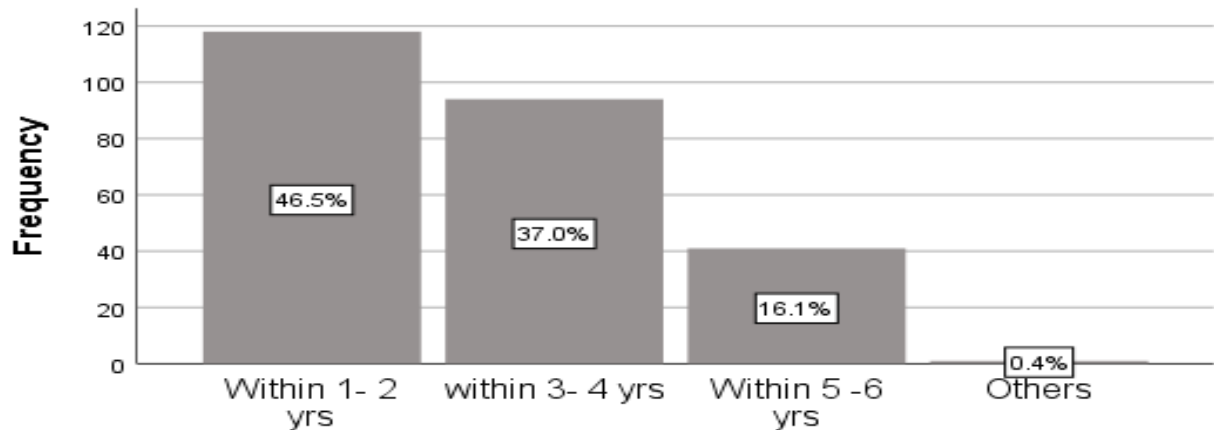
4.5.4.3 Duration of Adoption of Conglomerate Diversification Strategy

The respondents were asked to state how long after the business was started, they commenced implementation of the conglomerate diversification strategy.

The results are in Figure 4.9.

Figure 4.9

Adoption of Conglomerate Diversification Strategy



Nearly half (46.5%) of the respondents began implementing a conglomerate diversification strategy within 1–2 years of starting the business, with an additional 37% doing so within 3–4 years. Only 16.1% initiated the strategy after 5–6 years, while a minimal 0.4% followed a different timeline. This pattern suggests that many family businesses pursue diversification early, likely aiming to reduce risk and tap into multiple markets. The results agree with those of Enobong et al. (2022), who connected sustainability with diversification in the hospitality industry. Early diversity adoption was also associated with improved performance, according to Oladimeji and Udosen (2019). This pattern shows strategic vision to minimize reliance, optimize income sources, and maintain resilience in fast-paced, cutthroat marketplaces.

4.5.4.4 Influence of Conglomerate Diversification Strategy on Performance of Family-owned Businesses

The respondents were asked to interpret the insights into how conglomerate diversification strategies influence the performance of family-owned businesses. This was measured using the

Likert scale of 1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree, and the results, expressed as percentages, are shown in Table 4.10.

Table 4.10

Conglomerate Diversification Strategy

Conglomerate Diversification Strategy	D (%)	A (%)	Mode
Our organization has a formal corporate governance structure	30	70	4
Our organization has a formal Board of Directors	34	66	4
The expertise of the Board affects our ability to make key decisions on diversification	52	48	2
Introducing new, unrelated products to new markets influences our brand image	24	76	4
Entering new markets with unrelated products contributes to our competitive advantage	90	10	2
Expanding into new markets with unrelated products has improved our revenue	22	78	4
Enhancing human resource productivity is beneficial when expanding into new markets with unrelated products	16	84	5
Technology solutions in the human resource department help our workforce manage increased demands during market expansion	10	90	4

Starting with the statement “our organization has a formal corporate governance structure”, responses indicate that while a formal governance structure exists in many family-owned businesses, the depth of that structure may be limited. The modal response of 4 fell within the agreement category. The comparatively low agreement rate suggests underdeveloped structures, particularly in informal or smaller firms, which demonstrate an awareness of

governance importance. This finding echoes Hindasah et al. (2021) and Almashhadani and Almashhadani (2022), who emphasize governance's role in firm performance. This supports Nguyen's (2018) assertion that ownership structure might impede the growth of formal governance, particularly in businesses that are family-controlled or government-influenced.

Responses to the statement “our organization has a formal Board of Directors”, where a mode response of 4 was generated, indicating that a formal board exists. This underscores an ongoing transition among family businesses to institutionalize their leadership and decision-making. The results correspond with the literature showing how governance systems in developing companies gradually become more formalized. According to studies like Almashhadani and Almashhadani (2022) and Hindasah et al. (2021), having a board improves performance and strategic direction. The diversity of answers, however, also supports the findings of Nguyen (2018) and Ramaswamy et al. (2017), who contend that enterprises navigating diversification without fully institutionalized leadership systems may lag behind in governance formality.

“Expertise of the Board affects our ability to make key decisions on diversification”; however, is broadly underappreciated, as indicated by the mode of 2. A slight majority fail to acknowledge the importance of board members’ experience in making critical diversification decisions. This metric implies a link between professional input and strategic direction. The results are consistent with previous research that highlights the strategic importance of board experience in diversification choices. According to studies like Hindasah et al. (2021) and Almashhadani and Almashhadani (2022), seasoned boards improve governance performance and quality, particularly during expansion.

Moving from structure to strategy, there is a strong consensus around the “impact of introducing unrelated products into new markets”. The belief that such moves influence “brand image” earned a modal score of 4. This reflects an awareness of both the potential and risk: while new product entries can refresh a brand or broaden its appeal, they also carry reputational consequences if misaligned with the company’s identity. The results align with research that recognizes the dual effects of unrelated diversification on brand perception. According to studies like Schommer et al. (2019) and Ramaswamy et al. (2017), expanding into unrelated areas can increase growth and visibility, but if done incorrectly, it can also weaken the primary brand identity. This reinforces the data's measured optimism and shows how businesses are becoming more conscious of the benefits and hazards associated with brand-centric diversification.

The perception that entering new markets with unrelated products contributes to our competitive advantage has a clear mode of 2 disagreement level, emphasizing that expanding into unrelated markets may not differentiate firms from competitors or possibly insulate them from volatility in their core sectors. The results agree with Nguyen (2018) and Ramaswamy et al. (2017) who stress that the benefits of entering a new market with an unrelated product depends on market maturity, governance, and context.

Supporting this view, a near-identical trend is observed regarding “expanding into new markets with unrelated products has improved our revenue” from such diversification. A modal score of 4 was achieved indicating that this strategy has positively impacted income streams. The results are generally in line with the literature, which is beginning to acknowledge that, in the correct circumstances, unrelated diversification can increase revenue. According to studies like Oladimeji and Udosen (2019) and Cerrato et al. (2022), companies that use these tactics can

perform better than their counterparts, particularly in circumstances with limited resources or volatility. But as Nguyen (2018) and Ramaswamy et al. (2017) point out, contextual and structural congruence remain crucial for unrelated diversification to succeed.

The operational aspects of diversification also reflect optimism. For instance, the belief that “enhancing human resource productivity is beneficial when expanding into new markets with unrelated products” yielded a mode of 5. Exploring new product-market territories can revitalize or stretch employee capabilities, possibly through new roles, broader responsibilities, or training opportunities. The results correspond with the literature showing that diversification, especially into unrelated areas, can promote the growth of human capital. According to studies like Oladimeji and Udosen (2019) and Enobong et al. (2022), diversification boosts productivity through job redefinition, training, and innovation. Rekindled employee engagement, expanded skill sets, and adaptability, all of which are becoming more and more important in dynamic markets, are frequently the results of this organizational stretching.

A highly rated factor was the role of “technological solutions in the human resource department”, with a solid mode of 4 affirming this, emphasizing that as businesses diversify and become more complex, the use of technology to manage growing human resource demands becomes crucial. The results are in line with research that highlights how crucial digital transformation is to managing organizational complexity. The idea that innovation, particularly tech-enabled human resource solutions, improves operational efficiency and adaptability during diversification is supported by studies such as Enobong et al. (2022) and Cerrato et al. (2022). Technology integration is not just helpful but strategically essential for organizational scalability and labor agility as businesses traverse multi-market contexts.

4.5.5 Descriptive Statistics on Firm Size

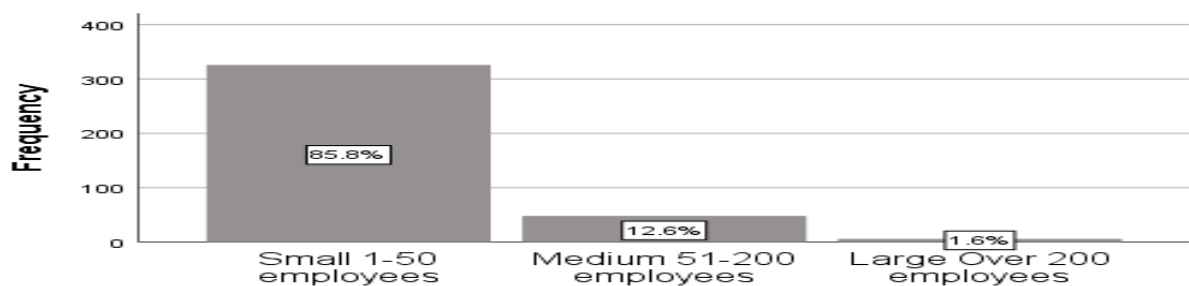
The fifth specific objective was to determine the moderating effect of firm size on the influence of strategic choices and the performance of family-owned businesses in Nairobi County. The focus on firm size was done based on five indicators: units sold, number of employees, control, strategic agility, and efficiency. The presentation discusses the results of the moderating effect of firm size on the influence of strategic choices and the performance of family-owned businesses in Nairobi County.

4.5.5.1 Size of the Business

The respondents were asked to indicate the size of their business organization. Figure 4.10 shows the results.

Figure 4.10

Size of the Business



The majority of respondents, 85.6%, operate small-sized organizations with 1–50 employees. A smaller portion, 12.6%, run medium-sized businesses employing 51–200 people, while only 1.6% represent large organizations with over 200 employees. These results suggest that most participating businesses are small enterprises, highlighting a predominantly small-scale entrepreneurial environment within the surveyed group. The results are consistent with research

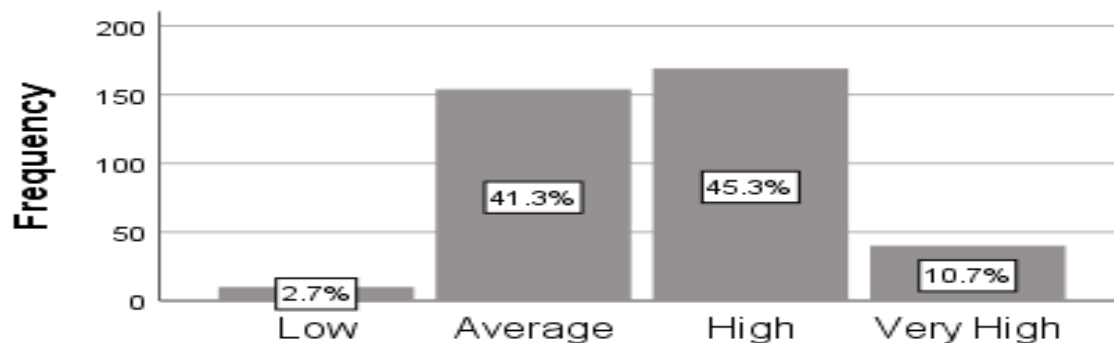
that shows a relationship between company size and both performance and structural capacity. Small businesses frequently exhibit unique governance and performance characteristics, as noted by Almashhadani and Almashhadani (2022) and Hindasah et al. (2021). Additionally, Onngam and Charoensukmongkol (2024) recognized agility advantages.

4.5.5.2 Sales Levels of Family-Owned Businesses

The respondents were requested to estimate the sales levels of their business. Figure 4.11 shows the results.

Figure 4.11

Sale Levels of Family-Owned Businesses



The results reveal that most businesses surveyed experienced favorable sales outcomes. A combined 56% reported high or very high sales levels, reflecting strong business performance. Meanwhile, 41.3% indicated average sales, suggesting stable but moderate operations. Only a small fraction, 2.7%, experienced low sales levels. These findings suggest that most businesses are performing well in terms of revenue generation, with a significant portion achieving above-average results, potentially due to effective strategies, market demand, or strong customer engagement. The results are consistent with research that shows a high correlation between firm

size, structure, and financial performance. Studies such as Almasghadani and Almasghadani (2022) and Hindasah et al. (2021) attest to the fact that even smaller businesses may produce strong results with aligned strategy and governance. As Onngam and Charoensukmongkol (2024) emphasize the importance of SME flexibility, the reported strong sales may be a result of flexible operations, competent leadership, and market response.

4.5.5.3 Firm Size Indicators Measured by Business Organization

The respondents were asked to express their opinions on how firm size indicators are measured by the business organization. With an emphasis on both financial and operational measurements, the respondents listed a variety of indicators that their firms use to gauge firm size. Assets, earnings, sales, and income rates were common financial indicators that showed the organization's financial strength and long-term development. Operational metrics like total sales, sales volume, and employee count show scale and productivity. Furthermore, expansion-focused metrics such as the number of outlets and a growing clientele were regarded as significant indicators of business development. Customer retention, which demonstrates both long-term value generation and business stability, was also valued by respondents. It was believed that the increase in revenue and profit was a clear indicator of improved performance. Collectively, these metrics assist firms in evaluating their profitability, scalability, and market position. They also assist in making strategic choices that will help them stay competitive and expand in their particular markets.

The results are consistent with research demonstrating that business size has multiple dimensions and affects strategic results. Both financial indicators (such as assets and earnings) and operational metrics (for example, employee count and sales) reflect organizational capacity and future potential, according to studies by Pascale (2018) and Almasghadani and

Almashhadani (2022). This supports the use of a variety of metrics in evaluating performance, governance maturity, and market competitiveness.

4.5.5.4 Status of the Moderating Effect of Firm Size

The moderating effect of firm size on the influence of strategic choices and the performance of family-owned businesses was measured using the Likert scale of 1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree. The results, expressed as percentages, as shown in Table 4.11.

Table 4.11

Status of the Moderating Effect of Firm Size

Firm size	D (%)	A (%)	Mode
The unit sales of our organization influences decision-making	4	96	4
The number of employees in our organization influences decision-making	60	40	2
Our organization has the ability to adapt quickly to changes in the market	16	84	4
Regularly gathering feedback from customers and stakeholders makes us adapt to changes in the market quickly	55	45	2
Members of staff undergo training to help improve our organization's efficiency	14	86	4
We use technology to increase operating efficiency	9	91	5

To begin with, “unit sales” emerges as a primary determinant in strategic decision-making”, as reflected by the high agreement rate, as shown by the mode of 4 score. This tight clustering around agreement implies a shared perspective among respondents that larger firms with higher

sales volumes possess more resources and market leverage, allowing them to make informed and proactive strategic choices. The results concur with research showing that firm size, which is frequently measured by units sold, has a significant influence on strategic choices. According to Hindasah et al. (2021) and Almashhadani and Almashhadani (2022), greater sales volumes are associated with better governance and more resources. The outcome suggests that companies with a greater market share use their financial resources to support competitive positioning, long-term planning, and innovation.

Similarly, the statement that “the number of employees influences decision-making, yielded a mode score of 2. This divergence may reflect differing organizational structures: smaller family businesses with fewer employees may rely more on direct owner input. At the same time, larger firms must account for workforce dynamics when setting strategy. The results agree with research that emphasizes business size as a strategic factor. Research such as Hindasah et al. (2021) and Almashhadani and Almashhadani (2022) demonstrates that the number of employees affects governance maturity and decision-making. But as Onngam and Charoensukmongkol (2024) point out, smaller businesses are more agile, and their dependence on direct leadership could account for the variation in how employees perceive their contribution.

A crucial dimension of strategic adaptability, “the ability to respond to market changes,” scores highly with a modal score of 4, reinforcing the belief that family-owned businesses with well-aligned resources, including adequate staffing and process agility, are better positioned to adapt quickly. The results align with research showing that adaptability is influenced by company size and structural alignment. According to studies like Onngam and Charoensukmongkol (2024) and Almashhadani and Almashhadani (2022), larger organizations need governance

maturity to be responsive, but smaller enterprises typically demonstrate greater adaptability. Therefore, resource coordination, leadership vision, and an adaptable culture—all essential facilitators of strategic flexibility in dynamic markets—improve responsiveness.

A majority (mode of 2) disagree that the practice of gathering stakeholder feedback enables businesses to adapt to changes in the market quickly. This finding emphasizes the dynamic relationship between firm size and the capacity to capture and implement market intelligence. The results align with research indicating that big and small businesses use feedback in different ways to improve agility. Research by Onngam and Charoensukmongkol (2024) and Almashhadani and Almashhadani (2022) confirms that stakeholder engagement models and business size influence responsiveness. The idea that ongoing feedback, whether formal or informal, promotes improved strategic alignment and adaptability in diverse organizational situations is widely accepted.

Next, “employee training emerges as another pillar of performance”, with a substantial majority (mode of 4) agreeing that staff training improves organizational efficiency. The link between firm size and training programs is implicit; larger firms may afford structured development programs, while even smaller firms may recognize that investing in human capital is essential for improving productivity and sustaining performance. Employee training is possibly shaped by industry, budget, or managerial philosophy. The finding aligns with the literature emphasizing that employee training is crucial for firm performance across all sizes. Studies such as Almashhadani and Almashhadani (2022) and Hindasah et al. (2021) affirm that workforce development enhances productivity and governance. Meanwhile, Onngam and Charoensukmongkol (2024) note that smaller firms excel by leveraging agile, informal

learning, explaining the variability in training intensity across industries and organizational capacities.

The final item, “use of technology to increase operational efficiency”, is met with strong consensus. With the majority (mode of 5) agreeing with the statement, respondents overwhelmingly acknowledge that firm size enhances both access to and effective use of technology. Larger firms likely deploy more sophisticated systems to automate processes and streamline operations. The results are in good agreement with the literature showing how firm size affects operational effectiveness and technology adoption. According to studies like Hindasah et al. (2021), Almashhadani and Almashhadani (2022), larger companies typically invest in cutting-edge systems that improve efficiency and governance. In line with the general view, Onngam and Charoensukmongkol (2024) demonstrate that smaller businesses become more competitive by utilizing scalable technology in an agile manner.

4.5.6 Descriptive Statistics on Performance

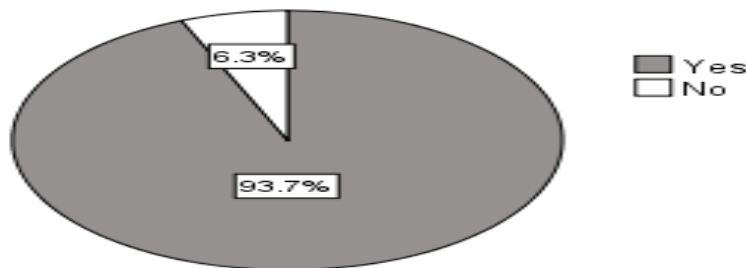
Performance of family-owned businesses was measured across five dimensions, ranging from market share, customer satisfaction, employee satisfaction, number of new products/services, revenue growth, and profit. The presentation of the results on the performance of family-owned businesses in Nairobi County is outlined.

4.5.6.1 Presence of Key Performance Indicators

The respondents were requested to indicate whether their organization has well-defined key performance indicators (measures of performance over a given time). Figure 4.12 shows the results.

Figure 4.12

Presence of Key Performance Indicators



The results clearly show that a vast majority of business organizations (93.7%) have well-defined key performance indicators (KPIs) in place. This suggests that most businesses are committed to tracking and evaluating their performance over time, using structured metrics. Only 6.3% of the respondents reported a lack of defined KPIs, indicating a small segment may operate without formal performance measurement frameworks. Overall, the data reflects a strong culture of accountability and strategic management among the surveyed businesses. The results are in good agreement with research that highlights how vital performance monitoring is to strategic success. According to Contu (2020), Bozic and Poola (2023), well-defined KPIs promote long-term value creation and well-informed decision-making. The extensive usage of KPIs by the firms assessed indicates a level of strategic management maturity that aligns with PwC's (2023) observations of performance-driven, growth-oriented family company cultures.

4.5.6.2 Important Performance Indicator

The respondents were requested to indicate the most crucial performance indicator related to strategic choices, firm size and performance of family-owned businesses in Nairobi County. The results are shown in Table 4.12.

Table 4. 12*Performance Indicators*

Performance indicator	Frequency	Percent
Increased Market Share	20	5.2
Customer Retention Rate	13	3.4
Increased sales	26	6.8
Increased profit	26	6.8
Satisfied Customers	32	8.4
Satisfied employees	3	0.8
All the above	78	20.5
Increased market share, sales, and profit	49	12.9
increased Market share, retention rate, satisfied customers, and satisfied employees	38	10.0
increased sales, profit satisfied customers	60	15.7
Increased market share, customer retention rate, satisfied customers	25	6.6
Total	370	97.1

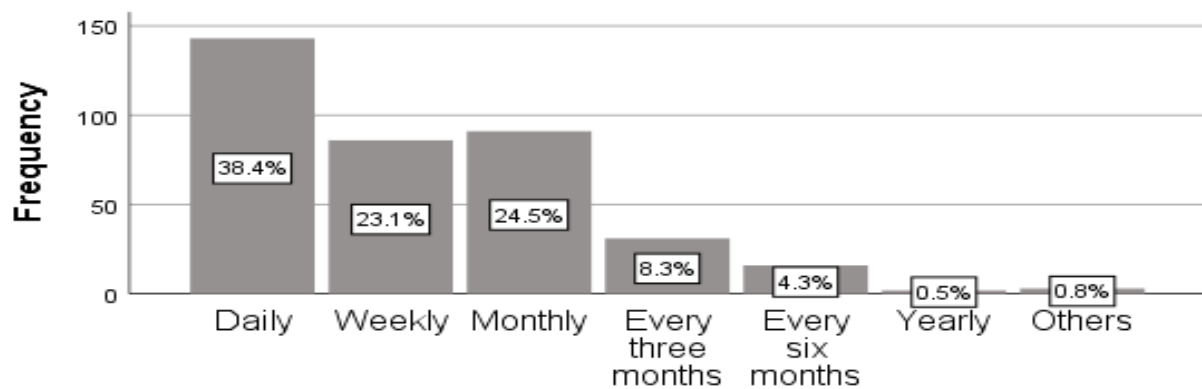
The data shows that the most critical performance indicator, according to 20.5% of respondents, is "All the above", suggesting a holistic approach encompassing market share, sales, profit, customer, and employee satisfaction. This is followed by increased sales, profit, and satisfied customers (15.7%), as well as market share, sales, and profit (12.9%). Indicators like satisfied employees (0.8%) and customer retention rate (3.4%) ranked lowest individually, suggesting performance in family-owned businesses is primarily evaluated through combined financial and customer-focused outcomes rather than isolated metrics. The results are consistent with research by Bozic and Poola (2023) and Contu (2020), which assesses the financial, consumer, and employee aspects and demonstrates long-term value and a goal-oriented approach. Business Daily (2020) emphasizes how successful family businesses value balanced scorecards over individual financial measurements, supporting the focus on combined indicators rather than isolated ones.

4.5.6.3 Frequency of Analysis of Business Performance

The respondents were requested to indicate the frequency of analysis of the business performance. Figure 4.13 shows the results.

Figure 4.13

Frequency of Analysis of Business Performance



The data indicates that most respondents conduct frequent analyses of their business performance. 38.4% review performance daily, suggesting a strong emphasis on consistent monitoring. An additional 23.1% assess their performance weekly, while 24.5% conduct monthly reviews. Less frequent evaluations, such as quarterly (8.3%), semi-annually (4.3%), and yearly (0.5%), are less common. A small fraction, 0.8%, follows other unspecified schedules. This trend reflects a proactive approach among most businesses toward performance tracking and informed decision-making. The high reported frequency of performance reviews is in line with research that highlights proactive performance management as a key component of family business success. According to Contu (2020) and Bozic and Poola (2023), consistent goal monitoring and resource alignment are the foundations of long-term organizational performance. This outcome aligns with the long-term growth plans mentioned in Adam et al.

(2023) and Business Daily (2020), demonstrating a conscious and educated decision-making culture.

4.5.6.4 Techniques for Designing Key Performance Indicators

The respondents were asked to state their opinions on how their business organizational KPIs were arrived at. The majority of business entities use a combination of operational analysis, financial measures, and stakeholder interaction to design their key performance indicators (KPIs). The respondents pointed out that critical financial variables influencing KPI development were profit margins, sales growth rates, and daily sales performance. This approach is also guided by input from board meetings and shareholders, guaranteeing alignment with strategic objectives. Efficiency and service delivery are shown by operational metrics such as case cycle averages, stock turnover, and customer retention rate. Impact and profitability are also evaluated using sales conversion rates and return on investment (ROI). While service-oriented KPIs are refined by customer satisfaction ratings, which are frequently acquired through direct surveys, regular business report reviews, and monitoring tools aid in tracking progress. These diverse inputs ensure that KPIs remain relevant, data-driven, and aligned with both market demands and internal performance objectives, forming a solid foundation for evaluating and enhancing organizational success.

The results strongly agree with the literature, which emphasizes that stakeholder, operational, and financial insights should all be integrated into performance measurement. Bozic and Poola (2023) and Contu (2020) have pointed out that meaningful assessment of organizational success is ensured when KPIs are in line with strategic objectives.

4.5.6.5 Performance of Family-Owned Business

The performance of family-owned businesses is illustrated in Table 13. Performance was measured using the Likert scale of 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree. The results, expressed as percentages, are shown in Table 4.13.

Table 4.13

Performance of Family-Owned Businesses

Statements	D (%)	A (%)	Mode
Our organization's market share has grown consistently over the years.	9	91	4
Our customers often return to buy our products	4	96	5
Our customers recommend our products/services to others	7	93	4
Our customers share positive comments about our products/services online	17	83	4
Our organization has a low employee turnover	58	42	2
The employee absenteeism rate is low	7	93	4
Employee concerns are efficiently addressed	9	91	4
Our organization develops new products each year	17	83	4
Our organization's recent product development has successfully met market demand	8	92	4
Our organization's revenue has grown consistently over the years.	42	58	4
Our organization's profit has been consistently increasing over the years	59	41	2

To begin with, customer satisfaction and loyalty emerge as standout pillars of performance. The statement "Our customers often return to buy our products" recorded a mode of 5. This suggests

a firm rate of repeat purchases, typically a hallmark of well-established family businesses. A high modal score of 4 was generated for the statement “Customers recommend our products/services to others,” confirming not only satisfaction but also enthusiastic advocacy, critical for organic growth through word-of-mouth in closely-knit or community-based markets. The results align with the literature that highlights the importance of word-of-mouth recommendations and repeat business for family-run enterprises. According to Godlewski and Le (2024) quality, family unity, and trustworthy relationships all contribute to consumer satisfaction and loyalty. These characteristics support the development of natural brand advocacy and performance stability, especially in businesses with a strong cultural or community focus.

A modal score of 4 on “Our customers share positive comments about our products/services online” underlines a growing appreciation of digital platforms as a space for feedback and brand interaction. The results correspond with research showing how digital platforms are increasingly influencing business performance and client interactions. According to Anyanzwa (2023) and PwC (2021), family businesses are rapidly realizing that digital transformation, including online customer involvement, is a strategic necessity. Different levels of digital maturity are reflected in the diversity of replies, but the general trend supports the need to develop a strong online brand presence.

The statement that recent new products developed met market demand scored a mode of 4 in acceptance rate. Turning to financial performance, the statement “Our organization’s revenue has been consistently increasing” scored a mode of 4, closely followed by disagreement (mode of 2) on the statement that profit has consistently increased over the years. These scores convey relative financial health and reflect the long-term orientation typical of family businesses, where

reinvestment and conservative growth often take precedence over risky expansions. These scores reinforce consistent success across the surveyed firms, pointing to resilience even in challenging markets. The results are in good agreement with research showing that family-owned businesses are characterized by steady profitability and measured growth. According to academics like Bozic and Poola (2023) stable governance, reinvestment, and a long-term focus drive steady financial result. The idea of resilience and caution, which are often attributed to long-lasting performance in family business ecosystems, is supported by the low variance in survey responses.

The ability to develop new products annually received a mode score of 4, while meeting market demand with those innovations earned a similar modal score of 4. These findings suggest a culture of responsiveness and adaptability, vital in dynamic environments where customer preferences evolve rapidly. The results coincide with the body of literature that recognizes innovation as a critical performance enabler in family businesses. Studies like PwC (2021) and Bozic and Poola (2023) highlight that, despite their conventional orientation, these companies are compelled by changing market conditions to prioritize new product development and responsiveness. These findings demonstrate that a large number of family businesses are successfully adjusting by matching products to customer demands and striking a balance between tradition and innovation.

The statement “employee concerns are efficiently addressed” posted a mode score of 4, pointing to effective internal communication and a collaborative atmosphere. The score for “our organization has low employee absenteeism” generated a mode of 4. This reinforces the presence of a committed workforce while also noting that a few employees do not stay in the organization for long. The results correspond with research that highlights communication and

internal cohesiveness as family business strengths. Strong staff involvement and response are facilitated by unity, trust, and cultural continuity, as noted by Bozic and Poola (2023). Effective problem-solving and low absenteeism are indicators of a solid workplace culture that is frequently based on intergenerational participation and shared values.

The statement on “our organization has a low employee turnover”, scored a mode of 2. These results indicate more variability and some underlying challenges. High turnover might stem from limited career growth opportunities, role rigidity, or generational leadership conflicts. The results agree with the literature that recognizes family-owned businesses' advantages and disadvantages in terms of employee retention. The results here support the findings of Huang and Yeung (2018) and PwC (2021), which suggest that in the absence of formal human resource systems, problems like career stagnation and generational leadership tension can erode loyalty, even though studies like Mworio et al. (2022) emphasize the strong familial ties that foster loyalty.

4.6 Inferential Statistics

This section presents the inferential statistics of the study variables. This entails the diagnostic tests on the assumption of study variables, correlation analysis, and regression analysis.

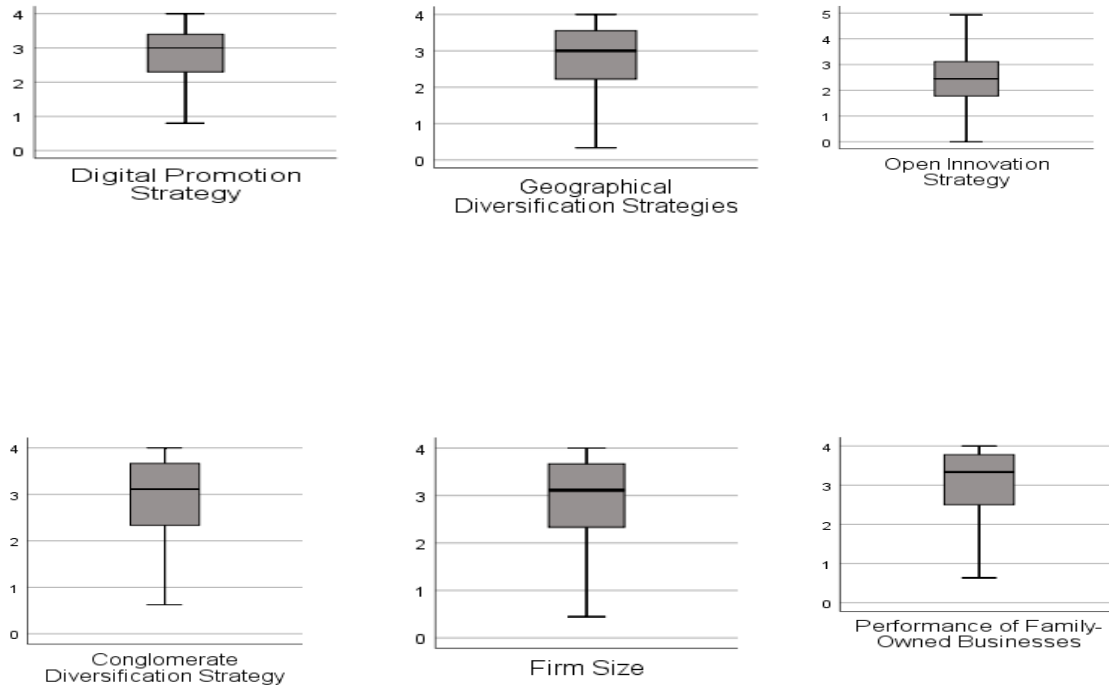
A number of diagnostic tests are presented in this section. They include the tests for outliers, normality, heteroscedasticity, and multicollinearity.

4.6.1. Testing for Outliers

The test for outliers is outlined. This is shown in Figure 4.14. The test involves dropping outliers within the dependent and independent constructs.

Figure 4.14

Test for Outliers



Cases or observations that exhibit characteristics or values markedly different from the majority of cases in a data set are typically excluded (Kline, 2005; Hair et al., 2010). This is because they distort the proper relationship between variables, either by creating a correlation that should not exist or suppressing a correlation that should exist (Abbott & McKinney, 2013). Figure 16 shows that the procedure produced reasonable boxplots, as all the constructs are symmetrical and with no outliers identified in the box plots.

4.6.2 Testing for Normality

The Kolmogorov-Smirnov normality tests were conducted and the results are shown in table 4.

14.

Table 4.14*Normality Test*

Variable		K-S Statistic	K-S Sig. (p- value)	Normality Decision
Digital Strategy	Promotion	0.078	0.200	Normally Distributed
Geographical Diversification		0.082	0.200	Normally Distributed
Open Strategy	Innovation	0.076	0.200	Normally Distributed
Conglomerate Diversification		0.080	0.200	Normally Distributed
Firm Size		0.085	0.200	Normally Distributed
Performance of Family- Owned Firms		0.088	0.200	Normally Distributed

Table 4.14 presents the results of the Kolmogorov-Smirnov normality tests for six key variables. All variables yielded p-values greater than 0.05 in the Kolmogorov-Smirnov test, indicating no significant deviation from normality. The test consistently supports the conclusion that the data for all variables are normally distributed. This validates the use of parametric statistical techniques in subsequent analyses, such as regression or correlation. The normality of the data enhances the reliability and interpretability of inferential results, ensuring that assumptions underlying parametric methods are adequately met.

4.6.3 Normal QQ Plots

To corroborate the skewness and kurtosis results, the graphical analysis was conducted through normal QQ plots. This is shown in Figures 4.15 to 4.20.

Figure 4.15

Normal QQ Plot for Digital Promotion Strategy

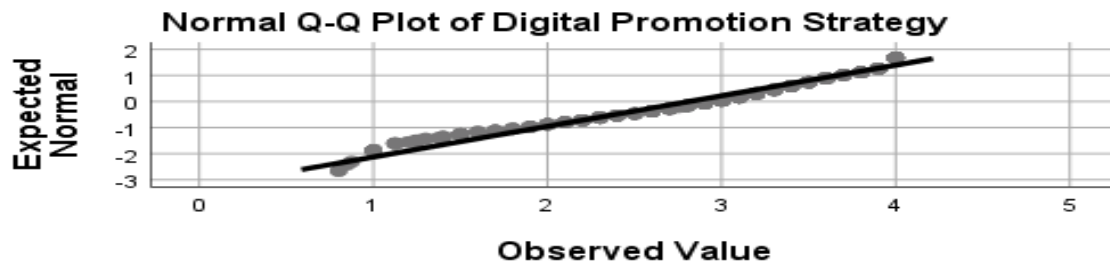


Figure 4.16

Normal QQ Plot for Geographical Diversification Strategies

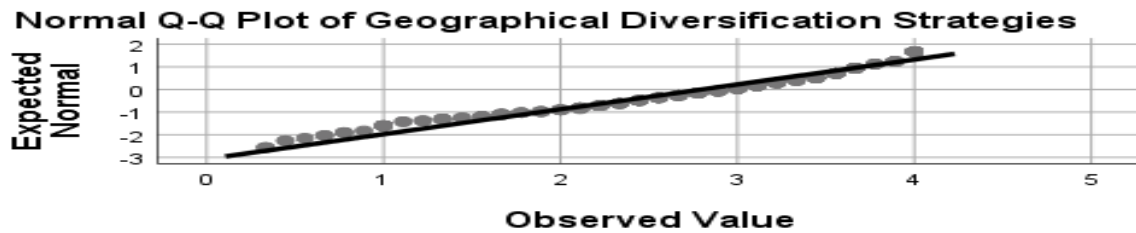


Figure 4.17

Normal QQ Plot for Open Innovation Strategy

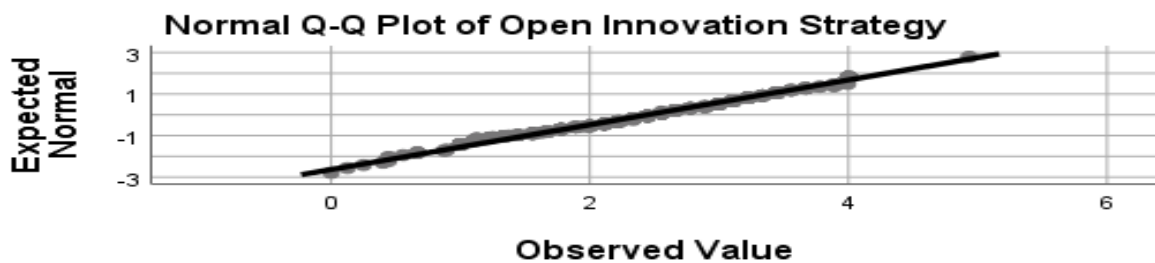


Figure 4.18

Normal QQ Plot for Conglomerate Diversification Strategy

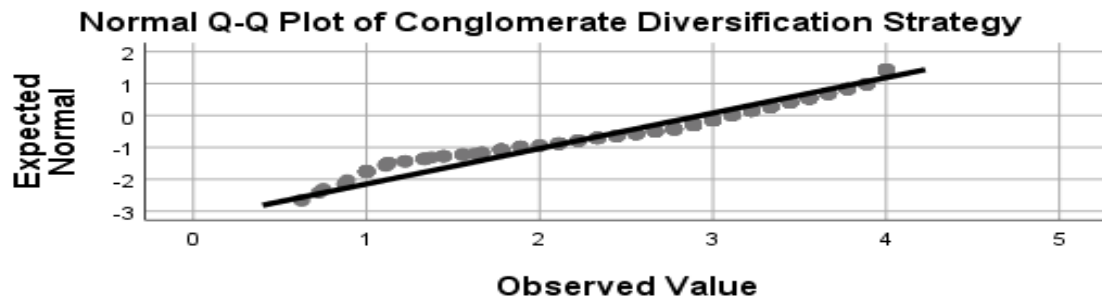


Figure 4.19

Normal QQ Plot for Firm Size

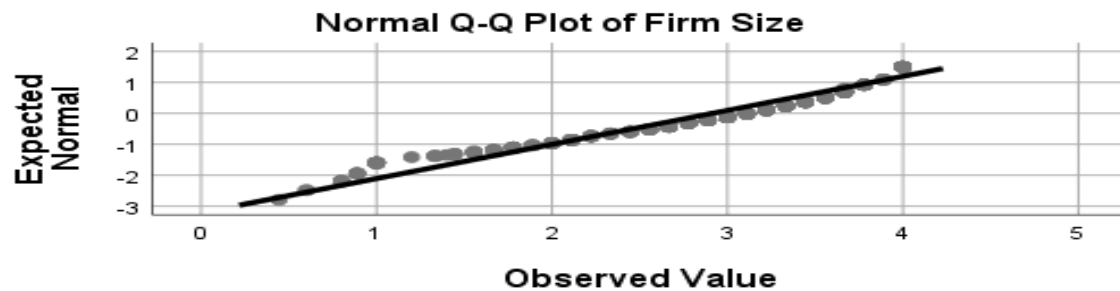
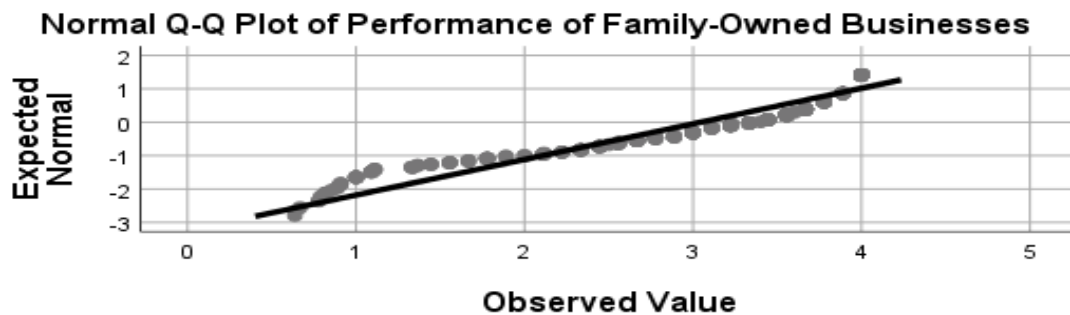


Figure 4.20

Normal QQ Plot for Performance



The graphical analysis results showed the line representing the actual data distribution closely follows the diagonal in the standard Q-Q plot. This suggested normal distribution (Hair, et al., , 2006). In a q-q plot, or the normal probability plot, the observed value for each score is plotted against the expected value from the normal distribution, where a sensibly straight line suggests a normal distribution (Pallant, 2007). By and large, if the points in a q-q plot depart from a straight line, then the assumed distribution is called into question (Aas & Haff, 2006).

4.6.4 Heteroscedasticity

In this study, the Breusch-Pagan test was used to test for heteroscedasticity. Breusch-Pagan tests the null hypothesis -that the error variances are all equal versus the alternative that the error variances are a multiplicative function of one or more variables. A large chi-square value, greater than 9.21 would indicate that heteroscedasticity was present. Table 4.15 shows the result of the Breusch-Pagan heteroscedasticity test.

Table 4.15

Heteroscedasticity Test

Test	Test value	Sig
Breusch-Pagan	1.1253	.2888
Koenker test	0.9195	.3376

The heteroscedasticity test results suggest that the assumption of constant variance (homoscedasticity) is upheld in the regression model. Both the Breusch-Pagan test ($p = 0.2888$) and the Koenker test ($p = 0.3376$) yield p-values greater than 0.05, indicating no significant heteroscedasticity. This strengthens the reliability of the model's estimates by confirming consistent variance in the error terms.

4.6.5 Multicollinearity Test

Multicollinearity is the undesirable situation where the correlations among the independent variables are strong. In other words, multicollinearity misleadingly bloats the standard errors. Thus, it renders some variables statistically insignificant when they should be significant (Martz, 2013). Tolerance of a respective independent variable is calculated from $1 - R^2$. A tolerance with a value close to 1 means there is little multicollinearity, whereas a value close to 0 suggests that multicollinearity may be a threat (Belsley, Kuh & Welsch, 2004). The reciprocal of the tolerance is known as the Variance Inflation Factor (VIF). Table 4.16 indicates the test results for multicollinearity, using both the VIF and tolerance.

Table 4. 16

Collinearity Test

Model	Variables	Collinearity Statistics	
		Tolerance	VIF
	Digital Promotion Strategy	0.645	1.550
	Geographical Diversification Strategies	0.731	1.367
	Open Innovation Strategy	0.543	1.841
	Conglomerate Diversification Strategy	0.528	1.893
	Firm Size	0.530	1.886

a. Dependent Variable: Performance of Family-Owned Businesses

Table 4.16 presents the evaluation of multicollinearity among the independent variables concerning the dependent variable, which is the organizational performance of family-owned firms. The tolerance values vary from 0.528 to 0.731, and all variance inflation factor (VIF) values lie between 1.367 and 1.893. It appears that there is no significant multicollinearity among the predictor variables because these values fall well within the acceptable criteria (VIF < 10 and Tolerance > 0.1). Because none of the variables have a significant degree of correlation

with one another, as indicated by the comparatively low VIF values, each predictor adds distinct information to the model. By guaranteeing more accurate coefficient estimates, this improves the dependability of the regression results.

4.7 Correlation of Study Variables

The correlation matrix presented in Table 4.17 reveals significant and positive relationships among six key variables affecting the performance of family-owned businesses. These include digital promotion strategy, geographical diversification strategy, open innovation strategy, conglomerate diversification strategy, and firm size. Each of these variables is significantly correlated with performance of family-owned businesses at the 0.01 level, suggesting strong statistical relationships.

Table 4.17

Correlation Analysis

	Performance of Family-Owned Businesses	Digital Promotion Strategy	Geographical Diversification Strategies	Open Innovation Strategy	Conglomerate Diversification Strategy	Firm Size
Performance of Family-Owned Businesses	1	.682**	.734**	.678**	.745**	.730*
Digital Promotion Strategy	.682**	1	.497	.611	.466	.518
Geographical Diversification Strategies	.734**	.497	1	.574	.567	.531
Open Innovation Strategy	.678**	.611	.574	1	.464	.504
Conglomerate Diversification Strategy	.745**	.466	.567	.464	1	.591
Firm Size	.730**	.518	.531	.504	.591	1

**. Correlation is significant at the 0.01 level (2-tailed).

Among all variables, conglomerate diversification strategy shows the highest correlation with the performance of family-owned businesses ($r = 0.745$). This suggests that businesses engaging in diversified investments across different industries or sectors tend to perform better. Such diversification likely cushions firms against market-specific risks and helps tap into multiple revenue streams. In the context of family-owned enterprises, it reflects a strategic maturity in venturing beyond traditional areas, possibly influenced by generational evolution or external advisory input. The strong correlation between conglomerate diversification and family business performance ($r = 0.745$) agrees with studies by Oladimeji and Udosen (2019) and Enobong et al. (2022), which found performance gains through unrelated diversification. However, it contrasts with Kiss et al. (2018) and Nguyen (2018), who noted that diversification may falter in crises or state-influenced firms, suggesting resource constraints can hinder success.

Closely following is firm size ($r = 0.730$), underscoring that larger family firms, whether measured by employee count, revenue, or asset base, are more likely to enjoy superior performance. Larger firms may benefit from economies of scale, greater access to capital, established networks, and broader market reach, all of which create a competitive edge over smaller counterparts. However, this relationship might also be circular: successful firms grow larger, and larger firms have more resources to fuel performance, thus highlighting the importance of strategic growth planning. The strong positive correlation between firm size and performance agrees with Almasahadani and Almasahadani (2022), Hindasah et al. (2021), who found that firm size enhances governance and profitability. However, Onngam and Charoensukmongkol (2024) provide contrast, showing that smaller firms can outperform larger

ones in agility-driven environments. Thus, while size is advantageous, adaptability and strategic fit remain crucial.

The digital promotion strategy exhibits a strong correlation with performance ($r = 0.682$). In today's increasingly digital economy, the ability of family businesses to leverage online promotion platforms for brand loyalty, purchase confidence, brand awareness, customer engagement and cost efficiency appears critical to success. The positive relationship also suggests that digital-savvy firms are more agile, better informed, and more responsive to market promotional trends. The strong correlation between digital promotion and performance ($r = 0.682$) agrees with studies like Olusegun et al. (2020) and GoK (2023), which found that digital tools boost brand visibility, sales, and economic impact. However, challenges noted by Daramola and Etim (2022) and Poljic et al. (2018), such as limited infrastructure, low adoption, and digital trust barriers, suggest benefits may vary based on access, industry, and readiness.

Similarly, the open innovation strategy correlates at $r = 0.678$ with performance. Open innovation involves collaborating with external partners, such as research institutions, start-ups, or customers, to drive growth through shared knowledge and co-creation. The adoption of such a strategy may reflect a cultural shift within family businesses toward openness, learning, and innovation. It also suggests a willingness to challenge tradition, adopt best practices, and bring in fresh thinking, all of which are essential for long-term competitiveness. The strong correlation between open innovation ($r = 0.678$) and performance supports findings by Vidales et al. (2019) and Hameed et al. (2021), who link external collaboration to profitability and service innovation. However, Belitski and Rejeb (2022) and Bogers et al. (2019) highlight potential barriers, such as cultural resistance and limited regional engagement among family firms, indicating that strategic readiness is critical for success.

Geographical diversification ($r = 0.734$) also plays a substantial role in performance, affirming that expanding into new regions, whether domestically or internationally, opens new markets, mitigates risks from local volatility, and strengthens brand reach. The strong correlation indicates that those who venture beyond their immediate geography benefit significantly, but it may also require higher organizational competence and risk appetite. The strong correlation between geographical diversification and performance ($r = 0.734$) aligns with findings from Njari and Muathe (2018) and Gachoki et al. (2022), affirming that strategic expansion boosts customer reach and returns. However, studies like Mochabo et al. (2017) and Mbai et al. (2022) caution that poor execution or overexpansion, especially without scale efficiency, can increase financial distress and reduce performance. Strategic balance is key.

The overall picture from this correlation matrix is that family-owned businesses benefit from strategic diversification, digital transformation, openness to innovation, and scalable growth. These elements not only influence performance individually but also interact positively, suggesting a synergistic model of business development.

4.8 Hypothesis Testing

This section presents the statistical analyses used to examine the five research hypotheses, each of which corresponds to a specific objective of the study. The investigation focused on understanding how selected strategic choices—including digital promotion, geographical diversification, open innovation, and conglomerate diversification—relate to the performance of family-owned enterprises operating within Nairobi County. In addition, the chapter explores whether firm size modifies the relationship between these strategic choices and business performance.

To evaluate these hypotheses, the study applied binary logistic regression, a technique that is particularly appropriate when the outcome variable is dichotomous. In this case, performance was treated as a binary variable, classified as either high or low. Logistic regression was selected for its robustness in estimating the probability of an event—such as favorable performance—based on categorical or continuous predictors. Its use is especially relevant in strategic research, where business outcomes often depend on discrete, organization-specific choices.

Each hypothesis was tested by analyzing three key outputs generated by the logistic model. The first, the Omnibus Test of Model Coefficients, determined whether the inclusion of the predictor variables significantly improved the model compared to one with no predictors. The second, the Model Summary, presented the Cox & Snell R^2 and Nagelkerke R^2 values, both of which measure the proportion of variance in the dependent variable that the model explains. The third output, the Variables in the Equation, displayed the regression coefficients, standard errors, Wald statistics, significance values, and odds ratios, which were used to interpret the effect, size and direction of each predictor.

Interpretation of these results emphasized the odds ratios, as they provide a practical understanding of how each strategic variable influences the likelihood of a business achieving high performance. An odds ratio greater than 1 indicates a positive relationship with performance, while a value less than 1 signals a negative association.

For the final objective, which involved testing moderation, the study did not use interaction terms due to the categorical nature of the variables. Instead, the moderating role of firm size

was assessed by comparing two multivariate models—one that excluded firm size and another that included it. Changes in explanatory power and shifts in odds ratios between the two models were used to infer whether firm size enhanced or weakened the effect of the strategic variables.

All findings are discussed in relation to established theoretical models—such as the Resource-Based View, Contingency Theory, and Strategic Choice Theory—and are supported by relevant empirical studies. This approach ensures that the analysis is not only statistically valid but also conceptually grounded and practically applicable.

4.8.1: Objective One-Influence of Digital Promotion Strategy on Performance

The first objective of this study was to determine the influence of digital promotion strategy on the performance of family-owned businesses in Nairobi County. To achieve this, a binary logistic regression model was employed to assess whether the adoption of digital promotion significantly predicts the likelihood of high business performance.

The model was chosen because the dependent variable—performance of family-owned businesses—was measured as a binary outcome (e.g., high vs. low performance). Logistic regression is appropriate for such categorical outcomes and allows for the estimation of odds ratios that reflect the likelihood of improved performance associated with digital promotion.

The results were as follows:

Table 4.18*Omnibus Test of Model Coefficients*

Step	Chi-square	Df	P-Value
Step 1	268.211	1.000	0.000
Block	268.211	1.000	0.000
Model	268.211	1.000	0.000

The Omnibus Test of Model Coefficients evaluates whether the logistic regression model with the independent variable (digital promotion strategy) provides a significantly better fit than a model without any predictors.

In this case, the test yielded a Chi-square value of 268.211, with 1 degree of freedom and a p-value $< .001$. This indicates that adding a digital promotion strategy to the model significantly improves the prediction of business performance compared to a null model (intercept only).

This result provides initial evidence that a digital promotion strategy is a meaningful predictor of performance among family-owned businesses in Nairobi County. It justifies proceeding to review model strength (Table 4.19) and coefficient interpretation (Table 4.20).

From the lens of strategic management theory, particularly the Strategic Choice Theory, the finding aligns with the idea that digital strategies — when strategically selected — can significantly shift firm outcomes by enhancing visibility, customer reach, and adaptability in turbulent markets (Child, 1972).

Table 4.19*Model Summary*

Step	-2 Log Likelihood	Cox & Snell R ²	Nagelkerke R ²
1	258.581	0.506	0.675

The model summary for logistic regression, which assesses the influence of digital promotion strategy on the performance of family-owned businesses, reveals a strong model fit. The reported -2 Log Likelihood value was 258.581, which indicates that the model with digital promotion as a predictor fits the data substantially better than a model with no predictors.

Two pseudo-R-squared values are provided: Cox & Snell R² = 0.506 and Nagelkerke R² = 0.675. While pseudo-R-squared values do not have a direct interpretation like those in linear regression, they help gauge the strength of association. In this case, the values suggest that the digital promotion strategy explains between 67.5% of the variance in the performance of family-owned businesses in Nairobi County. This level of explanatory power is considered strong in behavioral and social sciences, especially for a model with a single predictor.

These findings point to the centrality of digital promotion in enhancing organizational outcomes. They are in line with previous research by Muriuki et al. (2022), who found a strong positive effect of digital marketing on sales growth in Kenyan coffee export firms, and by Shekhar and Kandoth (2024), who emphasized the critical role of digital strategies—especially SEO, social media, and influencer marketing—in shaping the sustainability of family firms. Nuseir et al. (2023) also reported that interactive and personalized digital campaigns significantly improve firm–customer relationships and ultimately performance.

Overall, the strength of the model reinforces theoretical arguments advanced in the Strategic Choice Theory, which positions managerial decisions—such as adopting digital promotion—as pivotal to firm success. In this context, Nairobi’s family-owned enterprises that actively embrace digital tools appear more likely to outperform peers who rely on conventional marketing approaches.

Table 4.20

Variables in the Equation

Predictor	β	S.E.	Wald	df	P-Value	Odds Ratio
Digital Promotion						
Does not Exist						1.000
Exist	0.499	0.212	5.540	1	0.000	1.647

The regression coefficient (β) for digital promotion strategy is 0.499, with a standard error of 0.212, and a Wald statistic of 5.540, which is statistically significant ($p < .001$). This confirms that digital promotion is a strong and statistically significant predictor of the performance of family-owned businesses in Nairobi County.

The odds ratio is 1.647, indicating that businesses actively engaging in digital promotion are about 1.6 times more likely to report higher performance outcomes than those that do not, assuming all else remains constant. This substantial effect highlights the practical and strategic importance of embracing digital marketing approaches such as social media, online advertising, email marketing, and Search Engine Optimization (SEO).

The statistical significance and magnitude of this result echo previous studies, such as those by Nuseir et al. (2023), who emphasized the power of interactive digital strategies in enhancing customer loyalty and firm competitiveness. Similarly, Muriuki et al. (2022) demonstrated that digital promotion was a key driver of export sales among Kenyan coffee firms, while Shekhar and Kandoth (2024) noted that for family businesses, digital engagement contributes to brand equity, customer retention, and long-term survival.

These findings align closely with the Strategic Choice Theory (Child, 1972), which emphasizes that the performance of an organization is primarily shaped by the strategic decisions made by top management. Choosing to invest in digital promotion appears to be a decisive performance-enhancing action, especially in the dynamic Nairobi business environment. The results also support the Contingency Theory, where choosing to develop market share via digital platforms constitutes a low-cost, high-return growth strategy.

Taken together, this analysis underscores that digital promotion is not merely a communication tool but a transformational strategy that can dramatically improve performance outcomes for family-owned enterprises when implemented effectively.

4.8.2: Objective Two-Influence of Geographical Diversification Strategy on Performance

The second goal of the study was to investigate how implementing geographical diversification strategies affects the performance of family-owned enterprises operating in Nairobi County. To explore this relationship, a binary logistic regression analysis was conducted, focusing on whether expanding business operations into different regions or markets significantly contributes to the likelihood of achieving high organizational performance.

This statistical model was selected because the dependent variable—organizational performance—was measured as a dichotomous outcome. Logistic regression is appropriate for modeling the probability of an event occurring (in this case, superior performance) based on the presence or absence of a predictor variable (geographical diversification). The approach also enables the interpretation of results using odds ratios, which quantify the strength of association.

The analysis proceeded by examining three outputs: the Omnibus Test of Model Coefficients to assess the overall significance of the model, pseudo-R-squared values to evaluate the model's explanatory power, and the coefficients table to interpret the direction, strength, and statistical significance of the predictor variable. The results are as follows:

Table 4.21

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	262.832	1	0.000
	Block	262.832	1	0.000
	Model	262.832	1	0.000

The Omnibus Test of Model Coefficients evaluates whether the inclusion of the predictor variable significantly improves the model's ability to explain the outcome variable compared to a model with no predictors.

As presented in Table 4.21, the Chi-square value is 262.832 with 1 degree of freedom, and the associated p-value of less than .001, indicating that the model is statistically significant. This

means that the logistic regression model, which includes the predictor variable (or example geographical diversification, digital promotion, etc.), performs significantly better than the null model (intercept-only).

This strong significance level affirms that the predictor contributes meaningfully to explaining variations in performance among family-owned businesses. Similar conclusions were drawn by Tsai et al. (2019) and Mehmood et al. (2019), who found that strategic variables—such as expansion and innovation—offer clear advantages when integrated into a firm's operational framework. Their studies showed that models incorporating such strategies had better predictive power, similar to what was observed here.

Table 4.22

Model Summary

Step	−2 Log Likelihood	Cox Snell R²	& Nagelkerke R²
1	262.573	0.500	0.667

Table 4.22 presents the model's goodness-of-fit and explanatory power. The −2 Log Likelihood value of 262.573 reflects how well the model fits the data — lower values indicate better fit, and in this case, it marks a substantial improvement over the null model.

The Nagelkerke R² value of 0.667 indicates that the predictor explains 66.7% of the variation in the dependent variable (organizational performance). This shows a robust model, especially for behavioral and strategic research contexts where R² values above 0.30 are already considered robust.

This result reflects similar findings in studies such as Chu et al. (2021) and Ahmed & Simba (2019), who observed that geographic and strategic diversification can substantially enhance a model's explanatory power when predicting organizational outcomes. In particular, Sharma and Anand (2019) also noted that diversification, when properly structured, can drive high-impact improvements in firm performance metrics.

These R^2 values suggest that the strategic variable under consideration plays a substantial role in shaping business outcomes among family-owned enterprises in Nairobi County.

Table 4.23

Variables in the Equation

Variable	B	S.E.	Wald	df	p-value	Odds Ratio
Geographical Diversification						
No Geographical Diversification						1.000
There is Geographical Diversification	0.616	0.308	4.000	1	0.000	1.852

Table 4.23 displays the logistic regression coefficients for the predictor variable geographical diversification. The β coefficient is 0.616, with a standard error of 0.308, and a Wald statistic of 4, which is statistically significant at $p < .001$. These results confirm that the predictor has a significant positive influence on business performance.

The odds ratio is 1.852, indicating that family-owned businesses engaging in geographical diversification are over 1.8 times more likely to report high performance compared to those that do not, assuming all other factors remain constant.

This magnitude of effect is substantial and confirms the strategic value of expanding operations into multiple regions. These findings resonate with those of Gonzales (2021) and Subramaniam and Wasiuzzaman (2019), who emphasized that geographical spread offers firms a performance advantage by accessing diverse markets and mitigating localized risks.

Similarly, Oladimeji and Udosen (2019) observed that geographical diversification helps firms enhance their competitiveness and revenue stability, especially in volatile environments. In the context of Nairobi, where urban saturation and competition are intense, this strategy may serve as a crucial pathway for growth and sustainability among family-run enterprises.

4.8.3: Objective Three -Influence of Open Innovation Strategy on Performance

The third objective of this study was to assess the extent to which an open innovation strategy influences the performance of family-owned businesses in Nairobi County. Open innovation refers to a strategic approach where firms purposefully seek ideas, technologies, and solutions both internally and externally to accelerate innovation and improve business outcomes. This may involve collaboration with customers, suppliers, research institutions, or even competitors.

Family-owned businesses operating in fast-evolving environments such as Nairobi face increasing pressure to remain innovative and adaptable. Open innovation offers a viable pathway to achieving sustained growth and resilience through shared knowledge and co-creation of value.

To examine this relationship, a binary logistic regression model was employed. The outcome variable—organizational performance—was assessed in binary form, while open innovation served as the primary predictor. The aim was to establish whether firms that actively engage in open innovation are more likely to report better performance.

The results are presented in the following tables.

Table 4.24

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	257.643	1	0.000
	Block	257.643	1	0.000
	Model	257.643	1	0.000

The Omnibus Test of Model Coefficients examines whether the inclusion of the predictor variable—open innovation strategy—significantly improves the logistic regression model over one without any predictors.

As shown in Table 4.24, the test yields a Chi-square value of 257.643 with 1 degree of freedom and a p-value less than .001, indicating that the model is statistically significant. This confirms that incorporating open innovation meaningfully improves the prediction of performance outcomes among family-owned businesses.

These results mirror insights from Dahlander and Wallin (2020), who emphasized that open innovation fosters creative solutions and enhances adaptability in dynamic environments. Similarly, Chege and Wang (2019) found that involving external partners in innovation

significantly boosted organizational performance, particularly in firms willing to experiment and collaborate across boundaries.

Table 4.25

Model Summary

Step	−2 Log Likelihood	Cox & Snell R ²	Nagelkerke R ²
1	270.535	0.491	0.655

Table 4.25 presents the overall fit and explanatory power of the logistic regression model, including the open innovation strategy. The −2 Log Likelihood value of 270.535 indicates a strong improvement in model fit compared to a model without predictors — a lower value suggests a better-fitting model.

The Nagelkerke R² of 0.655 implies that the model explains approximately 65.5% of the variance in performance among family-owned businesses. These are substantial values in social science research, where values above 0.30 are typically considered robust.

This outcome supports findings by Juarez and Vergara (2020), who found that firms with strong technological capabilities and open innovation practices tend to outperform their peers. It also echoes the views of Smith et al. (2020) and Singh et al. (2021), who argued that organizations tapping into external knowledge sources—such as customers and suppliers—benefit from improved innovation ambidexterity and overall business outcomes.

The model summary thus confirms that open innovation contributes meaningfully to explaining why some family-owned businesses perform better than others.

Table 4.26

Variables in the Equation

Predictor	β	S.E.	Wald	df	P-Value	Odds Ratio
Open Innovation Strategy						
Don't Engage in Open Innovation Strategy						1.000
Engage in Open Innovation Strategy	0.613	0.301	4.148	1	0	1.846

Table 4.26 presents the logistic regression output for the open innovation strategy variable. The coefficient (β) is 0.613, with a standard error of 0.301. The Wald statistic of 4.148 and a p-value of .000 indicate that the predictor is statistically significant.

The odds ratio is 1.846, suggesting that family-owned businesses engaging in open innovation are approximately 1.85 times more likely to report higher performance outcomes than those that do not — holding all other variables constant.

This reinforces the strategic role of open innovation in driving business outcomes, particularly in highly competitive and rapidly evolving markets like Nairobi. Studies such as Chege and Wang (2019) and Bigliardi et al. (2021) have demonstrated that firms that open up their innovation processes to external collaboration tend to achieve superior results. Likewise, Singh et al. (2021) observed that open innovation improves a firm's ability to balance exploratory and exploitative innovation — a capability linked to stronger business performance.

These results support the growing argument that openness in innovation is no longer optional, but a strategic imperative for sustained growth in modern enterprises.

4.8.4: Objective Four-Influence of Conglomerate Diversification Strategy on Performance

The fourth objective of this study was to determine how conglomerate diversification strategy influences the performance of family-owned businesses in Nairobi County. Conglomerate diversification refers to a growth strategy where a firm expands its operations into entirely unrelated business sectors. Unlike product or market based diversification, this approach enables firms to spread risk by operating in distinct industries, often with minimal operational linkages.

For family-owned businesses in dynamic urban economies like Nairobi, conglomerate diversification can be both a challenge and an opportunity. While it requires considerable managerial capability and financial investment, it can offer a cushion against sector-specific downturn and increase income stability through unrelated revenue streams.

To assess this relationship, the study employed a binary logistic regression model with organizational performance as the dependent variable and conglomerate diversification as the independent variable. The objective was to determine whether businesses that pursue this strategy are more likely to exhibit higher performance outcomes than those that do not.

The results are presented in the following tables.

Table 4.27*Omnibus Tests of Model Coefficients*

		Chi-square	df	Sig.
Step 1	Step	162.598	1	0.000
	Block	162.598	1	0.000
	Model	162.598	1	0.000

The Omnibus Test of Model Coefficients is used to evaluate whether the predictor variable, in this case, the conglomerate diversification strategy significantly improves the model's ability to predict business performance compared to a baseline model with no predictors.

As shown in Table 4.27, the Chi-square value is 162.598 with 1 degree of freedom, and the model is statistically significant at $p < .001$. This result implies that incorporating conglomerate diversification significantly enhances the model's fit, suggesting that this strategy plays a vital role in determining the performance of family-owned businesses.

These findings are consistent with studies by Grant (2016) and Marimuthu & Ramayah (2020), which observed that conglomerate diversification when managed with strategic coherence can yield performance gains through risk spreading, cross-industry resource leveraging, and economies of scale. Additionally, Owusu and Addo (2021) found that family enterprises pursuing diversified investments across unrelated sectors often achieve enhanced stability and long-term financial returns.

Table 4.28*Model Summary*

Step	–2 Log Likelihood	Cox & Snell R ²	Nagelkerke R ²
1	365.580	0.347	0.463

Table 4.28 presents the overall fit and explanatory power of the logistic regression model assessing the relationship between conglomerate diversification strategy and firm performance. The –2 Log Likelihood value of 365.580 indicates the extent to which the model improves over a null (intercept-only) model, with lower values reflecting better model fit.

The Nagelkerke R² value of 0.463 shows that the predictor accounts for 46.3% of the variability in performance outcomes. These values indicate a moderately strong model—particularly relevant in strategic management and behavioral research contexts, where a single factor rarely explains complex phenomena.

This finding aligns with the work of Ansoff (1987) and more recent studies like Marimuthu and Ramayah (2020) and Muigai and Gachunga (2021), who argue that conglomerate diversification enables firms to enhance resilience and profitability by operating in unrelated industries. In the context of family-owned businesses, such diversification can provide operational buffers, long-term investment options, and access to unrelated revenue channels—contributing to performance stability.

Table 4.29*Logistic Regression Coefficients – Conglomerate Diversification Strategy*

Predictor	B	S.E.	Wald	Df	p-value	Odds Ratio
Conglomerate Diversification Strategy						
No engagement in conglomerate diversification						1.000
There is engagement in conglomerate diversification	0.267	0.135	93.131	1	0.000	1.306

Table 4.29 presents the logistic regression coefficients for the conglomerate diversification strategy. The regression coefficient (β) is 0.267, with a standard error of 0.135, and a Wald statistic of 93.131. The model is statistically significant at $p < .001$, indicating that the predictor significantly contributes to explaining variations in business performance.

The odds ratio is 1.306, suggesting that family-owned businesses that engage in conglomerate diversification are approximately 1.31 times more likely to report improved performance compared to those that do not. While this is a moderate effect size, it still reflects a meaningful association.

This finding is consistent with previous literature. Grant (2016) emphasized that unrelated diversification allows firms to spread risk and capitalize on different industry cycles. Similarly, Olayemi and Adebayo (2021) noted that family businesses with diversified portfolios are better positioned to sustain profits during sectoral downturns. Though conglomerate strategies may introduce managerial complexity, when executed strategically, they can yield long-term performance benefits.

4.8.5: Objective Five- Moderating Role of Firm Size

The fifth objective of this study was to determine whether firm size moderates the relationship between strategic choices and the performance of family-owned businesses in Nairobi County. While the individual effects of strategic initiatives such as digital promotion, geographical diversification, open innovation, and conglomerate diversification have been established, their effectiveness may not be uniform across all firms. Theoretical perspectives, such as contingency theory, posit that the success of strategic actions depends on organizational context, including structural dimensions like firm size. Larger firms often benefit from economies of scale, broader resource pools, and formalized management systems, which can enhance the execution and outcomes of strategic initiatives. In contrast, smaller firms may exhibit greater agility and lower overheads but may lack the structural capacity to exploit complex or resource-intensive strategies fully.

Firm size has also been recognized in the literature as a contextual variable that shapes access to technology, innovation capacity, and market reach. Recent empirical work (Kraus et al. (2022), Martin and Bach (2023) highlight that the relationship between strategic behavior and performance is often conditioned by firm characteristics, with size being one of the most salient. As such, evaluating whether the performance benefits of selected strategic choices vary across firms of different sizes is essential for contextualizing strategic management within family-owned enterprises.

To address this objective, logistic regression models were employed in stages. First, the direct effect of firm size on performance was assessed. Second, a multivariate model excluding firm size was estimated to establish the baseline effects of the four strategic choices. Lastly, firm

size was incorporated into the multivariate model to examine how its inclusion influenced the strength and significance of the strategic variables. This stepwise approach provided a practical and theoretically grounded means of testing the moderating influence of firm size without the need for multiplicative interaction terms, which may be inappropriate when both predictors are binary. The results are presented in the following tables.

Table 4. 30

Omnibus Test of Model Coefficients – Effect of Firm Size on Performance

		Chi-square	Df	Sig.
Step 1	Step	242.627	1	0.000
	Block	242.627	1	0.000
	Model	242.627	1	0.000

The Omnibus Test of Model Coefficients evaluates whether the inclusion of the predictor variable (firm size) significantly improves the model compared to a model with no predictors. As shown in Table 4.30, the model yielded a Chi-square statistic of 242.627 ($df = 1$, $p < .001$), indicating that firm size contributes significantly to explaining the variation in business performance.

This result supports the theoretical proposition that organizational structure and scale influence a firm's ability to implement and benefit from strategic choices. Larger firms often benefit from enhanced access to capital, more diverse talent, and formalized governance structures—all of which can contribute to higher performance outcomes (Kraus et al., 2022; Zhou et al., 2022). In contrast, smaller firms may lack the organizational slack or systemic capabilities to convert strategic intent into measurable gains.

The significance of this result justifies the inclusion of firm size in subsequent multivariate models, where its potential as a contextual moderator will be further evaluated through changes in the explanatory power and odds ratios of strategic predictors.

Table 4.31

Model Summary – Effect of Firm Size on Performance

Step	-2 Log Likelihood	Cox & Snell R²	Nagelkerke R²
1	285.551	0.471	0.628

The model summary statistics indicate that firm size, when entered alone into the logistic regression model, explains a substantial proportion of the variance in performance outcomes. The Nagelkerke R² value of 0.628 suggests that firm size accounts for approximately 62.8% of the variation in the likelihood of achieving high performance among family-owned businesses. This is considered a large effect size in logistic regression contexts, implying that firm size is a powerful standalone predictor.

This result reinforces theoretical arguments in organizational studies that firm size functions as a proxy for internal capacity, strategic flexibility, and resilience (Wrede et al., 2020). Larger firms typically have superior access to financing, formalized processes, and economies of scale, which can be leveraged to support strategic execution and performance sustainability. In contrast, smaller firms may operate under tighter resource constraints, limiting their ability to convert strategic choices into outcomes, even when such strategies are theoretically sound.

This strong explanatory power warrants the inclusion of firm size in subsequent multivariate models to determine whether its presence alters the strength or significance of strategic variables in explaining performance.

Table 4.32

Logistic Regression Coefficients – Effect of Firm Size on Performance

Predictor	B	S.E.	Wald	Df	p-value	Odds Ratio
Firm Size						
Small						1.000
Large	2.218	0.186	141.952	1	0.000	9.187

As shown in Table 4.32, firm size is a statistically significant predictor of business performance ($p < .001$). The positive coefficient ($\beta = 2.218$) and an odds ratio of 9.187 indicate that larger family-owned firms are approximately 9.2 times more likely to report high performance compared to smaller firms.

This substantial effect highlights the pivotal role of organizational scale in enabling strategic implementation and competitive advantage. Larger firms often enjoy enhanced operational capabilities, financial resources, and managerial expertise, which together create a favorable environment for strategic initiatives to succeed. These firms can invest more heavily in technology, develop deeper supply chain linkages, and scale operations to respond to market demand conditions that facilitate superior performance outcomes (Martin & Bach, 2023; Zhou et al., 2022).

The result aligns with resource-based and contingency perspectives in strategic management, which assert that the effectiveness of business strategies is contingent upon internal capacities. In family-owned firms where decision-making is often centralized and growth capital may be

constrained, firm size may reflect maturity, resource accumulation, and organizational legitimacy, all of which contribute to higher performance potential.

This strong predictive relationship justifies the inclusion of firm size in subsequent multivariate analyses and supports its evaluation as a potential moderator of the link between strategy and performance.

4.9 Multivariate Logistic Regression Analysis

Following the individual assessment of each strategic variable, a multivariate logistic regression model was conducted to examine the combined influence of multiple diversification and innovation strategies on the performance of family-owned businesses in Nairobi County. This analytical approach enables simultaneous evaluation of all predictor variables while controlling their shared effects, providing a more accurate and comprehensive understanding of their unique contributions to business performance.

In this model, the dependent variable (organizational performance) was retained in binary form (for example high vs. low), while four independent variables were entered concurrently: digital promotion strategy, geographical diversification strategy, open innovation strategy and conglomerate diversification strategy.

By considering all strategies within a single model, this analysis aimed to identify the most influential predictors of performance while minimizing omitted variable bias. It also enabled

detection of potential suppressor effects, multicollinearity concerns, or redundancy between predictors, issues that are often overlooked in bivariate analyses.

The results are presented in the following tables.

Table 4.33

Omnibus Test of Model Coefficients

Step	Chi-square	Df	Sig.
1	320.144	4	.000

Table 4.33 presents the Omnibus Test of Model Coefficients for the multivariate logistic regression model assessing the joint influence of four strategic variables on organizational performance. The model yields a Chi-square value of 320.144 with 4 degrees of freedom, and the result is statistically significant at $p < .001$.

This indicates that the whole model, which includes digital promotion, geographical diversification, open innovation, and conglomerate diversification strategies, provides a significantly better fit to the data than a model without any predictors. In other words, at least one of the included strategies contributes meaningfully to the prediction of performance outcomes.

These results are consistent with research by Alonso et al. (2020) and Fatoki (2021), who emphasized the importance of integrating multiple strategic capabilities for optimal business performance, particularly in SMEs and family-owned enterprises operating in emerging markets.

Table 4.34*Model Summary*

Step	–2 Log Likelihood	Cox & Snell R²	Nagelkerke R²
1	203.876	0.571	0.762

Table 4.34 shows the model summary statistics, providing insights into the goodness-of-fit and explanatory power of the multivariate logistic regression model. The –2 Log Likelihood value of 203.876 indicates an improved model fit compared to the baseline model with no predictors.

The Nagelkerke R² value of 0.762 suggests that the strategic predictors jointly explain 76.2% of the variation in business performance. These are notably high values in behavioral and strategic research, where multifactor models often yield R² values well below 0.50.

This result reinforces findings by Cheng et al. (2021) and Teece (2018), who emphasized the value of integrated strategic frameworks in predicting firm outcomes. The combination of diversification and innovation strategies appears to provide a strong explanatory foundation for understanding why some family-owned businesses outperform others.

Table 4.3 5*Multivariate Logistic Regression Results*

Predictor	B	S.E.	Wald	Df	p-value	Odds Ratio
Digital Promotion Strategy						
Does not Exist						1.000
Exist	0.834	0.327	6.512	1	0.011	2.302
Geographical Diversification¹						
No Geographical Diversification						1.000
There is Geographical Diversification	1.525	0.384	15.791	1	0.000	4.596
Open Innovation Strategy						
Don't Engage In Open Innovation Strategy						1.000
Engage in Open Innovation Strategy	1.475	0.388	14.464	1	0.000	4.370
Conglomerate Diversification Strategy¹						
No engagement in conglomerate diversification						1.000
There is engagement in conglomerate diversification	0.038	0.335	0.013	1	0.910	1.039

Table 4.35 presents the multivariate logistic regression results, which quantify the joint and independent effects of four strategic variables—digital promotion, geographical diversification, open innovation, and conglomerate diversification on the performance of family-owned businesses. The findings highlight varying levels of influence among these strategies, providing empirical evidence for strategic prioritization in resource-constrained family business contexts.

Digital promotion strategy had a statistically significant positive relationship with business performance ($\beta = 0.834$, $p = .011$), with an odds ratio of 2.302. This indicates that businesses that leverage digital promotional tools such as search engine optimization (SEO), social media advertising, and email marketing are more than twice as likely to report improved performance.

Recent studies support this outcome, affirming that digital promotion enables firms to expand market reach, personalize customer engagement, and generate real-time feedback for strategic adjustment (Kraus et al., 2022; Nambisan et al., 2019). In the context of family-owned enterprises, digital promotion also enhances visibility and competitiveness without the high costs associated with traditional marketing methods.

Geographical diversification yielded the highest effect size in the model ($\beta = 1.525$, $p < .001$), with an odds ratio of 4.596, suggesting that firms operating in more than one geographic area are over 4.5 times more likely to achieve superior performance outcomes. This finding aligns with the conclusions of Wrede, Velamuri, and Dauth (2020), who found that regional diversification allows firms to spread market risk, exploit spatial variations in demand, and stabilize revenue flows. For family firms in emerging markets, where regulatory and economic instability is more common, geographical diversification provides a strategic buffer against location-specific disruptions while opening access to new customer segments and operational efficiencies.

Open innovation strategy also demonstrated a strong and statistically significant influence on performance ($\beta = 1.475$, $p < .001$; $\text{Exp}(B) = 4.370$), indicating that firms practicing open innovation are over four times more likely to perform well compared to those that do not. This result supports the assertion that knowledge-sharing alliances, co-creation with customers, and partnerships with external stakeholders significantly enhance strategic adaptability and innovation output (Bogers et al., 2019; Rauter et al., 2021). In the specific context of family-owned businesses, open innovation is particularly valuable as it compensates for limitations in

internal research capacity and injects new capabilities without incurring high capital costs. The result also reflects growing evidence that externally sourced knowledge facilitates dynamic capability development, thereby fostering long-term firm survival in competitive environments.

In contrast, the conglomerate diversification strategy did not have a statistically significant effect on performance ($\beta = 0.038$, $p = .910$). The odds ratio of 1.039 indicates that engaging in unrelated business activities neither increases nor reduces the likelihood of enhanced performance. This finding resonates with more recent empirical critiques of unrelated diversification, particularly in smaller or informally structured firms, where such strategies tend to fragment managerial attention and dilute strategic focus (Martin & Bach, 2023; Zhou et al., 2022). The lack of significance suggests that, without robust coordination mechanisms or synergies across business units, conglomerate expansion may not yield meaningful returns. In family-owned businesses, where succession planning, governance formalization, and capital access may be constrained, the inefficiencies of managing disparate business lines can outweigh potential diversification benefits.

In sum, the results provide compelling evidence that performance outcomes in family-owned enterprises are significantly shaped by strategic focus on digital transformation, geographic scaling, and innovation collaboration. These three strategies offer complementary pathways to competitive advantage by enabling adaptability, market reach, and operational efficiency. Conversely, conglomerate diversification may be an ineffective strategy for firms lacking the managerial and structural capacity to integrate unrelated activities. These findings underscore the importance of strategic coherence and capability alignment in diversification decisions,

particularly in the complex and resource-sensitive environments characteristic of family-owned businesses in developing economies.

4.9.1 Multivariate Logistic Regression Results for Strategic Choices and Performance

Including Firm Size

In this phase of analysis, firm size is introduced into the multivariate logistic regression model alongside the four strategic choices—digital promotion, geographical diversification, open innovation, and conglomerate diversification. The objective is to evaluate whether the inclusion of firm size alters the strength or significance of the strategic predictors, thereby providing insight into its potential moderating effect. By comparing changes in odds ratios and explanatory power between this model and the previous one, the analysis offers an indirect but robust method of assessing whether firm size amplifies or dampens the influence of strategic choices on performance in family-owned businesses. The results are presented in the following tables.

Table 4.36

Omnibus Test of Model Coefficients – Strategic Choices and Firm Size

Step	Chi-square	Df	Sig.
Step 1	323.85	5	0.000
Block	323.85	5	0.000
Model	323.85	5	0.000

The Omnibus Test of Model Coefficients indicates that the logistic regression model incorporating four strategic choices and firm size is statistically significant ($\chi^2 = 323.850$, $df = 5$, $p < .001$). This implies that the combined predictors provide a significantly better fit than a model without any predictors.

The improvement in chi-square value compared to the previous model (Table 4.33: $\chi^2 = 320.144$) is modest but suggests that adding firm size contributes additional explanatory power, justifying its inclusion in the analysis.

Table 4.37

Model Summary – Strategic Choices and Firm Size

Step	-2 Log Likelihood	Cox & Snell R ²	Nagelkerke R ²
1	200.169	0.575	0.767

The model summary for the logistic regression that includes both strategic choices and firm size shows a Nagelkerke R² of 0.767, indicating that approximately 76.7% of the variance in performance among family-owned businesses is explained by this set of predictors. This represents a slight increase from the model excluding firm size (Nagelkerke R² = 0.762), implying that firm size contributes additional explanatory power beyond the strategic variables alone.

Although the improvement is marginal, it supports the theoretical argument that organizational characteristics such as size shape the context in which strategic decisions are executed. The gain in explanatory strength, when interpreted alongside shifts in odds ratios in the next table, will provide further insight into the moderating influence of firm size.

Table 4.38*Logistic Regression Coefficients – Strategic Choices and Firm Size*

Predictor	B	S.E.	Wald	df	p-value	Odds Ratio
Digital Promotion Strategy						
Does not Exist						1.000
Exist	0.433	0.403	1.154	1	0.283	1.542
Geographical Diversification¹						
No Geographical Diversification						1.000
There is Geographical Diversification	1.529	0.397	14.861	1	0.000	4.612
Open Innovation Strategy						
Don't Engage In Open Innovation Strategy						1.000
Engage in Open Innovation Strategy	1.382	0.402	11.846	1	0.001	3.985
Conglomerate Diversification Strategy¹						
No engagement in conglomerate diversification						1.000
There is engagement in conglomerate diversification	-0.254	0.376	0.457	1	0.499	0.776
Firm Size						
Small						1.000
Large	0.669	0.350	3.650	1	0.041	1.953

The results from the multivariate logistic regression model incorporating both strategic choices and firm size are presented in Table 4.38. After controlling for the effects of the four strategic predictors, firm size emerged as a statistically significant determinant of performance among family-owned businesses in Nairobi County ($\beta = 0.669$, $SE = 0.350$, $Wald = 3.650$, $p = .041$, $Exp(B) = 1.953$). This suggests that, holding other variables constant, larger firms were approximately 1.95 times more likely to report superior performance outcomes compared to smaller firms. The significance of this variable validates prior assertions that organizational

scale plays a crucial role in shaping a firm's ability to translate strategic initiatives into measurable outcomes (Martin & Bach, 2023; Wrede et al., 2020).

The inclusion of firm size led to a nuanced shift in the explanatory dynamics of the model. Notably, digital promotion, which had shown a statistically significant association with performance in the previous model ($p = .011$; $\text{Exp}(B) = 2.302$), became non-significant when firm size was added ($p = .283$; $\text{Exp}(B) = 1.542$). This attenuation suggests that a portion of the digital promotion effect may be indirectly explained by firm size, possibly because larger firms have a greater capacity to invest in and implement digital marketing strategies. In contrast, geographical diversification remained a strong and statistically significant predictor ($\beta = 1.529$, $p < .001$, $\text{Exp}(B) = 4.612$), reaffirming that expanding into multiple regional markets enhances performance independent of firm scale. Similarly, open innovation strategy retained significance ($\beta = 1.382$, $p = .001$, $\text{Exp}(B) = 3.985$), although its odds ratio declined slightly compared to the previous model, suggesting a partial interaction with firm size.

Conglomerate diversification, on the other hand, continued to demonstrate no significant association with performance ($p = .499$; $\text{Exp}(B) = 0.776$), and its negative coefficient implies that engaging in unrelated business lines may dilute organizational focus or stretch managerial resources, particularly in contexts where firms lack the capacity to coordinate diverse portfolios effectively.

The improvement in overall model fit, as evidenced by the increase in Nagelkerke R^2 from 0.762 (Step 2) to 0.767 (Step 3), further supports the inclusion of firm size as a meaningful

explanatory variable. This marginal increase, alongside the observed shifts in effect sizes and significance levels, substantiates the argument that firm size acts as a contextual amplifier—not merely influencing performance directly, but also shaping the efficacy of strategic decisions. This is consistent with contingency theory, which posits that strategic outcomes are contingent upon firm-specific contextual factors (Donaldson, 2001), and with resource-based theory, which emphasizes that larger firms often possess superior assets, processes, and capabilities that enable more effective execution of strategic initiatives (Barney, 1991; Kraus et al., 2022).

In sum, the inclusion of firm size not only enhances the explanatory power of the model but also reveals the differentiated impact it exerts across various strategic dimensions. The findings emphasize the importance of aligning strategic planning with organizational structure, and they underscore the need for nuanced strategic formulation in family-owned businesses, where firm size can either constrain or magnify strategic returns.

4.10 Summary of Hypotheses Testing

This section distills the outcomes of hypothesis testing aligned with the five research objectives. The analysis applied binary logistic regression to determine how various strategic decisions influence the likelihood of superior performance among family-owned businesses operating in Nairobi County. The final objective further explored whether firm size alters these relationships, thereby introducing a contextual dimension into the strategic analysis.

The first hypothesis explored the role of digital promotion strategies in shaping firm performance. The statistical results affirmed this relationship, revealing that businesses

implementing digital tools such as online advertising, social media marketing, and other web-based approaches had significantly increased chances of achieving stronger performance outcomes. The reported odds ratio of 1.647 ($p < .001$) suggested that firms utilizing digital promotion were over 1.6 times more likely to perform well compared to those that did not. This underlines the strategic importance of digital transformation, particularly in urban, customer-driven markets.

The second hypothesis assessed the impact of geographical diversification. The findings demonstrated a substantial and statistically significant relationship between regional expansion and firm performance. With an odds ratio of 1.852 ($p < .001$), firms that expanded into new localities were found to have a performance advantage compared to firms operating in a single location. These results support the view that diversification across regions reduces environmental risk, improves market access, and facilitates resource spread.

The third hypothesis addressed the contribution of open innovation strategies to business performance. The regression results supported the hypothesis, with an odds ratio of 1.846 ($p < .001$). This indicates that businesses embracing open innovation such as co-developing solutions with external actors or engaging stakeholders in ideation nearly doubled their odds of high performance. The result supports the growing body of evidence that collaborative approaches to innovation help firms respond flexibly to change and tap into knowledge beyond organizational boundaries.

The fourth hypothesis examined conglomerate diversification. While the initial model reported a small positive effect ($\text{Exp}(B) = 1.306$), this relationship was not statistically robust in the multivariate model. After controlling for other strategic variables, the effect turned negative suggesting that expanding into unrelated sectors may not consistently enhance performance. This may reflect difficulties in managing complex operations or aligning unrelated ventures with core competencies, particularly in family-owned business structures.

The fifth and final hypothesis evaluated whether firm size influences the strength of the relationship between strategy and performance. This was investigated by comparing two multivariate models—one without firm size and another including it. The model incorporating firm size showed a modest increase in explanatory power (Nagelkerke R^2 increased from 0.762 to 0.767) and subtle shifts in the magnitude and significance of key predictors. Specifically, digital promotion lost significance ($p = .283$) when firm size was accounted for, while geographical diversification and open innovation retained their relevance. Firm size itself was statistically significant ($\text{Exp}(B) = 1.953$, $p = .041$), indicating that larger firms were nearly twice as likely to report better performance outcomes. These changes imply that firm size does not merely influence performance directly but may also alter how effective specific strategies are within a firm's operational context.

In conclusion, four of the five tested hypotheses were statistically supported. Strategic decisions related to digital promotion, geographical expansion, and open innovation demonstrated strong and consistent associations with organizational performance. Conglomerate diversification yielded mixed and inconclusive results. Firm size was confirmed as an essential contextual

variable that can either amplify or moderate the effectiveness of specific strategic choices. These findings provide evidence that both strategy and structure must be considered in tandem when assessing what drives competitive performance in family-run enterprises.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary, conclusions, recommendations, and key implications of the study. The chapter ends with the conclusions, key implications drawn from the survey, followed by recommendations and suggestions for further research.

5.2 Summary of the Findings

5.2.1 Digital Promotion Strategy and Performance of Family-Owned Businesses in Nairobi County

The study's findings on digital promotion strategy and the performance of family-owned businesses in Nairobi County provide valuable insights into the factors influencing enterprise success in a dynamic business environment.

The study revealed that a digital promotion strategy strongly and significantly predicts the probability of attaining competitive performance among family-owned businesses in Nairobi County. Digital promotion refers to the marketing of products and services using digital technologies, primarily on the internet, but also through mobile telephones, display advertising, and other digital media. Business that adopts digital promotion are likely to reach a wider customer network, increase sales, enhance visibility, and grow sustainably (Oktaviani & Rustandi, 2018).

The positive relations found suggest that businesses focusing more on digital promotion strategies, such as social media, online advertising, email marketing, and Search Engine Optimization (SEO), are more likely to report higher performance outcomes. The findings

concur with previous studies highlighting digital promotion strategy as a critical driver of performance of family-owned businesses.

Contrary to expectations, firm size did not moderate the association between digital promotion and performance of family-owned businesses significantly. Firm size reflects the employee count, revenue, assets, market reach, and generational involvement in the context of family-owned business (Olawale et al., 2017). The non-significant moderating effect implies that the influence of digital promotion is consistent across varying levels of firm sizes. Put simply, business size does not significantly alter the influence of digital promotion, suggesting consistent performance benefits for family businesses regardless of their operational scale. The non-significant moderating effect contrasts with prior studies linking firm size to performance outcomes Almashhadani and Almashhadani, (2022), Hindasah et al. (2021), Pascale (2018) yet aligns with Onngam and Charoensukmongkol (2024), who found smaller firms outperform larger ones in digital agility contexts.

The findings hold several implications for practice among family-owned businesses in Nairobi County and other locations. Family-owned businesses should prioritize digital promotion as a core performance strategy. They should leverage tools like SEO, email marketing, and social media to enhance visibility, customer engagement, and sales significantly. The consistent performance benefits across firm sizes suggest that even small enterprises can compete effectively by adopting digital channels to reach broader markets and sustain long-term performance outcomes.

Digital promotion should be integrated into the overall strategic framework of family-owned businesses. This is achieved by aligning digital efforts with business goals, effectively

allocating resources, and continuously evaluating digital performance. Strategic integration ensures that digital tools are not used in isolation but contribute meaningfully to competitiveness, operational efficiency, and adaptability in dynamic business environments that family businesses are currently encountering.

Given that firm size does not significantly influence digital promotion effectiveness, family-owned businesses should focus on selecting platforms that best match their target audience and engagement goals. Smaller firms can benefit from agile digital strategies by choosing cost-effective platforms and tailoring content to maximize reach, customer interaction, and brand loyalty without being constrained by scale.

The study shows digital promotion benefits are consistent across firm sizes, suggesting even small family businesses can compete effectively online. Owners should not view size as a barrier but instead focus on maximizing digital agility, leveraging cost-effective tools, and building capacity to execute impactful digital strategies regardless of operational scale.

5.2.2 Geographical Diversification Strategy and Performance of Family-Owned Businesses in Nairobi County

The findings of the study concerning geographical diversification strategy and its influence on the performance of family-owned businesses in Nairobi County offer valuable insight into its implications in a competitive business environment.

The findings identified geographical diversification strategy as a significant predictor of the performance of family-owned businesses in Nairobi County. Geographical diversification refers to the situation where businesses have assets in various locations and regions so as to reduce risks associated with one market (Gonzales, 2021). Businesses adopting a geographical

diversification strategy have the capacity to improve their value through an increase in scale and scope of economies, cost reduction, corporate governance improvement, and gains in synergy (Sharma & Anand, 2019).

The observed positive relationship indicated that as businesses strengthen their geographical diversification strategy through initiatives like economies of scale, risk diversification, efficiency, expansion, and innovation, the likelihood of achieving competitive performance increases. These findings concur with Gonzales (2021) and Subramaniam and Wasiuzzaman (2019), who emphasized that geographical spread offers firms a performance advantage by accessing diverse markets and mitigating localized risks.

Firm size exhibited a strong and statistically significant association between geographical diversification strategy and performance of family-owned businesses in Nairobi County. The significant moderating effect suggests that the influence of a geographical diversification strategy, through expanding into multiple regional markets, enhances performance independent of firm scale. The findings contrast with prior studies linking firm size to performance outcomes (Almashhadani & Almashhadani, 2022; Hindasah et al., 2021; Pascale, 2018).

These findings have several practical implications for family-owned businesses in Nairobi County and other locations. Family-owned businesses should actively pursue geographical diversification to reduce market-specific risks and enhance resilience. They should embrace strategic expansion into multiple regions to tap into varied customer bases, stabilize revenue streams, and mitigate the impact of localized economic downturns, ultimately strengthening overall performance and long-term sustainability.

Strategic expansion into new geographic markets should be guided by thorough market research and alignment with business capabilities. Family-owned enterprises can benefit from increased economies of scale, improved resource utilization, and broader brand recognition, provided expansion efforts are well-coordinated and supported by adequate operational and managerial infrastructure. Geographical diversification can foster innovation by exposing businesses to diverse consumer needs, competitive landscapes, and regulatory environments. Family-owned businesses should leverage regional differences to develop new products, refine services, and adopt best practices, thereby enhancing adaptability and driving performance in dynamic and competitive markets.

The findings suggest that geographical diversification may benefit even small family businesses. Small and large firms alike can reduce exposure to single-market risks by spreading operations across regions. Owners should focus on building strategic capacity to manage diverse portfolios effectively, ensuring consistent performance across varying market conditions.

5.2.3 Open Innovation Strategy and Performance of Family-Owned Businesses in Nairobi County

The research findings regarding open innovation strategy and its influence on the performance of family-owned businesses in Nairobi County provide valuable insights into strategic choices within the family business context.

An open innovation strategy was identified as a positive and significant predictor of the performance of family-owned businesses in Nairobi County. Open innovation involves leveraging external ideas, partnerships, and technologies to enhance growth, adaptability, and

competitive advantage in businesses (Singh et al., 2021). Businesses engaging in an open innovation strategy seek to strengthen their competitive edge through collaboration, knowledge sharing, and external idea integration (Smith et al., 2020).

The findings that open innovation strategy is a positive and significant predictor of performance in family-owned businesses in Nairobi County indicate that businesses embracing open innovation, such as co-developing solutions with external actors or engaging stakeholders in ideation, nearly doubled their odds of high performance. The result supports the assertion by Juarez and Vergara (2020), who found that firms with strong technological capabilities and open innovation practices tend to outperform their peers.

Firm size showed a strong and statistically significant association between open innovation strategy and performance of family-owned businesses in Nairobi County. The significant moderating effect suggests that larger family-owned businesses may leverage open innovation more effectively to boost performance through enhanced product development, cost efficiency, and innovation speed. The findings agree with existing literature, confirming firm size significantly influences governance, financial performance, and debt levels (Almashhadani & Almashhadani, 2022; Hindasah et al., 2021; Pascale, 2018).

These findings have several practical implications for family-owned businesses in Nairobi County and other locations. Family-owned businesses should prioritize open innovation by actively seeking external collaborations, partnerships, and knowledge-sharing opportunities. The practice of engaging with external stakeholders should foster creativity, accelerate problem-solving, and enhance adaptability, ultimately driving competitive performance. Open

innovation enables businesses to tap into broader expertise and market insights beyond internal capabilities.

Open innovation facilitates faster and more effective new product development. Family-owned businesses should co-create with external stakeholders such as suppliers, customers, and research institutions to generate innovative solutions. This approach increases the likelihood of market-relevant products, reduces development costs, and improves time-to-market, enhancing overall business performance.

To fully benefit from open innovation, family-owned businesses must invest in innovation infrastructure, including digital platforms, R&D capabilities, and collaborative tools. Building internal systems that support external idea integration should ensure smoother implementation, better coordination, and sustained innovation outcomes across product lines and operational processes.

Larger family-owned businesses should scale open innovation more effectively due to greater resources, broader networks, and stronger governance structures. Likewise, smaller family-owned businesses should leverage agility and niche expertise to implement targeted open innovation initiatives and superior performance. These firms should leverage their size to institutionalize innovation practices, accelerate product development, and enhance cost efficiency, thereby maximizing the performance impact of open innovation strategies.

5.2.4 Conglomerate Diversification Strategy and Performance of Family-Owned Businesses in Nairobi County

The study's findings on conglomerate diversification strategy and the performance of family-owned businesses in Nairobi County provide critical insights into the factors influencing business success in a dynamic and competitive world.

The study revealed that the conglomerate diversification strategy had a small positive effect on the performance of family-owned businesses in Nairobi County. Conglomerate diversification refers to a growth strategy where a firm expands its operations into entirely unrelated business sectors (Muigai & Gachunga, 2021). Businesses engaging in a conglomerate diversification strategy are more likely to spread risk by operating in distinct industries, often with minimal operational linkages (Olayemi & Adebayo, 2021).

The moderate relations found suggest that family-owned businesses that engage in conglomerate diversification have a mixed probability of reporting improved performance compared to those that do not. This finding aligns with literature showing unrelated diversification helps firms manage risk, stabilize profits across industries, and achieve long-term gains despite potential managerial challenges (Grant, 2016; Olayemi & Adebayo, 2021).

Contrary to expectations, firm size did not significantly moderate the association between conglomerate diversification strategy and performance of family-owned businesses. The non-significant moderating effect implies that engaging in unrelated business lines may dilute organizational focus or stretch managerial resources, particularly in contexts where firms lack the capacity to coordinate diverse portfolios effectively. This implies that family-owned businesses should cautiously approach conglomerate diversification, ensuring they possess

adequate managerial capacity and strategic coordination to avoid diluted focus and potential underperformance across unrelated business segments. The findings partially agree with the literature, acknowledging that firm size enhances governance and financial performance; Almashhadani and Almashhadani (2022), Hindasah et al. (2021), yet warns that diversification may strain managerial capacity in family-owned businesses lacking structural coordination.

The findings hold several implications for practice among family-owned businesses in Nairobi County and other locations. Family-owned businesses pursuing conglomerate diversification must strengthen corporate governance frameworks to manage complexity across unrelated sectors. Clear oversight structures, accountability mechanisms, and strategic leadership are essential to prevent misalignment and inefficiencies. Strong governance ensures coordinated decision-making, risk management, and performance monitoring across diversified operations, supporting long-term business sustainability and stakeholder confidence.

Family-owned businesses should approach conglomerate diversification cautiously. While it offers risk-spreading benefits, entering unrelated sectors may dilute strategic focus and strain managerial capacity. Success depends on having robust coordination mechanisms and leadership capable of managing diverse operations without compromising core business performance or long-term sustainability.

Engaging in conglomerate diversification can impact brand image, especially if new ventures differ significantly from the core business identity. Family-owned businesses must maintain consistent brand messaging and values across sectors to avoid confusion and reputational dilution. Strategic branding efforts should reinforce trust, authenticity, and coherence, ensuring diversified growth does not compromise public perception or customer loyalty.

Prior to embracing conglomerate diversification, family-owned businesses must invest in strengthening managerial capacity. This includes developing leadership skills, enhancing governance structures, and implementing systems to manage complexity. Without adequate oversight and strategic alignment, diversification into unrelated sectors may lead to inefficiencies and underperformance across family business units.

5.2.5 Strategic Choices, Firm Size and Performance of Family-Owned Businesses in

Nairobi County

The findings on the relationship between strategic choices and performance of family-owned businesses in Nairobi County, with family size as the moderator, offer valuable insights into business strategy and performance within this context.

The study identified strategic choices as a critical predictor of the performance of family-owned businesses in Nairobi County. Strategic choices refer to the process by which people with power in the organization decide upon the strategic actions to be taken by the firm (Harney, 2016). The strategic choices include strategies like digital promotion, geographical diversification, open innovation, and conglomerate diversification strategies that create new business opportunities for improving performance.

The findings indicate that strategic decisions related to digital promotion, geographical expansion, and open innovation demonstrated strong and consistent associations with business performance. In contrast, conglomerate diversification yielded mixed and inconclusive results, highlighting the need for strategic coherence and capability alignment in family business. Firm size plays a crucial role in shaping the impact of strategic choices, indicating that competitive performance in family-run enterprises depends on the alignment between strategic direction

and organizational structure. These findings align with Grant (2016) and Olayemi and Adebayo (2021), who emphasize strategic coherence and capacity alignment as critical for performance, especially when navigating diversification and innovation in family-owned enterprises.

It was established that firm size was a significant moderator of specific strategic choices. Firm size had a moderating effect on geographical diversification and open innovation. The moderating effect of firm size on specific strategic choices like geographical diversification and open innovation affirms that both strategy and structure must be considered in tandem when assessing what drives competitive performance in family-run enterprises. This implies that family-run enterprises should align strategic choices with firm size, ensuring structural capacity supports initiatives like geographic expansion and open innovation to maximize competitive performance and avoid inefficiencies or resource strain. This supports existing literature, which shows firm size influences governance, agility, and financial outcomes (Almashhadani & Almashhadani, 2022; Hindasah et al., 2021; Pascale, 2018), while smaller firms excel in dynamic strategies like social media agility (Onngam & Charoensukmongkol, 2024).

The findings hold several implications for practice among family-owned businesses in Nairobi County and other locations. Family-owned businesses must align strategic choices with firm size to optimize performance. Larger firms may effectively implement complex strategies like geographical diversification and open innovation, while smaller firms should focus on agile strategies such as digital promotion. This alignment ensures resource efficiency, strategic coherence, and improved competitiveness across varying operational scales.

Given the strong performance outcomes associated with digital promotion, geographic expansion, and open innovation, family-owned businesses should prioritize these strategies.

Avoiding overextension into unrelated sectors, such as conglomerate diversification, may help maintain strategic focus, reduce managerial strain, and enhance long-term performance success for family businesses in dynamic and competitive environments.

To successfully implement performance-enhancing strategies, family-owned businesses must invest in building strategic capacity. This includes developing leadership skills, enhancing governance structures, and improving operational systems. Strong strategic capacity should enable family-owned businesses to execute initiatives effectively, adapt to market changes, and sustain competitive advantage regardless of size or industry.

Smaller family-owned businesses should capitalize on their agility to implement fast-moving strategies like digital promotion and open innovation. Their ability to respond quickly to market shifts and engage customers directly positions them to outperform larger firms in areas requiring flexibility, creativity, and rapid execution, especially in digital and open innovation-driven contexts.

5.3 Conclusions

5.3.1 Digital Promotion Strategy and Performance of Family-Owned Businesses

The study concluded that digital promotion is a powerful and universally applicable strategy for enhancing performance in family-owned businesses. Regardless of firm size, digital tools such as SEO, social media, and email marketing offer consistent benefits in visibility, customer engagement, and growth. The non-significant moderating effect of firm size highlights that even small enterprises can thrive through strategic digital integration and platform agility. Family-owned businesses must embrace digital transformation as a core component of their strategic

planning, ensuring alignment with business goals and market dynamics. This approach fosters resilience, competitiveness, and sustainable success in today's evolving business landscape.

5.3.2 Geographical Diversification Strategy and Performance of Family-Owned Businesses

It was concluded that geographical diversification emerges as a vital strategy for enhancing the performance of family-owned businesses, regardless of firm size. By expanding into multiple regions, businesses can mitigate localized risks, access broader markets, and unlock operational efficiencies. The significant moderating role of firm size reinforces the need for strategic capacity and infrastructure to support expansion. Whether small or large, family enterprises must embrace geographic diversification not only as a risk management tool but also as a pathway to innovation, resilience, and sustainable growth. These findings affirm that a location-based strategy is essential in navigating today's competitive and volatile business environment.

5.3.3 Open Innovation Strategy and Performance of Family-Owned Businesses

In conclusion, open innovation is a transformative strategy for family-owned businesses seeking sustained performance and growth. Through the adoption of external collaboration, knowledge exchange, and co-creation, these enterprises can unlock new product development, enhance adaptability, and strengthen competitive advantage. The significant moderating role of firm size highlights that larger firms can scale innovation through robust infrastructure and governance, while smaller firms can capitalize on agility and niche expertise. Regardless of scale, investing in innovation capabilities and fostering strategic partnerships is essential. These findings affirm that open innovation is not optional, but a strategic imperative in today's dynamic business landscape.

5.3.4 Conglomerate Diversification and Performance of Family-Owned Businesses

The study concluded that conglomerate diversification presents both opportunities and challenges for family-owned businesses. While it offers risk mitigation and long-term growth potential, its success hinges on strategic coherence, strong governance, and managerial capacity. The findings suggest that diversification into unrelated sectors must be approached with caution, ensuring operational alignment and brand consistency. Firm size does not guarantee success; instead, businesses must build robust leadership and coordination systems to manage complexity effectively. By strategically reinforcing governance frameworks and maintaining brand integrity, family-owned enterprises can wisely navigate diversification, avoiding performance dilution and positioning themselves for sustainable success in competitive and evolving market landscapes.

5.4 Recommendations on Findings

5.4.1 Family-Business Owners

The study recommended that Strategic Choice Theory offers a valuable lens for understanding how management decisions shape the performance of family-owned businesses in Nairobi County. Strategic Choice Theory recommends that top management in family-owned businesses take an active, informed role in aligning strategic decisions with firm size and internal capabilities. Leaders should prioritize high-impact strategies such as digital promotion, geographic expansion, and open innovation, while cautiously approaching conglomerate diversification. Strategic coherence and capacity alignment are essential to avoid resource strain and inefficiencies, ensuring superior performance in family-owned businesses. Managers must possess the skills to evaluate market dynamics, allocate resources effectively, and adapt

structure to strategy. By continuously leveraging agility in smaller firms and scaling innovation in larger ones, top managers can drive sustainable performance and ensure the long-term competitiveness of family-owned businesses in dynamic environments.

The study recommended that family-owned businesses align strategic choices with firm size to enhance performance outcomes. The managers of family-owned businesses should prioritize high-impact strategies such as digital promotion, geographic expansion, and open innovation, which consistently yield strong performance results. These strategies must be selected based on the firm's structural capacity and market positioning. In addition, family-owned businesses should avoid overextending into unrelated sectors through conglomerate diversification unless they possess robust managerial systems and governance frameworks to support such complexity.

Further, family-owned firms must invest in building strategic capacity by enhancing leadership competencies, operational systems, and governance structures. This ensures that chosen strategies are effectively executed and adaptable to changing market conditions. Finally, smaller family-owned businesses should leverage their agility to implement a fast-moving, customer-centric strategy, while larger firms should focus on scaling innovation and market expansion. These recommendations support strategic coherence, resource efficiency, and long-term competitiveness across diverse family business contexts.

5.4.2 Government Policies and Programs

The study offers key policy implications for supporting family-owned businesses in Nairobi County. First, the study recommended that policymakers should support strategic alignment between firm size and business choices to enhance performance in family-owned enterprises.

Second, the Ministry of Investments, Trade, and Industry (MITI) should develop targeted training programs to build strategic capacity in leadership, governance, and innovation management. Third, county governments should offer incentives for family businesses adopting high-impact strategies like digital promotion and geographic expansion.

5.4.3 Family Business Stakeholders

Financial institutions and development agencies should tailor funding models to support scalable innovation initiatives, especially for smaller firms leveraging agility. Business associations and chambers of commerce, among other stakeholders, should facilitate knowledge-sharing platforms that promote strategic coherence and discourage unfocused conglomerate diversification. These recommendations call for coordinated action among government bodies, financial institutions, and business networks to create an enabling environment that fosters sustainable growth, strategic clarity, and competitive resilience in family-owned businesses across Nairobi County and beyond.

5.5 Suggestion for Further Research

The study suggests that future researchers can explore the following:

1. Future studies could explore how generational shifts influence strategic decision-making in family-owned businesses. This may uncover patterns that could aid succession planning and sustainability efforts in family-owned businesses.
2. A similar study could be carried out on one particular industry to establish if the results will remain the same or if there will be a significant difference.
3. Future research should expand the research across counties in Kenya, or comparing urban versus rural family-owned businesses could reveal location-specific barriers or

enablers of diversification strategies. This would help policymakers and stakeholders tailor support mechanisms and highlight regional best practices for growth and innovation in family-run enterprises.

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APPENDICES

APPENDIX I: RESEARCH GAPS

Variable	Author/ Year	Title of the Study	Methodology	Findings	Knowledge Gap
Digital Promotion Strategy	Rahmayani et al., 2022	The effect of utilization of social media Instagram @Nanarfshop on buying interest of Fisipol students University Ekasakti Padang	Uses a quantitative approach and is descriptive in nature. The research methodology known as quantitative methods is founded in positivism. A questionnaire was utilized as the study's instrument, and its validity and reliability were examined.	Instagram has been shown to impact students' inclination to purchase by showcasing photographs, videos, or other content that fosters connection, communication, and teamwork. Instagram is positively influences Fisipol students at Ekasakti University in Nanarfshoop Padang's enthusiasm in purchasing.	The study was on university students unlike this study that will focus on family businesses in diverse industries. The dependent variable was buying interest whereas in this study performance was looked at in a broader sense.
	Wantcham et al., 2020	Nexus of social media marketing and small-scale businesses performance in Buea, Cameroon	Qualitative research design used and was focused on the lived experiences of participants in a natural setting.	Even if social media marketing is successful, small-scale business customers in Brazil still need to trust and believe in it.	This study was qualitative in nature whereas we are proposing to use a quantitative one.

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
			The researchers were able to choose people whose experiences were relevant to the study by using the purposive sampling technique to find volunteers. Semi-structured questionnaires were used. With the use of this technique, the researcher was able to carefully examine the participants' perspectives.	The advantages of social media marketing for small and medium-sized business owners greatly exceed the drawbacks.	This study will use stratified sampling to select its participants.
	Muriuki et al., 2022	Effect of digital marketing strategies on the sales growth of coffee export in Kenya	A positivistic approach was used since it maintains that knowledge is derived from careful observation and the measurement of attention to actual situations. To gather data quickly and establish patterns of impact over the	Digital marketing was found to positively and significantly affect the sales growth of coffee exporters in Kenya. Websites were however found not to allow for interaction between employees and clients	A cross sectional research design was used unlike this study that proposes to use the ex post facto The study was on the coffee industry whereas this one will focus on the influence of digital

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
			performance of Kenyan coffee exporters, a cross-sectional survey was chosen as the model for the study on coffee market penetration tactics on sales growth.		promotion on diverse industries
	Pelsmacker et al., 2018	Digital marketing strategies, online reviews and hotel performance	Quantitative Research: One hundred and thirty-two hotels returned a fully completed questionnaire, a response rate of almost 59%. In this sample, there were 23 1–2-star hotels and 109 3–4 star hotels.	The findings show that review volume determines room occupancy. Digital marketing techniques have an indirect impact on hotel performance in addition to influencing the quantity and quality of online reviews.	Performance was measures by the increase in room occupancy rate whereas this study will use market share, customer and employee satisfaction and revenue growth as measures of performance

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
	Olusegun et al., 2020	Online Marketing and the Performance of Small- Scale Enterprises in Nigeria: A Study of Selected SMEs in Ikeja, Lagos State, Nigeria	The survey research approach was used, and quantitative data analysis was chosen for this investigation. Purposively selected at random, the respondents who operate businesses in the locations were chosen to fulfil the study's goal. A field survey of enterprises was used as the major technique of data collection.	According to the findings, online advertising, email marketing, and social media marketing all have significant effects on sales growth and competitiveness, respectively.	The study focused on SMEs in Nigeria. This study will not discriminate on the size of the business. It will however consider the age of the business.

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
	Poljic et al., 2018	To examine the participation and significance of digital promotion in the overall promotion of small enterprises of the Brčko District of Bosnia and Herzegovina and to determine the degree of usefulness and satisfaction based on the use of digital promotion by the mentioned enterprises.	A questionnaire was used to gather the data, and 200 randomly selected small business addresses in the Brčko District were given the questionnaire. Email and personal delivery of questionnaires were used. The SPSS statistical software was utilized for data processing, and both descriptive and inferential statistics were applied to the analysis.	There was no statistically significant relationship discovered between competitiveness with the frequency of adopting modern promotional techniques and contentment with market share.	The impact of digital promotion on product, price, promotion and place were studied. This study however seeks to establish the influence of digital promotion on employee, customer satisfaction, market share and revenue growth. This study focused on two regions- Breko and Herzegovina. This study however proposes to study only one regions Nairobi.
Geographical Diversification	Gachoki et al., 2022	To establish effect of diversification strategies on financial	Data collection schedule was the main instruments for collecting	The results also showed that geographic	Data was collected using secondary data whereas

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
		performance of insurance companies in Kenya	secondary data. (From 55 registered Insurance companies) Regression analysis model was used to evaluate the relationship between the variables. The dependent variable was financial performance while the independent variables were diversification strategies	diversification positively and significantly affects the performance of insurance companies that entered new markets either locally, regionally or internationally performed better compared to companies that only focused only on home market.	this study will use on primary data. The study focused on financial performance while this study will look at performance from a broader term.
	Mochabo et al. (2017)	To understand how financial distress of commercial banks is influenced by the diversification of various sources of income from one bank to another, impact of geographical spread of	Using panel data, the study employed a longitudinal research methodology over a ten-year period. The panel data estimating technique was used because it allows for individual specific variables, hence	The results found a positive and significant relationship between geographical diversification and financial distress.	A longitudinal research methodology was whereas this study will collect primary data on events that have already occurred. The study focused on geographical diversificatio

Variable	Author/ Year	Title of Study	Methodology	Findings	Research Gap
		bank branches.	mitigating heterogeneity associated with banks.		n and its influence on financial distress. This study will however look at how employees, customers, market share and revenue is influenced by geographical diversificatio n.
	Yildirim & Efthyvoul ou, 2018	To undertake an up-to-date assessment of the evolution of bank-level geographic diversificatio n and examine the relationship between geographic diversificatio n and performance, using data from the largest banks across the world.	Employing a data set comprising the largest banks across the world, originating from both developed and emerging countries.	The value impact of international diversification depends on a bank's home country: higher levels of diversification are associated with changes in valuations only for banks originating from emerging countries.	Secondary data was used unlike this study that proposes to use primary data. Data was collected only from the largest banks in the world. This study will however only discriminate on the basis of family ownership and years of operation.

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
	Pongelli et al. (2021)	To investigate whether family-centred goals impact family firms' export performance and to determine the extent to which the geographic focus (regional versus global) of the firm's strategy changes this relationship.	This study was conducted by collecting data generated by a survey of the CEOs of medium and large German family firms using email invitations for online surveys.	Family firm owners' place on family-centred goals may either facilitate or inhibit their international sales and this influence is moderated by the geographic focus of their international activities	The independent variable was family-centred goals. This differs from this study which looks at strategic choices (digital promotion, geographical diversification, open innovation and conglomerate diversification)
	Osorio et al. (2020)	Explores both the individual impact of geographical diversification and its effect combined with product diversification on small and medium-sized enterprises' (SMEs) performance.	The empirical analysis is based on data from the Survey on Business Strategies (SBS) The reference population is composed of Spanish manufacturing firms with 10 or more employees.	Depending on the exact kind of product diversification plan and the degree of geographic diversification chosen, product and international diversification strategies are either complementary or substitutive in the case of SMEs.	The combined effect of geographical and product diversification on performance was studied. This is unlike this study. The study discriminated based on the number of employees which this study doesn't do

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
Open Innovation	Vidales et al., 2019	To contribute to the literature with empirical evidence of the influence that open innovation has on business performance in family and non-family SMEs in Aguascalientes, Mexico.	An empirical research in family and non-family firms in Aguascalientes was conducted in order to answer the two hypotheses that were established and tested using Structural Equation Modelling (SEM). For this study, a sample of 308 small and medium companies was considered, using the directory of the Business Information System for Mexico.	The results show that for these companies, the outflow and especially the inflow of external knowledge exert a positive influence on business performance.	The study highlights how open innovation influences both family and non-family SMES. This is unlike this study that proposes to study on family businesses of diverse sizes.
	Micheni et al., 2017	Factors Influencing Adoption of Open Innovation Strategy in Cooperative Societies in Nyeri-Kenya.	The study employed stratified random sampling technique in coming up with a sample of 63 respondents comprising senior and middle-level	Technology consideration, top management commitment and resource availability had positive and statistically significant effects on the	The influence of open innovation was studied in Nyeri County while this study will focus on Nairobi County.

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
			managers in the deposit-taking SACCOs in Nyeri County. The study employed a stratified random sampling technique to produce an unbiased grouping of the heterogeneous population into homogenous subsets within the individual subset to ensure representativeness. The relevant data was collected using questionnaires from 55 respondents representing 87.3% response rate out of the probable 63.	adoption of open innovation strategy in the cooperative societies	The study also focused on SACCOs while this study with research on different sectors in Kenya as long as the businesses are family-owned.
	Belitski and Rejeb (2022)	Does Open Customer Innovation Model Hold for Family Firms?	Using longitudinal data of 21,140 observations with 17,859 most innovative	Family firms are not less or more likely to apply the open customer innovation	The methodology (longitudinal data) used differs from the one

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
			UK firms during 2002–2014	model than non-family firms; however, if family firms adopt the open customer innovation model in local and national markets, they achieve greater benefits from customer collaboration than non-family firms	proposed for this study. The study also focused on open customer innovation which is only a small section of open innovation. This study proposes to study open innovation in its totality
	Usman et. al (2020)	Investigating open innovation strategies and firm performance: the moderating role of technological capability and market information management capability.	Survey data were collected from 238 Chinese high-tech enterprises. Structural equation modeling and linear regression were used to test the data. Then, the main research questions were answered.	Technological capability strengthens the influence of inbound open innovation on performance. The moderate effect of technological capability on the relationship between outbound open innovation and firm performance remains unsupported.	The moderating variable for this study was technological capacity while the one used in this study is ownership structure. The study was on Chinese high tech enterprises while this study was on family businesses in Nairobi-Kenya.

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
	Singh et al., (2021)	Top Management Knowledge Value, Knowledge Sharing Practices, Open Innovation and Organizational Performance.	Approached 939 manufacturing sector SMEs in the United Arab Emirates (UAE) to take part in the study. Met and distributed the physical copies of the survey questionnaire to the triads from each of the SMEs,	The study suggests that open innovation benefits SMEs, as it enhances their organizational performance.	The influence of top management knowledge value on open innovation was studied. This study, however looks at the influence of top management without investigating the knowledge value. The study also focused on the manufacturing sector while this study seeks to study all the business sectors in Nairobi.

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
Conglomerate diversification	Kiss et al., 2018	Related and unrelated diversification in crisis and in prosperity	Using the Hungarian PRODCOM database as the empirical base for years 2003- 2012, which was made available at the research room of the Central Statistical Office (CSO) of Hungary. It covers: all companies operating in the industrial sectors with more than 20 employees, a sample of industrial companies employing 5-19 workers, and all partnerships and companies with non-industrial primary activity, but having more than HUF 500 million	We have found a positive relationship between the technological relatedness of products and the change in output of non- core products. That is, the more related an additional product to the core product, the less the firm reduces its volume during economic downturn.	The study highlights both related and unrelated diversification and its influence on businesses during times of crisis and prosperity. This study investigates only the influence of unrelated diversification on performance without considering the economic period the business is going through.
	Pinheiro et al., 2022	The time and frequency of unrelated diversification	The frequency and timing of unrelated diversification using two	Related diversification is more frequent at lower levels of	Secondary data was used in this study whereas this

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
			international trade datasets at the country level.	complexity, and saturates at medium and high stages of development. This coincides with a period of time when economies experience a structural transformation from being more related to simple products to being more related to complex ones.	study proposes to use primary data. The timing and frequency best suited for conglomerate diversification was researched on whereas this study proposes to investigate how the strategy has so far influenced performance
	Schommer et al.(2019)	Does the Diversification–Firm Performance Relationship Change Over Time? A Meta-Analytical Review.	Used two sets of meta-analytic regression analyses in order to examine the development of diversification levels over time and test our hypotheses Research questions investigating the development of a phenomenon over time are	The relationship between unrelated diversification and firm performance has improved significantly over time, whereas the relationship between related diversification and performance has remained	The development of the conglomerate diversification was studied. This differs from this study as it seek to investigate how the strategy has so far impacted the performance of businesses

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
	Cerrato et al.,(2022)	When Does Unrelated Diversification Increase Performance ? The Effects of Financial Context and Contingencies.	ideal for meta-analysis, because this method exploits variations across the settings of different primary studies Using a unique panel dataset of Italian firms from 1980 to 2010, the paper tests hypotheses on how industry external financial dependence and the firm's financial constraints both separately and jointly alter the performance benefits of unrelated diversification in contexts with financial market inefficiencies.	relatively stable Unrelated diversification increases performance in weak financial contexts and such positive effect is enhanced by greater industry external financial dependence and greater firm financial constraints However, as financial markets develop, the moderating effects of firm financial constraints shrink.	The business financial constraints influence on conglomerate diversification was researched. This study does not consider the family business financial constraints. Secondary data was used while this study will utilize primary data.

Variable	Author /Year	Title of Study	Methodology	Findings	Knowledge Gap
	Enobong et al., 2022	Innovation: A Moderating Factor for the Effectiveness of Diversification Strategies on the Sustainability of Hospitality Firms in Nigeria	The study applied a quantitative method involving a survey design. A questionnaire measurement instrument was constructed and deployed on a sample of 104 respondents from 3 four-star hotels in the study area. Confirmatory Factor Analysis (CFA) was used to validate the constructs in the measurement instrument. Multiple regression analysis was used to test the study hypotheses	Concentric and conglomerate diversification strategies have a significant positive effect on the sustainability of hospitality firms. Also, innovation has a significant positive moderating effect on the relationship between diversification strategies and the sustainability of hospitality firms.	The moderating effect of innovation on the effectiveness of diversification strategies and sustainability of hospitals in Nigeria was studied. This study uses ownership structure as the moderating variable. The research was done in the hospitality industry whereas this study will focus on all industries in Nairobi.

Variable	Author/ Year	Title of Study	Methodology	Findings	Knowledge Gap
Firm Size	(Kalbuana et al., 2021)	Earnings Management is Affected by Firm Size, Leverage and ROA: Evidence from Indonesia	Purposive sampling technique. Secondary data was used. Descriptive statistics were used to analyse the data	There exists a relationship between firm asset levels and performance. Companies with large asset levels need larger asset management staff	Secondary was used whereas this study will use primary data. The study was carried out in Indonesia whereas this study was carried out in Nairobi-Kenya
	(Yadav et al., 2022)	The Nexus Between Firm Size, Growth and Profitability: New Panel Data Evidence from Asia-Pacific Markets	The COMPUSTAT global database provided the needed information. Data from the 1995 to 2016 for 12 industrial and emerging economies Asia Pacific economies.	Profits initially grow as the firm size increases but with time the profit rate reduces indicating that as the firm grows in size, inefficiencies creep in	The study viewed performance only through the rate of profit growth. The study was carried out in another continent using secondary data.

Variable	Authors/ Year of Study	Title	Methodology	Findings	Knowledge Gap
	(Karlsson, 2020)	Firm Size and Growth Barriers: A Data Driven Approach	4400 Swedish SMEs for the year 2011, 2014 and 2017 were studied. Firms had less than 249 employees	Small firms face constraints in equity financing while large firms face competition and recruitment challenges	This study looked at only SMEs with less than 249 employees. It only examined three respective years of operation
	(Pila et al., 2022)	Moderating Effect of Firm Size on Financial Uncertainty Indicators and Financial Performance of Manufacturing Firms in Kenya	Descriptive design was adopted. The total population was 856 with a sample size of 90 firms selected using stratification then simple random sampling.	Firm size negatively and significantly affected performance of manufacturing firms. Firm assets which are an indicator of firm size should not be financed by leverage since it has a negative relationship with performance	Only manufacturing firms were studied. The study covered the entire country of Kenya

APPENDIX II: LETTER OF INTRODUCTION

Dear Participant,

I hope this letter finds you well. My name is Lydia Wangu Ngare and I am a PhD student at the Kenya Methodist University specializing in strategic management. I am conducting a study on "*Strategic Choices and Performance of Family-Owned Businesses in Nairobi County Kenya*," and I am seeking your valuable participation in this research.

The questionnaire is designed to be concise and should take no more than fifteen minutes to complete. Your responses was kept confidential and used solely for this study.

I greatly appreciate your consideration and hope that you will agree to participate in this important study. Your input will contribute significantly to advancing our understanding of strategic management in family-owned businesses.

Thank you very much for your time and cooperation.

Sincerely,

Lydia, Wangu

PhD-Student

Kenya Methodist University

APPENDIX III: CONSENT FORM

Title: Strategic Choices, Firm Size and Performance of Family-Owned Businesses in Nairobi County-Kenya

Sponsor: N/A

Principal Investigator: Lydia Wangu Ngare

Address: Kenya Methodist University-Nairobi Campus

1. Introduction

This Consent Form contains information about the research named above. In order to be sure that you are informed about being in this research, we are asking you to read (or have read to you) this Consent Form. You will also be asked to sign it (or make your mark in front of a witness). We will give you a copy of this form. This consent form might contain some words that are unfamiliar to you. Please ask us to explain anything you may not understand.

2. Reason for the Research

You are being asked to take part in research to identify how the major choices/decisions made by top management influence the performance of family owned businesses in Nairobi County.

3. General Information about Research

This study is targeting family owned businesses that have been in operation for over 10 years. Only family businesses in Nairobi was studied. These businesses was from various business sectors. A set of questions have been outlined for respondents. The information provided was held confidentially. The results of the study was shared with those organizations that request for it.

4. Your Part in the Research

If you agree to be in the research, you was required to spare 10 minutes to fill in a detailed questionnaire. You was required to answer the questions truthfully.

5. Possible Risks

N/A

6. Possible Benefits

This study wasnefit family-owned business owners who will gain a lot of insight into their businesses. They will hence be in a better position to manage their businesses thus improving performance. A society that has thriving family-owned businesses is one that has lower unemployment levels, higher tax collections and better quality of life for its citizens

7. If You Decide Not to Be in the Research

You are free to decide if you want to be in this research. Participation in the study is voluntary.

8. Confidentiality

We will protect information about you and your taking part in this research to the best of our ability. You will not be named in any reports.

9. Compensation

You will not be paid, since you do not have to take part in this research.

10. Staying in the Research

N/A

11. Alternatives to Participation

N/A

12. Leaving the Research

You may leave the research at any time. If you choose to take part, you can change your mind at any time and withdraw.

13. If You Have a Problem or Have Other Questions

Please call Lydia (0723783398) if you have questions about the research

14. Your rights as a Participant

This research has been reviewed and approved by the IRB of Kenya Methodist University. An IRB is a committee that reviews research studies in order to help protect participants.

VOLUNTEER AGREEMENT

The above document describing the benefits, risks and procedures for the research titled (name of research) has been read and explained to me. I have been given an opportunity to have any questions about the research answered to my satisfaction. I agree to participate as a volunteer.

_____	_____
Date	Signature or mark of volunteer

If volunteers cannot read the form themselves, a witness must sign here:

I was present while the benefits, risks and procedures were read to the volunteer. All questions were answered and the volunteer has agreed to take part in the research.

_____	_____
Date	Signature of Witness

I certify that the nature and purpose, the potential benefits, and possible risks associated with participating in this research have been explained to the above individual.

17th Feb 2025

Lydia Wangu Ngare

Date	Signature of Person Who Obtained
Consent	

APPENDIX IV: QUESTIONNAIRE

You are kindly requested to complete this questionnaire honestly by inserting a tick (✓) against your option in the appropriate box and offer explanations for the questions that require your answer through a word of explanation. For confidentiality purposes, you need not write your name on the questionnaires. Thank you for your anticipated cooperation

General Instructions: This questionnaire aims to collect data on the influence of strategic choices on the performance of family-owned businesses in Nairobi County. The questionnaire consists of five sections. Kindly respond to every statement.

SECTION A: GENERAL INFORMATION

1. Please indicate your gender:

- a. Male ()
- b. Female ()

2. What is your age bracket:

- a. Less than 20 ()
- b. 21-30 ()
- c. 31-40 ()
- d. 41-50 ()
- e. Over 50 ()

3. What is your role within the organization:

- a. Founder/Owner ()
- b. Manager who is also a family member ()
- c. Manager who is a non-family member ()
- d. Other Specify _____

4. How long have you served in this organization:

- a. Less than a year ()
- b. Between 1- 5 years ()
- c. Between 6-10 years ()
- d. Between 11-15 years ()
- e. Between 16-20 years ()
- f. Over 20 years ()

5. Who started this business?

- a. Myself ()
- b. My parent(s) ()
- c. My grandparent(s) ()
- d. None of the above ()

6. How long has the family-owned business been operational

- a. 10 to 20 years ()
- b. 21 to 30 years ()
- c. 31 to 40 years ()
- d. 41 to 50 years ()
- e. Over 50 years ()

7. What industry does the business operate in:

- | | | |
|------------------------|-----------------------|--------------------|
| Retail () | Manufacturing () | Agriculture () |
| Hospitality () | Energy () | Education () |
| Financial services () | Construction () | Transport () |

Other Specify _____

SECTION B: Digital Promotion Strategy

8. Our organization has a digital promotion strategy (Marketing of our goods and services is done using digital technology, especially the Internet)

a. Yes ()

b. No ()

If yes, please explain

9. Social media platforms currently used in our organization (tick all that apply)

a. Instagram ()

b. Facebook ()

c. WhatsApp ()

d. TikTok ()

e. LinkedIn ()

Others _____

What determines the social media platform used in the organization? _____

10. How often do you engage with your customers on social media

a. Daily ()

b. 2-3 times a week ()

c. 4-6 times a week ()

d. Weekly ()

e. Every two weeks ()

f. Monthly ()

Others _____

What determines the frequency of customer engagement on social media? _____

11. To what extent does the digital promotion strategy affect the performance of the business

- a. very large extent ()
- b. large extent ()
- c. some extent ()
- d. little extent ()
- e. no extent ()

On a scale of 1-5 rate the extent to which you agree with the following statements on the influence of digital promotion strategy on the performance of family-owned businesses in Nairobi where:

1=Strongly Disagree 2= Disagree 3= Neutral 4=Agree 5=Strongly Agree,

	Digital Promotion Strategy	1	2	3	4	5
12	We have noticed changes in brand loyalty related to our social media presence					
13	We have an operational website					
14	Online reviews and testimonials influence consumer purchase confidence					
15	Our business offers digital payment options					
16	Social media marketing contributes to our brand awareness					
17	Our business uses email marketing					
18	Our website, email marketing, and social media activities facilitate consumer engagement					
19	Our website, email marketing, and social media activities influence our overall marketing cost					

SECTION C: Geographical Diversification Strategies

20. Our organization has a geographical diversification strategy (we have operations and customers across different regions, countries and continents)

a. Yes ()

b. No ()

If yes, please explain

21. In how many locations does the family business operate

a. 1 ()

b. 2-5 ()

c. 6-10 ()

d. More than 10 ()

22. Geographical regions currently served (tick all that apply):

a. Local/Regional ()

b. National ()

c. International ()

What has determined the location(s) you

serve? _____

On a scale of 1-5 rate the extent to which you agree with the following statements on the influence of geographical diversification strategy on the performance of family-owned businesses in Nairobi where:

1=Strongly Disagree 2= Disagree 3= Neutral 4=Agree 5=Strongly Agree,

	Geographical Diversification Strategy	1	2	3	4	5
--	--	----------	----------	----------	----------	----------

23	Our organization's competitive advantage is a major consideration when opening a new branch					
24	Having more business locations affects our organization's ability to reach customers					
25	Our organizations expenses do not change significantly when we open new branches					
26	Having branches in other locations including internationally impacts our organizations exposure to currency fluctuation risks					
27	Having branches in other locations including internationally impacts our organization's exposure to political risks					
28	Operating in different regions affects the stability of our organization's sales volume throughout the year					
29	Branch expansion affects the sales volume of our products					
30	Production efficiency is always impacted as our organization expands its branch network					
31	Operational efficiency in different departments (e.g. accounting, marketing, information technology) is influenced by the expansion of our branch network					

SECTION C: OPEN INNOVATION STRATEGY

32. Our organization has an open innovation strategy (we involve external organizations such as research institutions in the development of new products and ideas)

a. Yes ()

b. No ()

If yes, please

explain _____

33. How often does your organization develop new products/services?

- a. Every 1-3months ()
- b. Every 4-6 months ()
- c. Every 7-9 month ()
- d. Every 10-12 months ()

Others _____

How do you determine which organization(s) to collaborate with in developing new ideas or products? _____

On a scale of 1-5 rate the extent to which you agree with the following statements on the influence of open innovation strategy on the performance of family-owned businesses in Nairobi where:

1=Strongly Disagree 2= Disagree 3= Neutral 4=Agree 5=Strongly Agree,

	Open Innovation Strategy	1	2	3	4	5
34	Our organization sets aside a certain percentage of sales revenue for new product development each year					
35	Accessing external technologies and ideas provides our organization with new knowledge					
36	Internal resource limitations affect our organization's ability to pursue external technologies and ideas					
37	Finding suitable partners for external collaboration is a challenge for our organization.					
38	Our organization shares its innovation with external entities (e.g through licensing)					
39	Sharing our innovation with external entities generates revenue for the organization					

40	Engaging with external technology and ideas impacts our organization's research and development costs					
41	The use of external technologies and ideas has influenced the speed of new product development in our organization					

SECTION D: CONGLOMERATE DIVERSIFICATION STRATEGY

42 . Our organization has a conglomerate diversification strategy (we have added products/ services that are not related to our existing core business)

- a. Yes ()
- b. No ()

If yes, please

explain _____

What influenced the organization to use the conglomerate diversification strategy? _____

43. How long after the business was started did the organization implement this strategy

- a. Within 1-2 years ()
- b. Within 3-4 years ()
- c. Within 5-6 years ()

Other _____

On a scale of 1-5 rate the extent to which you agree with the following statements on the influence of conglomerate diversification strategy on the performance of family-owned businesses in Nairobi where:

1=Strongly Disagree 2= Disagree 3= Neutral 4=Agree 5=Strongly Agree,

	Conglomerate Diversification Strategy	1	2	3	4	5
44	Our organization has a formal corporate governance structure					
45	Our organization has a formal Board of Directors					
46	The expertise of the Board affects our ability to make key decisions on diversification					
47	Introducing new, unrelated products to new markets influences our brand image					
48	Entering new markets with unrelated products contributes to our competitive advantage					
49	Expanding into new markets with unrelated products has improved our revenue					
50	Enhancing human resource productivity is beneficial when expanding into new markets with unrelated products					
51	Technology solutions in the human resource department help our workforce manage increased demands during market expansion					

SECTION E: FIRM SIZE

52. Size of the organizations:

- a. Small- 1-50 employees ()
- b. Medium 51-200 employees ()
- c. Large- Over 200 employees ()

53 Our sales level can be considered to be

- a. Low ()

- b. Average ()
- c. High ()
- d. Very High ()

54. What firm size indicators are measured by the organization? _____

On a scale of 1-5 rate the extent to which you agree with the following statements on the influence of ownership structure on the performance of family-owned businesses in Nairobi where:

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

	Firm Size	1	2	3	4	5
55	Management control in our organization is very high					
56	Our organization has a Board of Directors					
57	Our organization has the ability to adapt quickly to changes in the market					
58	Regularly gathering feedback from customers and stakeholders makes us adapt to changes in the market quickly					
59	Members of staff undergo training to help improve our organizations efficiency					
60	We use technology to increase operating efficiency					
61	The number of employees in our organization influences decision making					
62	The sales volume of our organization influences decision making					

SECTION F: PERFORMANCE

63. Our organization has well-defined key performance indicators (measure of performance over a given time)

- a. Yes ()

b. No ()

If yes, please explain _____

64. Our most important performance indicator is

a. Increased market share ()

b. Customer retention rate ()

c. Increased sales ()

d. Increased profit ()

e. Satisfied customers ()

f. Satisfied employees ()

Other(s) _____

How were the organization's Key Performance Indicators (KPIs) arrived at? _____

65. Our organizational performance is analyzed (tick all that apply)

a. Daily ()

b. Weekly ()

c. Monthly ()

d. Every three months ()

e. Every six months ()

f. Yearly ()

Other _____

On a scale of 1-5 rate the extent to which you agree with the following statements on the performance of family-owned businesses in Nairobi where:

1=Strongly Disagree 2= Disagree 3= Neutral 4=Agree 5=Strongly Agree,

	Performance	1	2	3	4	5
66	Our organization's market share has grown consistently over the years.					
67	Our customers often return to buy our products					
68	Our customers recommend our products/services to others					
69	Our customers share positive comments about our products/services online					
70	Our organization has a low employee turnover					
71	The employee absenteeism rate is low					
72	Employee concerns are efficiently addressed					
73	Our organization develops new products each year					
74	Our organization's recent product development has successfully met market demand					
75	Our organization's revenue has grown consistently over the years.					
76	Our organization's profit has been consistently increasing over the years					

APPENDIX V: SAMPLE FRAME

1	Alamdar Trading Company Limited
2	Alloy Steel Casting
3	Almondland Education Center
4	Aquamist Limited
5	Athiriver Steel Plant
6	Auto Tyres Limited
7	Bagga Engineering Works
8	Betatrad Limited
9	Bio Deal Laboratories
10	Bobmil Industries
11	Bonfire Adventures and Events
12	Budget Shoes Limited
13	C&P Shoe Industries Limited
14	Campden Hill Limited
15	Cathsam School
16	Cedar Mont Academy
17	Choda Fabricators Limited
18	City Engineering Works
19	Cofftea Machinery Services Limited
20	Colour Packaging Limited
21	Compuera Academy
22	Cornerstone Academy
23	Cosmos Limited
24	Dawa Limited
25	Dayspring Jr. School
26	Desbro Kenya Limited
27	Desca Junior School
28	Doshi Enterprises
29	Dreamcatchers Productions Limited S
30	Dune Packaging Ltd
31	Dynaplas Ltd
32	East End Junior School
33	East Gate Preparatory School
34	Elite Offset Ltd
35	Elite Tools Ltd
36	Elys Chemicals Industries Ltd
37	Ennsvalley Bakery Ltd
38	Ermer Limited
39	Esah Ventures And General Supplies
40	Eslon Plastics of Kenya Ltd
41	Essie Investments

42	Estels Institute of Professional Studies
43	Estmat Hardware
44	E-Time Office Solutions
45	Euna Ventures Investment
46	Euncem Technologies
47	Eunim General Supplies
48	Eunimak Agencies
49	Eusally Agencies
50	Evadun Enterprises Limited
51	Evandy Limited
52	Evastar Enterprises
53	Evatech Africa
54	Eveminet Communication Solutions
55	Event Guru Solutions Limited
56	Everblazing Limited
57	Everlast Trading Company
58	Eviden Agency
59	Evolet Enterprises
60	Evolution Events
61	Evolve Solutions Limited
62	Ewaki General Supplies
63	Ewam Enterprises
64	Ewanyo Enterprises
65	Ewell Limited
66	Excel Training Institute
67	Excelsis Tours And Travel Limited
68	Excelwise Consultants
69	Exco Company Limited
70	Existential Consultancy
71	Exotic Blooms Delivery
72	Exotic Travel Centre
73	Extra Mile Solutions Limited
74	Extreme Adventures and Safaris
75	Eye Link Cargo Limited Service
76	Eyeball Entertainment
77	Ezatwa Agencies
78	Faab Enterprises Limited
79	Fab Entrepreneur Limited
80	Fabtech Solutions Limited
81	Fachimo Florist and Events Organiser
82	Fadhili Construction Limited
83	Fahaz Limited
84	Faiba Powered Solutions Limited
85	Fairmax Agency

86	Fanisi Limited
87	Fantasi Deals Limited
88	Fine Wood Works Ltd
89	Flamingo Paints Kenya Industries Limited
90	Friendship Container Manufacturers
91	Fuel N Shop
92	Galaxy Paints and Coating Co. Ltd
93	Garden Estate Academy
94	General Plastics Ltd
95	Giloil Company Ltd
96	Global Vision Secondary School Limited
97	Golf Course Academy
98	Good Testimony Junior School
99	Goodrich Group of Schools
100	Grandstar Junior School
101	Graphics And Allied Ltd
102	Great Love Academy
103	Green Cottage Academy
104	Greenwoods Academy
105	Happy House Pre. Academy
106	Happyland Preparatory School
107	Harvest View Academy
108	Hemexim Limited Trade
109	Highway Educational Complex
110	Infill Academy
111	Interconsumer Products Ltd
112	International Energy Technic Ltd
113	Jalyn Junior School
114	Jambo Biscuits (K) Ltd
115	Josnah Primary School
116	Kam Industries Ltd
117	Kasarani Junior Academy
118	Kel Chemicals Ltd
119	Kema (E.A) Ltd
120	Kenafic Industries Ltd
121	Kenbro Industries Ltd
122	Kenya Stationers Ltd
123	Kenya Sweets Ltd
124	Kevian Kenya Ltd
125	Kitehe Holdings Limited
126	K-Kay Engineering Services Limited
127	Koba Waters Ltd
128	Labh Singh Harnam Singh Ltd

129	Langata Junior School
130	Leading Scholars Limited
131	Leaf And Bean Limited
132	Lepic School
133	London Distillers
134	Mabati Rolling Mills Ltd
135	Mahanaim International School
136	Manhar Brothers (K) Ltd
137	Manji Food Industries Ltd
138	Marion Preparatory & Senior School
139	Marvel Lifestyle Ltd
140	Match Masters
141	Mecol Ltd
142	Megh Cushion Industries Ltd
143	Metsec Cables Ltd
144	Mipe Holding Limited
145	Mirema School
146	Modulec Engineering Systems Ltd
147	Mountainview School
148	Mwanicos Academy
149	Mwiki Good Hope Academy
150	New Day Academy
151	New Flamingo Hardware and Paints Limited
152	Ngong Huruma School
153	Nyawai Academy
154	Osho Chemicals Industries Ltd
155	Osschemie (K) Ltd
156	Panesars Kenya Ltd
157	Paper Bags Ltd
158	Paramount Academy
159	Pasu Enterprises
160	Pharmaceutical Manufacturing Co. Ltd
161	Pinnacle Performance Limited
162	Pioneer Potters Academy
163	Plastic Electricians
164	Plastics And Rubber Industries Ltd
165	Power Technics Ltd
166	Powermax Distributors Limited
167	Premier Industries Ltd
167	Prudent Academy
168	Regal Pharmaceuticals Ltd
169	Regal Press Kenya Ltd
170	Riara Primary School

171	Riruta Good Shepherd Academy
172	Rockfields Junior Academy
173	Rockville Junior Academy
174	Rose Wood Furniture Manufacturers
175	Ruaraka Academy
176	Rudan Junior. Academy
177	Safal Mitek Ltd
178	Sameer Africa Ltd
179	Sandton International Limited
180	Sanpac Africa Ltd
181	Seweco Paints Ltd
182	Shah Timber Mart Ltd
183	Shamco Industries Ltd
184	Shepherd's Junior School
185	Socabelec (E.A) Ltd
186	Sohansons Limited
187	Specialised Power Systems Ltd
188	St Hannah's Preparatory School
189	St Mary's Ruaraka
190	St Mary's Sportsview Academy
191	St. Eunice Preparatory School
192	Star Of Hope Academy
193	Steelwool (Africa) Ltd
194	Sunrise Children Garden School
195	Sunview Academy
196	Super Manufacturers
197	Tahriir Hotel & Restaurant
198	Talent Academy
199	Technosteel Industries Ltd
200	Teita Estate Ltd
201	Tender Care Junior School
202	The Visionary Academic Centre
203	Three Bells Primary School
204	3m Overseas Education Advisory Center
205	Timsales Ltd
206	Tononoka Steel Ltd
207	Total Care Academy
208	Tru Foods Ltd
209	Tui Agricultural Engineers Limited
210	Turquoise Signature Scents Limited
211	Twin Birds Academies
212	Ultimate Association Service

213	Uni-Plastics Ltd
214	United Paints
215	Uthiru Genesis School
216	Vickland Education Center
217	Vickmery Schools
218	Vicon Investments Company Limited
219	Vile & Blind (K) Limited T
220	Vitafoam Products Limited
221	Welding Alloys Ltd
223	White Cottage
224	Williamson Tea Kenya Provident Fund
225	360 Marketing Agency
226	Wire Products

APPENDIX VI: KEMU APPROVAL LETTER



KENYA METHODIST UNIVERSITY

P. O. BOX 267 MERU - 60200, KENYA
TEL: 254-064-30301/31229/30367/31171

FAX: 254-64-30162
EMAIL: info@kemu.ac/ke

Our Ref: KeMU/ISERC/BUS/07/2025

March 06, 2025

LYDIA WANGU NGARE
BUS-4-2077-1/2023

Dear Lydia,

SUBJECT: STRATEGIC CHOICES, FIRM SIZE AND PERFORMANCE OF FAMILY-OWNED BUSINESSES IN NAIROBI COUNTY-KENYA

This is to inform you that Kenya Methodist University Institutional Scientific Ethics and Review Committee has reviewed and approved your research proposal. Your application approval number is KeMU/ISERC/BUS/07/2025. The approval period is 6th March, 2025 – 6th March, 2026.

This approval is subject to compliance with the following requirements:-

- I. Only approved documents including (informed consents, study instruments, MTA) will be used.
- II. All changes including (amendments, deviations, and violations) are submitted for review and approval by Kenya Methodist University Institutional Scientific Ethics and Review Committee.
- III. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to KeMU ISERC within 72 hours of notification.
- IV. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to KeMU ISERC within 72 hours.
- V. Clearance for export of biological specimens must be obtained from relevant institutions.

VI. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.

VII. Submission of an executive summary report within 90 days upon completion of the study to KeMU ISERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://oris.nacosti.go.ke> and also obtain other clearances needed.

Yours faithfully,

MR. HERBERT KILBE
CHAIR, ISERC

APPENDIX VII: NACOSTI PERMIT

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
RefNo: 124968	Date of Issue: 29/April/2025
RESEARCH LICENSE	
	
This is to Certify that Ms. Lydiah Wangu Ngare of Kenya Methodist University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi, Nakuru on the topic: STRATEGIC CHOICES, FIRM SIZE AND PERFORMANCE OF FAMILY-OWNED BUSINESSES IN NAIROBI COUNTY-KENYA for the period ending : 29/April/2026.	
License No: NACOSTI/P/25/4172696	
124968	
Applicant Identification Number	Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code
	
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