EFFECTS OF INTERNAL ORGANIZATIONAL FACTORS ON PERFORMANCE OF FAMILY BUSINESS ENTERPRISES IN KENYA: A CASE STUDY OF ALPHA GRAIN MILLERS LIMITED

BY

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UNITED STATES INTERNATIONAL UNIVERSITY—AFRICA

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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________ Date: __________________________

Aisha Ibrahim (ID 636593)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________ Date: __________________________

Dr. Caren Ouma (PhD)

Signed: ___________________________ Date: __________________________

Dean, Chandaria School of Business
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ABSTRACT
The purpose of this study was to determine the effects of internal organizational factors on performance of family business enterprises in Kenya: a case study of Alpha Grain Millers limited. The study sought to find answers on different sectors of family business that might affect performance of the organization. The three specific questions were: How does succession planning affect the performance of family business at Alpha Grain Millers? How does conflicting interests of various stakeholders involved in the family business affect the performance of family business at Alpha Grain Millers? How does the governance structure influence the employee performance in a family business enterprise at Alpha Grain Millers?

The type of design that the study used was a descriptive design. The sample size of the study was mainly gotten from population of Alpha Grain Millers consisting of 282 employees which was done using the stratified sampling procedure resulting into 166 respondents. The data was collected through giving out questionnaires to the employees during the four-month study period between May and August 2019. Data collected was analyzed using Statistical Package for Social Sciences (SPSS). It was pretested using Cronbach Alpha test.

A Pearson correlation analysis was done to establish the relationship between the dependent variable (performance of family businesses) against succession planning, governance and conflicting interests and the result established a weak positive relationship between performance of family businesses and succession planning ($r=0.310$, $p$ value=0.000), governance ($r=0.449$, $p$ value=0.000). However there was a weak negative relationship between conflicting interest and performance ($r=-.363$, $p$ value=0.000). Therefore, an increase in combined variables of succession planning and governance lead to an increase in performance of family owned businesses. As regards to succession planning, the study established that the business developed employees with skills to take up more tasks ($M=4.4$, $SD=0.712$ and that the business owner was involved in the skills development of the employees ($M=4.4$, $SD=0.732$). It was also established that special skills within the organization were identified and developed further ($M=4.28$, $SD=1.019$) while the business planned for the future operations in terms of human capital ($M=4.18$, $SD=0.702$). Findings also show that to a great extent leadership preparation in the company affected the performance of the family business.
Concerning the influence of conflicting interest on the performance of family business. The study established that employees and family members were working towards the same vision and mission (M=4.26, SD=0.953). Findings also indicated that there is a clear cut separation between ownership and management (M=3.85, SD=0.965).

As regards governance structure, the study found out that they provided insights into how other business pursued new approaches (M=3.94, SD=0.851). Also the governance structure exposed the owner(s) to economic trends (M=3.93, SD=0.9). It was also established that there is a clear leadership structure in the business (M=3.91).

In conclusion, the study noted that it was important for Alpha Grain Millers to develop employees and create a plan for the future operations in terms of human capital. It is therefore of essence for the business to have a clear career growth channel in its leadership structure. It was therefore recommended that career planning is of essence for the firm’s future success. As regards the effects of conflicting interests on firm performance, the study concluded that teamwork is key, and solutions must be sought out immediately whenever there is a conflict. To minimize conflicts the study recommended that all employees and family members should work towards sharing the same vision and mission. On governance structures, the study concluded that it acts as a policy guideline on important information relating to new policies and trade secrets from other businesses. The study recommended that the governance structures put in place should offer insights into how other business pursues new approaches and its relevance to the firm.

Since this study was a case study involving one firm, it could be argued that the researcher could not get a representative view of firms in a similar industry due to limitation in scope. Further research in this area should consider increasing the sample size so that better results can be achieved. More research should also be done on the various elements of internal factors affecting performance of family-based businesses other than the three elements mentioned in this study.
ACKNOWLEDGEMENT
I would like to acknowledge my supervisor for the guidance and wise counsel during the development of this thesis. I would also like to acknowledge my parents, husband and family who have been a pillar during this journey.
DEDICATION

I dedicate this dissertation work to my family and friends. A special feeling of gratitude to my loving mother Fatuma Hajji Yussuf and my father Ibrahim Khalif for their encouragement and support and prayers for success in my education. They have always taught me that if you put Allah first then the doors of success will easily open. I also thank my supervisor Professor Caren Ouma for guiding me all through the project. Lastly I thank God for guiding me and making this project successful.
# TABLE OF CONTENTS

STUDENT'S DECLARATION ........................................................................................................ ii
COPYRIGHT .......................................................................................................................... iii
ABSTRACT .............................................................................................................................. iv
ACKNOWLEDGEMENT .......................................................................................................... vi
DEDICATION ........................................................................................................................ vii
LIST OF TABLES .................................................................................................................. xi
LIST OF FIGURES ................................................................................................................ xi

## CHAPTER ONE .................................................................................................................. 1

1.0 INTRODUCTION ............................................................................................................ 1

1.1 Background of the Study ........................................................................................... 1  
1.2 Statement of the Problem ....................................................................................... 8  
1.3 Purpose of the Study .............................................................................................. 10  
1.4 Research Questions ............................................................................................... 10  
1.5 Significance of the Study ....................................................................................... 10  
1.6 Scope of the study ................................................................................................. 11  
1.7 Definition of Terms ............................................................................................ 11  
1.8 Chapter Summary ................................................................................................. 13

## CHAPTER TWO .............................................................................................................. 14

2.0 LITERATURE REVIEW .............................................................................................. 14

2.1 Introduction ............................................................................................................. 14

2.2 The Effect of Succession Planning on the Performance of Alpha Grain Millers .......... 14

2.3 The Effect of Conflicting Interest on Performance of Alpha Grain Millers .......... 19

2.4 The Effect of Governance Structure on Performance at Alpha Grain Millers .... 24
REFERENCES ......................................................................................................................... 57

APPENDICES ......................................................................................................................... 68

APPENDIX I: QUESTIONNAIRE ............................................................................................ 68

APPENDIX II: RESEARCH CONSENT FORM .............................................................. 73

APPENDIX III: DEBRIEFING FORM ............................................................................. 74

APPENDIX IV: NACOSTI PERMIT .................................................................................. 75

APPENDIX V: IRB LETTER ............................................................................................... 77
LIST OF TABLES

Table 3.1: The Study Population .................................................................31
Table 3.2: Sample Size ................................................................................33
Table 3.3: Results of the Reliability Test of the Study Variables ....................34
Table 4.1: Response Rate .............................................................................35
Table 4.2: Descriptive Statistics on the Influence of Succession Planning on Firm Performance ................................................................................39
Table 4.3: Descriptive Statistics of Influence of Conflicting Interest .................42
Table 4.4: Descriptive Statistics of Influence of Governance Structure ................44
Table 4.5: Correlation Analysis ..................................................................46
LIST OF FIGURES

Figure 4.1: Respondents Gender ........................................................................... 36
Figure 4.2: Respondents Age .................................................................................. 36
Figure 4.3: Academic Qualification ....................................................................... 37
Figure 4.4: Position in the Firm .............................................................................. 37
Figure 4.5: Work Experience .................................................................................. 38
Figure 4.6: Descriptive Statistics of Leadership Preparations ............................... 40
Figure 4.7: Management and Nurturing Individual’s Talent ............................... 40
Figure 4.8: Mentoring Potential Successor ............................................................. 41
Figure 4.9: Conflicting Interest and Performance of Family Business ................ 42
Figure 4.10: Policy Interruptions .......................................................................... 43
Figure 4.11: Influence Governance Structures on Performance ......................... 44
Figure 4.12: Defined Roles for Family Members .................................................. 45
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Since time immemorial, families and businesses have been existing side by side (Bhatt & Bhattacharya, 2017). Most families started businesses as a source of livelihood (Villalonga, Amit, Trujillo, & Guzmán, 2015). The research done on family business has been growing over time (Arzi & Farahbod, 2014). Management researchers and writers have been interested on this topic since 1980s although this sector has largely been ignored until the last decade (Benavides-Velasco, 2011). This is why the field of family enterprises is not as large as in the other management areas (Aziz, Abdullah, Tajudin, & Mahmood, 2013). Most nations’ economic landscape is dominated by family firms (Fernández-Aráoz, Iqbal, & Ritter, 2015).

There are models that are based on sustainability of family business which considers the relationship between family and business systems. Collins and Regan (2010) mentions that the family and business are intertwined with family firms therefore the performance of the business is described using the family and business perspective. Researchers have continuously had a problem in defining a family business. This is because there are so many factors that need to be considered before coming up with only one definition. For example does family ownership, 100% ownership or controlling ownership? Does governance by the family suffice or is management a necessary condition? (Villalonga et al., 2015). Definition of family firms can be operationally appropriate, it is theoretically not suitable because it then begs the question on what are the firms that consider themselves as family firms (Siakas, Vassiliadis, & Siakas, 2014).

The components-of-involvement approach states that the business that has family involvements is enough to show that the firm is a family business. While the essence approach beliefs that some form of family involvement is just a necessary condition (Ediriweera, Armstrong, & Heenetigala, 2015). According to this approach a firm may not be a family business because it does not have the element of vision, familiness or behavior that comes from family involvement (von Schlippe & Frank, 2013). It has been found that in the past few years’ researchers have been using two theoretical perspectives that give more information that’s on the fields of strategic management, finance and economics: the resource-based view of the firm and agency theory. This two theories gives more
information on family business studies which has continued to be a concern in this sector (Suess, 2014). There are certain capabilities of the family that makes the family business be sustainable and makes it be in business for a while as compared to the other companies (Villalonga et al., 2015). The RBV can help us know more about the family firm’s identity and the development of such capabilities and how they can transfer the capabilities to other leaders.

Most of the economies around the world are dominated by family businesses that are mostly part of the private sector. For example, in US and Canada, family businesses constitute between 80 to 90 percent of all the businesses. Researchers also found out that most of the new jobs in the world were created by family enterprises. Most people are in agreement with the contention that family businesses for a long time now have been synonymous with job creation in the developed world (Casillas & Moreno-Menéndez, 2017). There are so many associations of family firms and professionals throughout the world that have come up for instance, European Family Business, Samsung in Asia and Ford in the United States of America. These firms play a crucial role in the global economy.

Family-controlled businesses are the prevailing form of enterprise throughout the world, making significant contributions to entrepreneurship and socioeconomic development in most countries. Families are the most frequent ultimate owner in non-widely held quoted corporations in Western Europe (44.3%), East Asia (37.9%), the US (19.8%) and Canada (31.2%), with 56.4%, 63.2%, 28.1% and 44.6% being the share of non-widely held quoted companies in each geographic area, respectively (King & Santor, 2008). Regarding unquoted companies across Europe, about 70%-80% of enterprises are family businesses (Mandl, 2008). Family business is a well-developed form of ownership all around the world (Bianchi, Bianco, Giacomelli, Paccess, & Trento, 2005). Recent studies have shown that families control large stakes in about one third of the Standard and Poor’s 500 companies (Anderson & Reeb, 2003) and hold ownership positions in over 38% of the 2000 largest non-financial non-utility firms in the US (Wang, 2006). Even outside the US, family firm’s represent a prevailing form of business either in developed or developing countries (Zahra & Sharma, 2004). Consequently, the assessment whether the presence of family ties within the chains of control of the enterprise can create the conditions for obtaining a differentiated performance as compared to non-family firms has received increasing attention (Erbetta, Menozzi, Corbetta, & Fraquelli, 2013).
Abeysekera (2011) noted that the importance various governments in the world attach to family businesses is worth noting since institutions of higher learning such as universities have been compelled to incorporate family business courses in their curricula. A good example is the European Union which propagates the need to have reliable statistics on the same due to its importance in the global economy. In Mexico majority of the firms are family businesses. The dominant firms in Mexico are owned and managed by one or more families (Aguiló & Aguiló, 2012). It is however important to note that information regarding Mexican family firms’ ownership and management structures is not easily accessible.

Family business succession is the process of transitioning the management and the ownership of the business to the next generation of family members. The transition may also include family assets as part of the process (Abdille, 2013). Family members typically play a controlling role in both the management succession as well as the ownership succession. As such, the effective integration and management of the family component will have a determining effect on the success of the succession process. Family succession (in the broadest sense, that of the mantle being passed to the next generation) can be a highly emotional and contentious issue, which can lead to major rifts within the family and the business as participants “choose sides” (Abu-Tayeh & Al Khawaldeh, 2004). To maintain family and organizational cohesive-ness, management must develop planning processes and mechanisms that provide a valid structure for the transference of leadership. By placing the succession process within a planning framework, the transition in leadership from one generation to the next gains additional legitimacy (Ahmad, Abbass, Latif & Rasheed, 2014).

From this perspective, conflict in the family business becomes a relevant element of the complex concept of corporate culture as a result of the existence of practices or structural and cyclical elements harmful to the normal development of family and/or business processes, which interfere with the management criteria of the company and which overshadow precisely that which could be considered the bonus of family businesses: familiarity. Conflict is part of human condition. Therefore, it is neither negative nor positive, but rather a natural phenomena (Alshammari, Almutairi& Thuwaini, 2015). The negative connotations traditionally attributed to conflict are at odds with current theories that explain the use of the term as an engine of change and generator of competitive advantage. Such consequences can only be achieved through effective
management of conflict processes, however, the first step towards this is to understand its nature and realize that this is a process constructed by the parties involved and based on their beliefs, paradigms and experience. In short, conflict is not generated by "what happens", but by what human beings "attribute to what happens" (Akeel & Indra, 2013).

Companies create a large number of stressful situations linked with a series of factors that can be classified into three branches: those related to the external environment, such as the country’s economic situation or periods of political change; those related to the company’s own organization and emerging from business routines, such as production processes, commercial or strategic decisions, strikes and, finally, those related to individuals linked to personality, family situation, financial problems or social prejudice (Albion & Gagliardi, 2011). These latter factors are the most common in family businesses, they reveal dysfunctional characteristics and individuals tend to personalize the differences and they are not a source of generation of competitive advantage, mainly due to the clash of family and business interests within the organization. This hybrid, comprising systems of ownership, control and family, shows frictions arising from the interaction of the above factors and gives rise to problems (Al-Ababneh, 2013).

Inappropriate roles and governance structure within the company usually generated when a family member behaves in their business role in the same way as within the family (Balderrama, 2015). In as much as they transfer the role they play in the family to their job and do not understand the difference between the two institutions; therefore those in the family who are more authoritarian carry this image with them into the company, as they do if their attitude is more submissive. Family members working in the organization will display similar behaviour, but as the company and the family have different objectives, the behaviour of each family member in the company should be different (Chrisman, Memili & Misra, 2014).

In the United States, family enterprises currently account for 80% of business organizations, producing over 50% of the gross national product and employing over 50% of the domestic workforce (Al-Jammal, Al-Khasawneh, & Hamadat, 2015). In United States, statistics indicate that 35% of the 500 biggest companies are family owned. In Canada, 80% of the companies listed on the Toronto Stock Exchange closely held in family
trusts or the founders’ hands (Arham, 2014). Recently, in the Netherlands, interest in the subject has increased. Family businesses are obviously important for the Dutch economy. They abound both in the large enterprise sector and in the sector of small and medium-sized enterprises (SMEs). According to estimates available, almost 50% of the Dutch enterprises with 100 or more employees are family businesses. Regarding the share of family businesses in the SME sector, some estimates are even as high as 80%. However, there is no agreement in the Netherlands about how one should define a family business (Al-Jammal, Al-Khasawneh, & Hamadat, 2015).

The family business sector is vital to the UK economy. In every industrial sector and in every part of the UK, family-run businesses are a driving force. They employ millions of people, generate more than a quarter of UK GDP, and contribute over 20 per cent of all the government’s revenue every year (Gedajlovic & Carney, 2016). There were 4.8 million family-run businesses in the UK in 2016, comprising 88 per cent of all private sector firms. This was a 4.3 per cent increase from the number of family-run businesses operating in 2015. Micro businesses, those with between zero and nine employees, dominate the sector, accounting for 97 per cent. Some 66 percent of family businesses had a single owner and operated as sole proprietorships in 2016 (KPMG Nigeria, 2017). A considerable share, 27 per cent, were incorporated companies and the remaining seven per cent were organised as partnerships. In total, family businesses employed 12.2 million people in 2016. Employment by family firms remained broadly the same between 2015 and 2016. This figure includes both employees working at family firms, and self-employed individuals running their own businesses. This means that the family business sector accounted for 47 per cent of private sector employment in the year, and around 35 per cent of all employment in the UK (Llopis, 2017).

Belonio (2012) mention that family business not only has a capability of making space for new employment, it also plays a part in the gross national product of the countries which have been investing on family business entrepreneurship in recent years. For example among all the business in Germany around 90% of it is family businesses and this one of the factors that has improved the economy of Germany after the economic crisis (Lindow, 2013). This days family businesses have become more diverse in that they are in different types of business search us retail stores and restaurant (Shafieyoon & Mansouri, 2014).
Small and family businesses are an integral part of Canada’s economy and communities. They account for a large majority of all businesses in Canada and represent the largest employer of Canadians. The Sauder School of Business estimate that about half of the Canadian workforce is employed by small and family businesses which create anywhere from 45 to 60 percent of national Gross Domestic Product (GDP). Research shows that a significant planning issue shared by these businesses is the question of succession, or changes in the top leadership of a business (Kirui, Iravo, & Kanali, 2015).

Since economic reforms began in China in 1978, privately-operated enterprises (POEs), as opposed to state-operated enterprises (SOEs), have been developing for more than thirty-seven years. Over this period, POEs have contributed significantly to China’s social and economic development. By 2012, 68.3% of business entities in China were POEs. Most of these POEs were organized around the family, with the family owning, governing, or managing the business (Mujkic, Sehic, Rahmic, & Jusic, 2014). In Japan, family firms take 96.9% of the total firms and 77.4% of the total employment in Japan. The magnitude of Japanese family businesses in the domestic economy, as suggested by this study, is comparable to those in many countries. There are 1,074 family firms out of 2,515 listed firms on the stock exchange markets (Oloko & Ogutu, 2012).

The main weakness of the African economies can be the lack of understanding the benefit of entrepreneurship in the economic development of a nation (Micheal, Sena, & Ndamsa, 2017). The Business Consulting (2009) states that only around 30% of family businesses survive into the second generation, 12% make it into the third generation and only around 3% succeed into the fourth generation. Studies have also added more knowledge on the two of the most problematic factors in family business: conflict and succession (Villalonga, Amit, Trujillo, & Guzmán, 2015). The South African government recognizes the importance of entrepreneurial activity as a means of energizing the country’s economy and encouraging growth and development (Phikiso & Tengeh, 2017). The rapid growth in family businesses in South Africa can be attributed to the rationalization process taking place in many large organizations, as well as to the growing inability of the informal sector to create new jobs. In South Africa, family businesses account for 50% of the economic growth of South Africa. Family-business owners in South Africa agree that compliance with the regulatory environment affects them to such an extent that they become uncompetitive, while the financial incentives and assistance afforded to them are not sufficient. Furthermore, many family businesses do not have the expertise or financial
resources to meet the regulatory compliance requirements (Taktaz, Shabaani, Kheyri, & Rahemipoor, 2012).

In Ghana, a lot of financial reforms have taken place over the years to cater for businesses. The financial sector is regulated by the Bank of Ghana. Its core business is to give credit to business entities that may apply for debt financing as a seed or expansion capital (Geib & Swenson, 2013). In 2006, the government set up Venture Capital Trust Fund to aid businesses which are in need of seed and expansion capital funds. Because of the vital role that family businesses play towards economic growth and development, in Ghana, various programs and agencies are available to support and promote the growth and expansion of family businesses. Some of these agencies are the National Board for Small-Scale Industries (NBSSI), Business Assistance Fund, Ghana Investment Fund, GRATIS Foundation, and the Rural Enterprise Project (Ibraheem, Hussein, & Ayat Mohammad, 2011). Family-owned businesses in Nigeria and other nations of the world play important roles in economic growth and development some of which include creation of employment opportunities, maintenance of competition, stimulation of indigenous entrepreneurship, wealth creation, innovations and creativity, foreign exchange earnings, mobilization of savings, and contribution to the GDP. Despite these vital roles, family-owned enterprises in Nigeria are faced with the problem of succession as about 95% of family businesses do not survive the third generation of ownership (Kotlar & De Massis, 2013).

The London School of Economics (LSE) 2013 study analysed that of 50 industrial companies in Tanzania, 29 originated in the domestic private sector with family businesses playing a substantial role. Historically, the phenomenon of long-standing family businesses gaining substantial holds on the Tanzanian economy can be traced to 1970s-1980’s economic reforms, which saw a loosening of the centralized state-run economy. These reforms were intended to encourage private business activity. As a result, several family-run businesses, which had previously managed to establish solid, if unspectacular places in the limited private sector, were able to seize control of market voids left by previously state-run entities. These family businesses then went on in many cases to develop into multimillion dollar conglomerates, which today dominate the consumer goods industry (Maharani & Troena, 2013).

Even though there are so many research done on succession in family business there is evidence of family businesses failing, this is because the issue of succession and how it has
affected family business continuity is still yet to be solved (Lucky, Minai, & Isaiah, 2011). Memili, Kellermanns and Welsh (2013) noted that in a research conducted by 21 countries it showed that conflict in work environments are widespread worldwide. Regardless of this fact, role conflict remains an area which has not been researched widely (Memili, Kellermanns, & Welsh, 2013). This area requires a lot of attention because role conflict is a great repurcation on the family business. Gedajlovic and Carney (2016) observed that previous studies have highlighted the importance of the existence of governance structures for family business which can be used to indicate that the company has a competitive advantage or are differentiating. At the same time this can create value but also destroy it.

So many companies are struggling with governance, leadership and transitions. An example is a company called Espírito Santo was rescued by the Portuguese government because its CEO resigned who is the great-grandson of the founder of the bank because the company was facing issues of financial illegalities (Fernández-Aráoz, Iqbal, & Ritter, 2015). A professor called Joseph Fan who is a professor at the Chinese University of Hong Kong, tracked the performance of 214 family-run firms that are in Taiwan, Hong Kong, and Singapore where he discovered that their shares had declined by almost 60 percent in the eight years surrounding a change of CEO (Fernández-Aráoz, Iqbal, & Ritter, 2015).

This is a case study that was carried on a company called Alpha Grain Millers LTD. This company is a milling firm and has been in the milling industry for more than ten years now (Millers, 2019). It produces a number of products which are maize meal, home baking flour and by products like bran and animal feeds (Millers, 2019). The company mainly concentrates on the needs of the customer. This is by focusing mainly on quality of their products. This is mainly the reason why it has become popular in most of the Kenyan households. The company is also a family business. Which makes it appropriate for this study. The study was carried to find out the factors that affects the performance of family business. This case study is going to find out how the succession planning affects the performance of family business in the company, how the conflicting interest of various stakeholders involved in the business affect the performance of the business and how the governance structure influence the employee performance in the business.

1.2 Statement of the Problem

The family business is often said to be a special kind of firm. It is special in the way family members involved combine family life and work. Therefore, it is difficult to view the
business, the management and the ownership separately. All over the world, the subject of family businesses is studied. Publications are for the greater part about succession or financial structure (Distelberg & Schwarz, 2015).

Family firms make up a significant portion of all the businesses globally. They are also responsible for employing 60% of the global workforce (Cortés & Botero, 2016; Villalonga et al., 2015). Studies in different parts of the world have confirmed that the performance of family firms can be hampered due to conflicts attributed to close kinship, management, and ownership (Gomez-Mejia, Nuñez-Nickel, & Gutierrez, 2002). Samei and Feyzbakhsh (2016) mentions that the success and continuity of family enterprises is dependent on the decision-making outcomes concerning succession in family business. Giarmarco (2012) also states that family companies should make sure that there is a smooth succession between generations.

Studies also have brought to light that there are also other factors that can affect the sustainability of a family company such as the firm not having a strategic plan for implementing the business objectives, the poor performance of the business in competing with rival firms and the lack of training programs in order to bring out the innovative capabilities of the employees (Jose, 2009). Steier, Chrisman and Chua (2004) are of the agreement that the owners of the family business will determine the performance of the firm. But they add that adapting the initial public offering in their business might change this (Lien & Li, 2014). It has also been noted by other researchers that poor management may cause failure of family. Winter, Millett, Judge and Robbins (2004) opined that personnel and family problems may lead to the decline of family business.

In Africa studies that focus on succession planning and governance of family firms reveal a worrying trend (Phikiso & Tengeh, 2017). Phikiso and Tengeh (2017) list lack of interest and complicated emotional factors as a major hindrance to succession planning in family businesses. Nigerian family firms face the challenge of reconciling family systems to the business systems, ensuring effective succession plan is in place, and accessing the funds need for growth and development of the businesses (KPMG Nigeria, 2017). Not much research has been conducted on the family business in Kenya. Studies on the family business performance and development are very important in a country like Kenya because of the difference in the process between developed and developing countries (Arinaitwe, 2002).
In this case it is also necessary to understand the factors that are influencing small-business performance in African countries for instance, Kenya which are not compared to those facing developed countries (Muthoni, 2015).

In Kenya, most previous studies in relation to the topic under review have concentrated on the challenges facing family businesses in general (Dahir, 2018; Muthoni, 2015; Abdille, 2013). Besides, the researcher is not aware of any previous study that focused on Alpha Grain Millers hence posing a knowledge gap. This study was therefore intended to address this gap by concentrating on the internal factors that affect the performance of Alpha Grain Millers as a family business namely: succession planning, conflict of interest and governance issues.

1.3 Purpose of the Study

To establish the internal factors that contributes to the performance of family business enterprises in Kenya at Alpha Grain Millers

1.4 Research Questions

1.4.1 How does succession planning affect the performance of family business at Alpha Grain Millers?

1.4.2 How does conflicting interests of various stakeholders involved in the family business affect the performance of family business at Alpha Grain Millers?

1.4.3 How does the governance structure influence the employee performance in family business enterprises at Alpha Grain Millers?

1.5 Significance of the Study

1.5.1 To other Family Businesses

This aims to benefit the family business enterprises that are looking to improve their performance. It can also help the small family business enterprises which has not yet set a direction on how they can succeed in their business.

1.5.2 To Alpha Grain Millers

It will also benefit Alpha Grain Millers LTD. Since the research will mainly focus on the performance issues in the company. This will help them perform better in the in the future. The family members who are managing the company will also be aware of the factors that
affect the performance of the company and will take personal responsibility in making sure that things improve.

1.5.3 To other Researchers

This case study will benefit other researchers. It will give them more information which will give them more content during their research. Since the research is on specific company, they can be able to compare the information in the study with other family business companies. The information under recommendation can also give them more ideas.

1.5.4 To Policy Makers

The policy makers especially in family business can use this research to improve the decisions they make. They can learn the importance of training of their employees and treating both the family members and employees equally.

1.6 Scope of the study

The study was based on the factors that affect the performance of family business but there can be so many factors affecting this kind of firms. Therefore, the research narrowed down to internal factors specifically. The number of family businesses has been growing throughout the world; therefore the research focused mainly on Kenya and specifically Alpha Grain Millers Ltd. The company has two branches one in Athi River and the one in Embakasi. The designated population of this study was 282 respondents. This research was conducted from the period of May to August 2019.

1.7 Definition of Terms

1.7.1 Family Business

Lucky, Minai and Isaiah (2011) mentions that a family business is owned by a family but at the same time runned by a non-family managers. Lorna (2011) explains that family business is one that will be passed on from the current generation to the next generation of the family to manage and control (Collins & O’Regan, 2010).

1.7.2 Business

According to the Business Dictionary, a business is either an organization or economic system where goods and services are exchanged for one another or for money. There
different types of business; privately owned, not-for-profit or state-owned. Family business is categorized as a privately owned business (Micheal, Sena, & Ndamsa, 2017).

1.7.3 Family

The definition of a family has been changing over time due to the demographic structure of different countries and contexts. The definition of family in the United States is the nuclear model of a heterosexual married couple who are living with their children in a household which is headed by the husband (Abeysekera, 2011). However this also changed because there is an increased rate of divorce and homosexuality marriages which changes the perception of what marriage is. In African countries the definition of family is the same as that of the Asian countries but the difference is that the extended family do not all leave in the same house.

1.7.4 Business Performance

This means completing of a given task measured against standards which were set before. Thus, standards can be accuracy, cost, completeness or speed. In cases where a contract is involved the performance means the fulfillment of an obligation (performance, 2018).

1.7.5 Internal Organization

This is the way an organization is designed to carry out its daily operations (Ahmad, Abbass, Latif, & Rasheed, 2014). This is determined by the type of objective that the organization wants to meet.

1.7.6 Succession Planning

It involves the training of individuals who can take over the leadership role within the company (Bennett, 2019). This is done to ensure the company is running smoothly without the presence of the previous key leaders.

1.7.7 Conflict of Interest

This situation comes about when an individual becomes untrustworthy because of clash between the personal interest and professional duties (Segal, 2019). This individual can use his/her position to benefit himself/herself.
1.7.8 Governance Structure

This is determined by the mission that the board wants to set. This sets the policies to be implemented and also the relationship between staff and the board (Kara, 2012). The structure can change after some time.

1.8 Chapter Summary

This chapter explained the background of the study in relation to the effects of internal organizational factors on performance of family business enterprises in Kenya. It also described the statement of the problem, purpose of the study, research questions, significance and scope of the study. The chapter further defined the key terms used in the study as well as a summary of the whole chapter. Chapter two reviewed the relevant literature based on past studies related with the topic under review. Chapter three discussed the methodology used in the study. Chapter four was on study results and findings. Chapter five delved on discussion, conclusions and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The study explored the effects of internal organizational factors on performance of family business enterprises in Kenya. The chapter presented a comprehensive literature review on the influence of succession planning, conflicting interest and governance structure on the performance of family owned enterprises.

2.2 The Effect of Succession Planning on the Performance of Alpha Grain Milers

The succession process is probably the main stage of the lifecycle of an organization. Otieno (2014) also noted that the future performance of any company is mainly dependent on the amount of time they take in their succession planning. Succession planning is the process where by the organization ensures that there is a continuity in the main positions, retaining and development of knowledge capital for the future and the same time encourage individuals to develop more skills (Otieno, 2014). It also involves the planning of top management succession to a view of coming up with system that will develop internal talent.

Succession planning is not a phenomenon in the eyes of many companies. Companies have been trying to come up with ways that will identify, develop and retain their talent for decades (Abdille, 2013). Many organizations are now facing a very high demands in a global market because the widening talent gap. One of the main problem facing family business owners is how they will effect an orderly succession of the business at the same time ensuring that the business will provide the current and future needs of the owner and his family. Abdille (2013) also indicates that even though 74 percent of family owned business is putting more effort in a formalized succession planning process, companies are still struggling to fill the talent pipelines. He also argues that in an ideal world companies should be looking to empower leaders within their own organization which will ensure that there is continuity for the future of their leadership and reducing turnover.

In order for family organizations to be successful in their succession planning they need to do a number of things. Knowing what talent and skills the organization has within the company is the first step of knowing how to develop the employee (Chignell, 2017). An organization will always need a leader and a manager that has versed skills and qualification
even though they are not useful in their current job role (Chignell, 2017). Listening to your employees is also important because it is one of the easiest way of understanding what is happening within the company and how the succession planning can solve it (Chignell, 2017).

Several studies have focused on the levels of succession planning that must be undertaken to ensure the process is smooth and successful (Grassi & Giarmarco, 2009). Giarmarco (2012) posits that there are three essential levels of succession planning in a family business. The first level is clarifying that management and ownership are two different issues. One might opt to leave the management of the enterprise to one child and partial ownership to others. The second level focuses on ownership of the business. It is important to come up with plans that take care of the children who are not involved in the day to day running of the business. It helps prevent future conflicts that might affect the performance of the firm negatively (Grassi & Giarmarco, 2009). The third level of succession planning is the clarification of transfer ownership. In a previous study, Giarmarco and Grassi (2009) include the need to determine business goals, and the financial needs of the owners to make it five levels of business success planning. The clarification of all issues surrounding of the transfer of ownership or management rights aids in avoiding unnecessary conflicts in the future. The risk of losing the business to aggressive takeovers is also minimized when a proper success plan is implemented in a timely manner.

2.2.1 Mentoring on Successor Nurturing

Research has shown that companies are not able to succeed in succession to the next generation because due to successor nurturing (Samei & Feyzbakhsh, 2016). Therefore a company should make sure that they have effective methods of successor nurturing in how to have a capable successor. Literature suggests that one of the most effective methods of successor nurturing is mentoring (Poza, 2010). Mentoring mainly involves the establishment of a relationship between a senior individual and an individual who is new to the organization (Samei & Feyzbakhsh, 2016). During this process of mentorship the experienced individual provides emotional support, guidance and sponsorship to the mentee (Haggard, Dougherty, Turban & Wilbanks, 2011).

There are two categories of mentoring, this are career functions and psychosocial functions. Career functions helps the mentees in developing his career, this includes sponsoring the mentee for organizational promotion, coaching the employee through offering advice and
also giving him assignments that are challenging so that he can be ready for more important responsibilities (Form, Schlichting, & Kaernbach, 2017).

Psychological functions are also very important during mentoring. This is where the mentor shares about his social experiences with the mentee, offer consultation to the mentee by listening to the employees personal and work concerns, confirming the mentee in order for him to be positive during working and also act as his role model (Form, Schlichting, & Kaernbach, 2017). In the case of a family business the predecessors, advisors and other family or members of the organization may act as a mentor for the successor in order train him to run the business in the future. In family business, successors are also involved in creating contact with the relevant stakeholders who intern increases trustworthiness between them (Samei & Feyzbakhsh, 2016).

The previous researchers on family business have stress on the importance of mentoring in developing the successor (Distelberg & Schwarz, 2015). By studying four family firms Salvato and Corbetta (2013) have noted that involving advisors can improve the mentoring process. In order for the successor to develop entrepreneurial competencies Jaskiewicz, Comb and Rau (2015) suggested that he or she should work in the family firm and experience different challenges. Samei and Feyzbakhsh (2016) mention that if the successor is young and less experienced then he or she needs more of the spiritual preparedness in order to run the business.

2.2.2 Hindrance in Succession Planning

A company was successful by making profits this was possible if the extent of knowledge possessed by those heads of their business (Leon, 2014). This knowledge will mainly be gotten from the experience he has gotten through working in the company and learning the habits of the firm and working in major departments in the firm. In a family business it is best to have a strategic plan of succession because not planning for it can result to negative returns in terms of internal struggle for power (Leon, 2014). Anjali and Anand (2015) adds that the internal struggle can make the employees and external stakeholders have a perception that the company is not stable leading to the loss of the key employees.

When leaders are running a business it is good to be strategic in all their business adventures. Sadly this is not the common perception of strategy. However, family businesses do not rely much on formal planning. Therefore there is gap between the research of strategy and the strategy work performed by each firm. Arslan and Staub (2013)
states that in order to understand the family business strategy it must be built on the particular dynamics of the family business, considering the micro aspects of human interaction.

Succession planning and management programs enables organizations to identify a group of potential candidates for the leadership position in the business. To achieve a smooth transition in leadership position, experts suggest that the heir have enough time to work with the incumbent leader before the successor takes the office (Leon, 2014). This kind of approach is called the relay succession approach, which requires the leader in office, to work together with the successor for some time in order to make him build his/her corporate knowledge base and forthcoming working team.

Talent management is the process where the organizations identify, develop, and move employees and leaders upward to increase the key talent (Rothwell, 2011). Leon (2014) adds that the study which was carried out by the Society for Human Resource Management found out that 76% of the study participants considered talent management as the first priority of today’s organizational strategies. Considering that business will continuously face shortages of talent and will find it hard to retain existing employees, they will need to create policies and procedures that will identify and retain high potential talent in the family business (Leon, 2014).

According to statistics, family owned enterprises employ about 60% of the workforce globally (Neckebrouck, Schulze, & Zellweger, 2018). Questions have been raised whether they are good employers or excel at talent management strategies. Neckebrouck, Schulze, & Zellweger (2018) extend the stewardship and agency theories to understand the impact of family owned enterprises on employment practices using data from Belgian private businesses. The study shows that family firms are comparatively better financial stewards because they are characterized by high investments, low dividends and a high risk for tolerance. However, family owned businesses are poor organizational stewards because they tend to offer low compensation, invest relatively little in training employees, and show high voluntary turnover. The findings imply family firms in Belgium have poor talent management strategies. The high voluntary turnover and low labor productivity are due to the lack of effective human resource management strategies that focus on getting the best out of the workforce. The study recommends additional research to clarify the role of family firms in human resource management.
The poor management of talent in family owned enterprises can be attributed to the bad habits that have been passed across generations (Kidwell, Eddleston, & Kellermanns, 2018). Organizational learning can help in maintaining the culture of a family in business for generations. The lessons from the cultures can help in effective management of organizational resources. However, the same culture impact the performance of the firm negatively especially when poor human resources practices are passed down across generations. The firm is likely to have difficulty keeping and attracting talented individuals. The imprinting of human resource practices across generations can have a negative impact on the firm because of the changes in human resource practices. It threatens the competitiveness of the firm and its survival (Gibson, Vozikis, & Weaver, 2013; Liu, Yang, & Zhang, 2012). The study recommends the replacement of outdated practices with new effective ones to ensure employees are kept happy.

2.2.3 Future Direction of Family Business

The management of family business is normally passed from one generation to the next, but the time of transition and the years leading to it can make or break the firm’s future success (Abdille, 2013). One characteristic that differentiates the family business from the other business is their ownership model and the passing of the firm from one generation to the next which can either be a strength or a weakness (Abdille, 2013). The issue that is being faced during transitioning from one generation to the next can only be solved by the company planning ahead. These planning process will help separate the abilities of the owners and the managers (Abdille, 2013).

The company should identify the threats that can be a barrier in the process of succession and evaluate it and come up with ways of overcoming this challenges. One of the key issue that can affect most business in the future is globalization (Abdille, 2013). Most business are experiencing an anxiety of the impact of internationalization of business and the increasing power of global megabrands, though businesses are confident that having local knowledge and the capability of exploiting profitable niches will keep their family business running (Abdille, 2013).

The companies that are planning for high levels of growth in the future it is advisable to get staff who are competent for the job and then plan on retaining them (Abdille, 2013). The high performing talent that was necessary to see family business in the future is a growing concern. Families should share their value and legacy enterprise with the future
owners. Therefore through communication and modelling, families can make the children understand that the business provides benefits beyond just a source of dividends (Abdille, 2013). The future owners should also be educated about the basics of ownership.

A strategic planning process that accounts for the dynamic nature of the current business environment, changing consumer habits and preferences, products and services, and capabilities of the firm as the most effective for family firms (Tysiak, 2017). Tunnel vision and lack of formalized planning is responsible for the poor performance of family firms across generations. Tysiak (2017) recommends the creation of a governance structure that allows the firm to attract new talent and adopt practices that can help improve the overall performance of the firm. The lack of willingness from the owners to improve the organization puts the future of the firm at risk.

2.3 The Effect of Conflicting Interest on Performance of Alpha Grain Millers

Family businesses are at risk of experiencing conflicts compared to other corporations with the highest being when the company is experiencing success (Harland, 2015). In most cases, the type of conflicts experienced in family run enterprises are highly predictable. Unfortunately, attempts to find solution are unsuccessful in most cases, which might attributed to the complexity of relationships among the key family members. Sibling rivalry, preferential treatment, and aging patriarchs’ are some of the common triggers of conflicts in family owned enterprises. According to Harland (2015), there is nothing strange about these type of conflicts in family owned enterprises. It would be strange if these types of conflicts did not exist in family businesses.

The overlap between business and family brings a lot of problems to the management, growth and sustainability of the business. When there is no clear cut separation between ownership and management it often leads conflicts and affect the future of the company (Right, 2017). Brown (2011) mentions that family dispute if not solved can spill into other areas. Therefore if family members take things personal and are not able to solve things fast therefore its best to involve an outside consultant who can act as a negotiator and come up relevant resolutions. Understanding conflicts starts with the studying family dynamics and the impact it has on the way family members relate on a daily business.

A study undertaken in Germany sought to find out how the conflicts that have been caused by the specific issues in family businesses influence change using German family businesses as the case study (Claßen & Schulte, 2017). The study utilized a 21 semi-
structured interview of members of German families that own businesses. According to the findings, the impact of the family system in a business can be likened to the work of a recursive catalytic converter. A family business is characterized by the interpenetration of family, business and ownership. These three factors influence each other in an evolution process where they influence each other and adapt new interests and skills. Each system is distinct in nature (von Schlippe & Frank, 2013). The family system relies on emotional and direct interaction because of the familiarity among members of the family. On the other hand, the business system utilizes direct oral and written communication that is governed by a set of standards. Business communication is expected to be devoid of emotions. The ownership system is defined by legal and administrative issues. Claßen and Schulte (2017) determined that family is key factor in the context of change. It helps shape the identity of a businesses as conflicts arise and family members wield both formal and informal power. The findings of the study confirm that conflicts leads to change in family owned enterprises. It is pertinent to note that the effect of family conflicts on family owned businesses is not always negative.

Claßen and Schulte (2017) focuses on three conflicts that are specific to family owned businesses. Open conflict, latent conflict, and awareness of the risk conflicts formed the focus of second research question. Studies have shown that open conflict leads to tension and wielding of power, which can threaten the success of a family owned business (Großmann& Schlippe, 2015). However, this kind of a situation can also help create a difficult situation that necessitates a power change for the business to survive. The change has the potential to improve overall management of the business, which can inspire growth and development. Latent conflict is not characterized by physical confrontation. It is silent with the family members working to prevent the conflict from openly taking place. It becomes the drive for change because of the determination to avoid open conflict at all costs. The awareness of conflict as a risk can also drive change in a family owned business. Once the manager of a business recognize a problem the logical step is to correct the problem to prevent further complications. It is clear from the findings that conflicts that are specific to family businesses have the potential to influence change in the organization.

2.3.2 Ways of Avoiding Family Conflicts

Brown (2011) suggests that from the start family members who are not working in the company should not be put in the payroll. When family business start most of the family
members have no roles and responsibility. But this is where the conflict starts. Companies should make sure all their members have a designated responsibility (Brown, 2011). Once they have their responsibilities then the company should conduct a performance review for both the family and non-family. The company should also be very careful when contracting suppliers who are relatives (Brown, 2011).

Harland (2015) observed that understanding a family system is different from a business formal system which is key to managing conflicts in family run enterprises. An average business has a set of instructions that govern relationships between supervisors, managers, and employees. Every member of the organization understands that it is an obligation to adhere with all the rules and guidelines set by the top management. It is a fact that families have systems that dictate relationships; however, these relationships tend to be informal and organic. The expectations, boundaries, and rule are natural. For example, the expectation that a mother is expected to take of her child is an unspoken rule that is accepted by all family members. It is very difficult for family members to operate between family and business systems without straining relationships. Difficulties tend to arise when family members assume business systems work the way family systems work (Harland, 2015).

The creation of a governance system is an effective way of keeping the risk of conflicts low in family owned businesses (Taylor & Tucker, 2013). The governance system can help clarify roles, dictate the time and type of that meet, provide ways to resolve conflicts, and connect the concerns of family business and the business. An effective management of the two systems is to encourage the separation of the two systems, which means family members who are members of the organization should be treated as employees at the workplace. Brown (2011) makes it clear when he talks about the impact of assigning responsibility to all family members. The assignment of responsibility brings with the expectation to deliver and perform like all the other employees. All employees should be treated equally. Therefore family members should not be given special treatment because this might de-motivate employees. At the same time family members should also not feel that because of blood relations they will never get any appraisal.

Stewardship theory assesses the relationships in organizations where members have a collectivist orientation and are aligned with the interests of the organization (Davis Carriere, & Bourque, 2010). Memili (2013) observed that it is understood differently in predicting managers motivations towards attaining their goals which is different form
agency theory, which talks about conflict between the interests of the owner and the manager.

Davis, Carriere, & Bourque, (2010) argues the key psychological elements that will influence the relationships between stewards are motivation, identification, and use of power. Family business members will also work hard for the success of the organization once they accept the family firm mission and objectives (Zellweger, Eddleston, & Kellermanns, 2010). Stewards, who do not have to be the owners of family firms, may develop a sense of psychological ownership. Another thing that can enable stewardship behavior in family business is when the members have personal power that can become personalist and particularistic tendencies. In the absence of a clear strategy and structure that is furthered by reciprocal altruism, family members can deviate from a stewardship behavior due to lack of clear collective goals fostering self-centeredness, individualistic goals, and behaviors.

Pruning the family tree has been suggested by scholars as an effective way of managing conflicts in family owned enterprises (Lambrecht& Lievens, 2008). Lambrecht and Lievens (2008) undertook to find out why families take time to prune the family tree and the impact it has on governance, ownership, and management structures. Ownership and control are among the key factors that instigate conflicts in family run enterprises. The study findings show that pruning the family tree simplifies ownership and creates the path to harmonize the family and business performance. No contradiction was established between pruning the family tree and the governance structure. This means there is no negative impact on performance. Pruning the family tree facilitates continuity and harmony when it is done at the right time and in the right manner. The centers of power become clear in the organization.

In order to avoid any rumors in the company it is advisable to disclose that you have relatives or friends working in the company otherwise when it finally comes out they will see you as a deceitful person. The resources of the company should also not be used for personal reasons. The manager of the company should try and professionalize the business (Brown, 2011).

2.3.3 Role Conflict and Reciprocal Altruism within the Context of Family Firms

Role conflict has been researched in various academic disciplines. Memili, Kellermanns, and Welsh (2013) describes that the family members who work in the family firm have a
dual role of being an employee at the same time a family member. Due to this there is a potential for role conflicts within family members because they tend to have a direct influence on the family business because it is difficult to separate the expectation and behaviour (Memili, Kellermanns, & Welsh, 2013).

Atruistic is a behavior that is motivated by the desire to benefit someone else other than oneself for the persons sake (Kraut, 2018). This term is mainly used as an antonym of egoistic or self-interested. This word is sometimes used to refer to behavior that will benefit others without considering its motive. Reciprocal altruism can be used to describe the costly cooperation between two people. This involves the exchange of goods and services that are costly acts between individuals where one individual benefits from the action that one takes at the same time the other individual benefits from the same (Memili, Kellermanns, & Welsh, 2013). In most cases, reciprocal altruism is manifested before the development of family conflicts. It helps in building expectations that are difficult to meet in a formal business system.

It becomes even more challenging because when the individual is expected to be involved in at least two business subsystems (Memili, Kellermanns, & Welsh, 2013). This means that the family member will have a hard time to set his or her priorities because the expectations of the family and business subsystems are combined to become his or her role (Kidwell, Kellermanns & Eddleston, 2012). If the pressure he or she gets from the family is contrary to the one of the business then it becomes impossible to archive both of the role expectations. There is more conflict in a family firm as compared to a nonfamily firm because of the dual role of family members.

Kotlar and De Massis (2013) observed that family members have disagreements when they are setting goals, especially when they know that that interfamily succession is forthcoming, which may later need the family members to come into a collective agreement in order to avoid conflict. Role conflict can lead to low performance because it elevates negative feelings. This problem is mostly faced by small-to medium –sized family businesses where the performance of the firm depends on the contribution of the family members working in the firm (Memili et al., 2013).

If the family members cannot solve this conflict then they will not be able to focus on the firm’s goals because they are likely not to perform well. In addition the performance of the family firm was affected because the family member may substitute family centered goals
with the business-centered goals (Kotlar & De Massis, 2013) which the family members set their own priorities concessions if differences become unsolved. This can greatly affect the performance of the family business especially when it relies mostly on a labor force that mainly comprised of family members (Shah, Nisar & Ijaz-ur-Rehman, 2011).

2.4 The Effect of Governance Structure on Performance at Alpha Grain Millers

Corporate governance has emerged as one of the most important topics given the difficulties that many firms have experienced in the 21st century. Financial scandals have brought major corporations down with many livelihoods being destroyed in the process. As a result, there has been a major concern whether the interests of shareholders are being taken into account in major corporations. A significant portion of research in corporate governance focuses on the layers of decision making, compensation structures, and the way owners and managers relate. The fact that family firms are the most popular in the world means that the governance of these firms is bound to come under scrutiny (Balderrama, 2015).

Family businesses are among the most complex systems that demand sound strategy, committed workforce, and leadership to achieve high levels of performance. The creation of a governance structure has been listed as one of the ways to reduce the risk of conflicts in family owned enterprises (García, Castejón, & Perez, 2014). The conflicting family and business systems that make up family owned enterprises characterize dynamics. Effective management of communication systems and conflict has a significant impact on the overall performance of a family owned enterprises (Siakas, Vassiliadis, & Siakas, 2014). A governance structure defines the centers of power and the responsibilities of each member of the organization. It can be used to justify whether a family member should be placed in the payroll or not.

2.4.1 Conventional Theories that Explain Governance in Family Owned Enterprises

Agency theory and stewardship theory have been the main focus of studies that focus on governance in family owned firms. Agency theory is concerned with the relationship between owners and agents in business. The goal is to solve the problems that might arise if the goals of agents and principals are not reconciled. A portion of researchers have used the agency theory to explain the relationship between management and owners in family firms with the belief that it can help in agency complications (Kallmuenzer, 2015). Agency theory assumes that if managers are not supervised they are likely to seek self-interest.
Stewardship theory assumes that if not supervised managers will act as responsible stewards of resources that are under their control.

Agency theory predicts the involvement of family members in governance as something negative while stewardship theory considers it something positive (Ashwin, Krishnan & George, 2015). There are studies that have identified altruism as one of the key instigators of agency problems in family owned enterprises. This is because parents can be tempted to aware their children positions or put them in the payroll without requiring them to handle responsibilities and follow company rules. The clash between the emotional and organic family system and the formal business system can give rise to key agency problems (Villalonga et al., 2015). These problems tend to have a negative impact on the overall performance of the firm because it increase the agency cost of preventing lazy attitude and behavior. Studies have recommended the hiring of professional managers to run family business because it will help improve the overall performance of the firm (Nikolovski, Radevska, & Petkovska, 2016).

Some studies have attributed the success of family businesses to altruism based on the belief that altruism encourages collective ownership (Agapitou, 2013). Collective ownership improves communication, which makes it relatively easy to communicate goals and resolve conflicts. High levels of altruism can be seen to reduce negative behavior and encourage family members to partake in company activities. Reciprocal altruism creates a chance for family members to converge ideas and work for the good of the firm (Hadjielias & Poutziouris, 2015). The ultimate effect is a highly performing organizations where employees feel appreciated for their specific roles. Reciprocal altruism can emerge as a competitive advantage for some family owned enterprises. On the same note, there are studies that have associated the high family control with lower firm performance (Miller, Chi, Lan, & Dorjgotov, 2014). It is interesting that one of the most recent studies has established that there is no connection between family involvement in governance and performance of family owned businesses (O’Boyle, Pollack & Rutherford, 2012).

Resource based view is the third theory that dominate literature focusing on governance of family owned businesses (Juma & Ndisya, 2016). The resource based view is a bit different from agency theory and stewardship theory that focuses on firm performance and governance. The key assumption in resource based view is that the resources owned by a firm determines the amount of achievable returns. Family firms possess a unique blend of
resources that are formed because of the interaction between family system and business system. The ‘familiness of the firm’ can serve as a competitive advantage if utilized for the benefit of the firm. These resources have the potential to affect the performance of the firm negatively if not managed efficiently and effectively (Villalonga et al., 2015). The existing literature identify human capital, governance structure, patient capital, and survivability capital as the key factors that can be influenced by family members to improve the performance of the firm (Balderrama, 2015).

2.4.2 Governance Structure and Performance

Good governance is crucial to survival of any organizational entity because it has a direct impact on how limited resources are utilized to satisfy unlimited wants (Ediriweera et al., 2015). There are many governance structures in different organizations based on social, religious, political, and cultural beliefs and practices. Ediriweera, Armstrong and Heenetigala (2015) reviewed literature with a specific focus on governance in family owned businesses in Sri Lanka. The governance of family owned enterprises is complex because of the need to create a balance between the family system and the business system. The review found studies that pointed that governance structure is an emerging trend among the young generation who inherit family corporations.

In most cases, the older generation relied on intuition to make decisions and the young generation tend to lean towards creating a governance structure to formalize the process of decision making. Studies show that most family owned enterprises rely on a two tier decision making system. The process of decision making includes the intuition of a family member and the advice from all the advisors and committees. It has a significant impact on the overall performance of family owned enterprises. The mixture of older and younger generation in the governance structure of a family business increases the chances of success (Chignell, 2017).

Varying institutional and industry contexts, dispersion in goals, heterogeneity, and multiple stakeholders have a significant impact on the governance structures adopted in family owned enterprises (Ediriweera et al., 2015). The uniqueness of governance in family businesses stems from the fact that there is a constant need to ensure the goals of other stakeholders are in line with the goals of the dominant family. Steier, Chrisman and Chua (2015) recommend a business development perspective that gears towards the search for new opportunities. The fact that a governance perspective has an impact on the
performance of a firm shows that governance structure can help improve the performance of the businesses. It supports the high level of innovation and resourcefulness that has been associated with a significant number of family businesses in different parts of the world.

A literature review focusing on research that has been done about the governance of Ibero-American family firms revealed that most studies try to understand the structure and processes that are connected to ownership and business systems (Cortés & Botero, 2016). Cortes and Botero (2016) located 38 articles that formed the sample for the study. Understanding ownership system governance structure takes precedence for most family owned corporations. The impact of governance structure used in family businesses across regions is difficult to establish. The culture of governance has not been the focus of many studies despite the existence of studies that explain how the cultural aspects of governance in family owned firms. From the findings of the literature review, it is clear that governance structure has a direct impact on the performance of family owned businesses. Additional studies that focus on specific governance structures applied in family owned businesses can help enhance knowledge in the governance of family owned enterprises (Balderrama, 2015).

Balderrama (2015) carried a study seeking to comprehend the process of developing governance structures in family firms. Understanding why family businesses are forced to develop their governance structures. The overlapping boundaries of management and ownership presents a significant challenge. The development of governance structures for family businesses must take into account the pattern of adoption. The findings of the study show that governance structures in family businesses tend to be develop from business governance to family governance.

Governance in family firms is directed by the motive of the owners and the management. Legitimacy seeking families are more likely to create clear governance structures as part of an effort to ensure every aspect of the firm is formalized. However, if the governance structure fails to give precedence to efficiency it may come off as something ceremonial. Family firms that are after efficiency are more likely to fully adopt and institutionalize governance structures (Balderrama, 2015). According to the findings, learning and power are the main reasons for the creation of governance structures in family firms. Both reasons can be negative or positive depending on the actions of the owners and management. The refusal to give up power can hurt relationships and lead to conflicts and it can also ensure the leadership structure is maintained. Governance structure are meant to bring order and
define responsibilities. The effectiveness of the governance structure depends on the motives of the owners and management (Cortes & Botero, 2016).

The prevalence of family owned enterprises in India has several studies that target governance and ownership in family business (Bhatt & Bhattacharya, 2017). Bhat and Bhattacharya (2017) sought to investigate the nature of the relationship between board characteristics and performances in family firms. The sample for the study includes top Indian firms listed between 2002 and 2012. The sample was divided into family ownership, family management, and family representative directors to facilitate the study of the relationship between board characteristics and firm performance.

The study findings show that the board structure has a negative impact on the performance of the firm compared to businesses that are not owned by families. The common notion in Western literature that purports family management has a significant impact on firm performance was not reflected in the findings of this Indian based study. Increasing the proportion of family members in the board and family ownership was not seen to have any significant impact on the performance of the firm. There was no notable difference in performance of the family firms during and before recession period. The study findings imply governance structure does not have a significant impact on the firm performance.

Asser (2011) undertook a study to investigate the impact of governance structure on both family and non-family based businesses in Pakistan. The findings of the study show that governance structure has a significant effect on the performance of both family and non-family owned enterprises. It is imperative to note that there are several factors that affect the overall performance levels of the organization (Asser, 2011). There is a need to control the factors that are specific to each organization to maximize returns. The positive effect of governance structure on the performance of family firms is echoed by Gama and Rodrigues (2013). The study analyses governance roles and the impact it has on the performance of family owned enterprises the findings confirm that family firms perform better compared to non-accounting firms, which implies a better governing structure. The key insight from the study is that the appointment methods used by family firms can be effective in non-family firms. Governance structures used in family firms take into account the complex nature of relationships and finds ways to navigate through all the issues (Gama & Rodrigues, 2013).
The structure of ownership has a direct effect on the decisions taken by management in any organization. It explains the focus that researchers have given to governance structure and firm performance in family firms. A wide range of studies have confirmed that family ownership can have positive and negative effects of the performance of the firm. The introduction of corporate governance methods can help improve employee performance (Kumar & Zattoni, 2016). Empirical findings show that the Board of Directors of most family owned corporations are full of insiders, which increases the risk of conflict and tension due to the underlying social issues. The replacement of insiders with the formal business professionals can reduce the emotional issues and pave way for productive discussions. The removal of insiders paves way for trained personnel who are obligated to serve the organization without emotional qualms. The application of corporate mechanisms can help improve the performance of family owned businesses.

2.5 Chapter Summary

Chapter two reviewed the empirical literature on the relationship between internal organizational factors and firm performance. The chapter analyzed the effect of succession planning, conflict of interest and governance structure on firm performance. Chapter three discussed the research methodology used in the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the methodology used by the researcher to carry out the study. The chapter discussed the research design, population and sampling design, data collection methods, research procedures and data analysis.

3.2 Research Design

Research design is the plan that directs researchers on how they go about answering their research (Saunders, Lewis, & Thornhill, 2016). This study used descriptive research design. A descriptive research design was used to gain an accurate profile of events, persons or situations (Saunders, Lewis, & Thornhill, 2016). Correlation analysis was used to describe the relationship between the variables. Regression analysis was used to explain the extent with which the dependent variable may be explained by the independent variable. The independent variables used in this study were succession planning, conflicting interest and governance structure. The dependent variable in the study was firm performance.

3.3 Population and Sampling Design

3.3.1 Population

According to Hanlon and Larget (2011) a population is all the individuals or units of interests. Normally there is data available for all the individuals in a population. A sample is a subset of the individuals in a population and there is data that can be found for individuals in the sample (Hanlon & Larget, 2011). Jha (2014) describes that the population can also be defined as the desired and defined target population. The desired target population is the population for which the results are ideally required while defined target population is the population where research is carried on. In this study, the sample consisted of all employees of Alpha Grain Millers working at the Head quarters located at Embakasi in Nairobi and the sister branch in Athi River. The study mainly targeted the middle level managers and the senior managers so that biased information can be avoided since the study was on the business owners.
The study population should be defined well, accessible, reliable and at an increased risk to develop the outcome of interest (Pannucci & Wilkins, 2011). Pannucci and Wilkins (2011) also adds that in order to avoid bias in the study the research should avoid choosing respondents who may give information that befits them. This research therefore excluded the family members who are also employees to avoid any bias. The population of the study consisted of 282 employees which excludes the temporary employees.

Table 3.1: The Study Population

<table>
<thead>
<tr>
<th>Population Categories</th>
<th>Number of Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>10</td>
<td>3.5%</td>
</tr>
<tr>
<td>Finance</td>
<td>11</td>
<td>3.9%</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>33</td>
<td>11.7%</td>
</tr>
<tr>
<td>Production</td>
<td>99</td>
<td>35.1%</td>
</tr>
<tr>
<td>Procurement and Inventory</td>
<td>12</td>
<td>4.3%</td>
</tr>
<tr>
<td>Quality</td>
<td>8</td>
<td>2.8%</td>
</tr>
<tr>
<td>Factory and Maintenance</td>
<td>15</td>
<td>5.3%</td>
</tr>
<tr>
<td>Transport</td>
<td>49</td>
<td>17.4%</td>
</tr>
<tr>
<td>Human Resource</td>
<td>20</td>
<td>7.1%</td>
</tr>
<tr>
<td>ICT</td>
<td>3</td>
<td>1.1%</td>
</tr>
<tr>
<td>Security</td>
<td>21</td>
<td>7.4%</td>
</tr>
<tr>
<td>Total</td>
<td>282</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: HR Alpha Grain Millers, (2019)

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sampling frame for any probability sample is a completed list of all the cases in the target population from which your sample was gotten from (Saunders, Lewis, & Thornhill, 2016). Saunders, Lewis, & Thornhill, (2016) also mentions that having a sample frame is important because the researcher will not be able to choose a probability sample and will be forced to consider the non-probability sampling. The adequacy of the sample depend on the the sampling frame, therefore the sampling frame should be accurate to avoid having misleading samples (Ruane, 2016). In this study the sampling frame was drawn from the targeted firm’s different departments namely Finance department, Sales and Marketing,
Quality Control, Production, Transport, Human Resource, ICT and Security. This was used to ensure that the study is current, complete and relevant to the study.

### 3.3.2.2 Sampling Technique

Probability sampling technique is the process where the probability of selecting any member of the entire population is known (Ruane, 2016). In the probability sampling technique random selection process was used. This method used chance alone to establish which members or elements of the population are selected for inclusion in the sample. This study also applied stratified random sampling where the subjects in this study was chosen in a way that the existing sub-groups in the population were reproduced in the sample (Mugenda & Mugenda, 2012). Bryman (2015) mentions that this kind of technique is suitable where the population can be grouped into several mutually exclusive sub-populations or strata. Therefore the 282 employees were stratified into the eight subsectors.

### 3.3.2.3 Sampling Size

The researchers need to consider the element of research called sample size when they are planning their study. This is because in order to calculate the required sample size it requires the researcher to achieve a significant result and ensuring that the available research resources are used efficiently and ethically (Elizabeth & Aitken, 2012). This study applied the Yemen’s formula to determine the sample size. Yamane (1967) suggested a simple formula for the calculation of the sample size of a population. This formula is suitable for this study because it is used to calculate the sample size for a finite population. In this case the study already knows the number of population.

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

Where:

\( n \) = the sample size,

\( N \) = the population size,

\( e \) = error of 5 percentage points

\[
n = \frac{282}{1 + 282(0.05)^2} = 165.4 \approx 166
\]
Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>Population Categories</th>
<th>Number of Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>10</td>
<td>3.5%</td>
</tr>
<tr>
<td>Finance</td>
<td>11</td>
<td>3.9%</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>33</td>
<td>11.7%</td>
</tr>
<tr>
<td>Production</td>
<td>99</td>
<td>35.1%</td>
</tr>
<tr>
<td>Procurement and Inventory</td>
<td>12</td>
<td>4.3%</td>
</tr>
<tr>
<td>Quality</td>
<td>8</td>
<td>2.8%</td>
</tr>
<tr>
<td>Factory and Maintenance</td>
<td>15</td>
<td>5.3%</td>
</tr>
<tr>
<td>Transport</td>
<td>49</td>
<td>17.4%</td>
</tr>
<tr>
<td>Human Resource</td>
<td>20</td>
<td>7.1%</td>
</tr>
<tr>
<td>ICT</td>
<td>3</td>
<td>1.1%</td>
</tr>
<tr>
<td>Security</td>
<td>21</td>
<td>7.4%</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: HR Alpha Grain Millers, (2019)

3.4 Data Collection Methods

The study utilized primary data collected from Alpha Grain Millers employees’ responses based on the questionnaires distributed to the targeted sample size. Primary data entails first-hand information obtained from respondents by the researcher for the purposes of the topic under review. It may include interviews with the respondents or administering questionnaires to be filled by the respondents and using information from filled questionnaires to make inferences about the topic of study. Questionnaires were justified in this study because they assisted the researcher gather information within a very short time in an effective and efficient manner.

The questionnaires were divided into two sections; the first section gave the respondent’s demographic information, while the second section addressed the three research questions and measures of employee performance at Alpha Grain Millers. The second section of the questionnaire was made up of closed-ended questions measured using a five-point Likert scale where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. A total of 166 questionnaires were distributed to the targeted sample size. In order to achieve a high response rate, the researcher offered the questionnaires to the target sample size and gave them two weeks to fill the questionnaires.

3.5 Research Procedures

The researcher obtained an introductory letter from the National Commission for Science, Technology and Innovation (NACOSTI) to collect data from Alpha Grain Millers. The
researcher then personally delivered the questionnaires to the respondents. A pretest of the tool was carried out on 10% of the targeted sample size. This was done to test the reliability of the instrument. The results of the reliability test were as indicated in Table 3.3 below.

Table 3.3: Results of the Reliability Test of the Study Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Succession Planning</td>
<td>0.82</td>
<td>8</td>
</tr>
<tr>
<td>Conflicting Interest</td>
<td>0.85</td>
<td>6</td>
</tr>
<tr>
<td>Governance Structure</td>
<td>0.93</td>
<td>5</td>
</tr>
</tbody>
</table>

After the pretest, the researcher made necessary corrections on the tool. The researcher then applied self-administration approach of data collection and monitored the process to ensure that unintended people did not fill the questionnaire by distributing the questionnaires and waited for response from the respondents. The questionnaires were then picked for data entry and coding awaiting subsequent analysis. Since all the targeted employees operated in Embakasi and Athi River offices of the targeted firm which were close to one another, the researcher had an easy time administering the questionnaires and received a good response rate that was representative enough for the targeted sample size.

3.6 Data Analysis Methods

The issued questionnaires were collected and checked for errors so that the necessary corrections could be made. The data was then coded, cleaned and analyzed using Statistical Package for Social Sciences (SPSS) and Microsoft Excel. The study adopted qualitative data analysis technique. Both descriptive and inferential statistics were used. Descriptive statistics was displayed in form of percentages, frequencies and cross tabulation while inferential statistics employed the use of Pearson correlation. The results were presented in form of tables and figures.

3.7 Chapter Summary

This chapter discussed the research methodology used in the study. It discussed the research design, population and sampling design, data collection methods, research procedures and the data analysis. The next chapter presented the results and findings that arose from the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

In this section the researcher presented the findings of the study. The chapter was aimed at providing the data analysis and interpretation of the data collected from the questionnaires that were filled during the study. The findings were based on the research questions which included response on how succession planning, conflict of interest and governance structure affected the performance of family business at Alpha Grain Millers.

4.2 Response Rate

The data was collected using structured questionnaires. The questionnaires were issued to 166 respondents and only 130 responded resulting in 78% response rate as indicated in Table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and returned</td>
<td>130</td>
<td>78</td>
</tr>
<tr>
<td>Non-response</td>
<td>36</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3 Demographic

4.3.1 Respondents Gender

An analysis of the respondent gender established that majority of respondents accounting for 60% were male while only 40% were female as shown in Figure 4.1 below. This implied that the researcher received data that represented the views of all the genders.
4.3.2 Respondents Age

A review of the respondent age established that employees aged below 30 years represented the majority group and accounted for 43.1%, at the same time those aged between 30-39 years represented 39.2% of the total. Results also show that employees aged between 40-49 years had a 7.7% representation while those aged 50 years and above were 10 %. This implied that the firm had a young and energetic work force as illustrated in Figure 4.2 below.

4.3.3 Academic Qualification

A review of the respondents’ education qualifications established that employees with a Master’s degree were 13.8%, Bachelor’s degree holders were 21.5%. The results also revealed that Diploma holders were 39.2% while those with tertiary education represented
25.4% as shown in Figure 4.3. The respondents have the necessary education for continuity of the firm.

![Figure 4.3: Academic Qualification](image)

**4.3.4 Position in the Firm**

A review of the respondents’ position in the company established that employees of all cadres were represented in the study. Top level employees were 12.3%, Middle level management was represented at 31.5% while operational Staff formed the majority at 56.2% as shown in Figure 4.4. The study was not biased with regard to obtaining data from all the management cadres.

![Figure 4.4: Position in the Firm](image)
4.3.5 Work Experience

A review of the respondents’ work experience in the company established that employees with 1-5 years represented 78.5%, individuals with 6-10 years’ experiences represented 19.2% while 11-15 years had a 2.3% representation as shown in Figure 4.5 below. Thus, employees possess the necessary work experience to effectively operate in the firm.

![Work Experience Chart]

**Figure 4.5: Work Experience**

**4.4 Influence of Succession Planning on Firm Performance**

The first objective sought to establish the effects of succession planning on the performance of Alpha Grain Millers. Based on the Likert Scale of 1-5; where 5= strongly agree, 4= agree, 3= neutral, 2= disagree and 1= strongly disagree, respondents were required to indicate the extent by which they agreed with each statement.

**4.4.1 Descriptive Statistics on the Influence of Succession Planning on Firm Performance**

The study established that the business develops employees with skills to take up more tasks (M=4.4, SD=0.712). At the same time the findings showed that the business owner is involved in the skills development of the employees (M=4.4, SD=0.732). It was also established that special skills within the organization were identified and developed further (M=4.28, SD=1.019) while the business had planned for the future operations in terms of human capital (M= 4.18, SD=0.702). Findings also showed that the business had a clear career growth channel (M=4.18, SD=0.858) and there was a clear plan as to the leadership and their deputies in the organization (M=4.17, SD=1.169). At the same time respondents
agreed that the business had best qualified staff in each department (M=4.12, SD=0.498) and senior managers in the business were given specialized training (M=4.05, SD=0.781). The findings also indicated that career planning in the organization had been done (M=3.76, SD=0.922). This scenario is illustrated in Table 4.2 below.

**Table 4.2: Descriptive Statistics on the Influence of Succession Planning on Firm Performance**

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The business has best qualified staff in each department</td>
<td>130</td>
<td>4.12</td>
<td>.498</td>
</tr>
<tr>
<td>The business develops employees with skills to take up more tasks</td>
<td>130</td>
<td>4.40</td>
<td>.712</td>
</tr>
<tr>
<td>The business has planned for the future operations in terms of human capital</td>
<td>130</td>
<td>4.18</td>
<td>.702</td>
</tr>
<tr>
<td>The business has a clear career growth channel</td>
<td>130</td>
<td>4.18</td>
<td>.858</td>
</tr>
<tr>
<td>Senior managers in the business are given specialized training</td>
<td>130</td>
<td>4.05</td>
<td>.781</td>
</tr>
<tr>
<td>Career planning in the organization has been done</td>
<td>130</td>
<td>3.76</td>
<td>.922</td>
</tr>
<tr>
<td>The business owner is involved in the skills development of the employees.</td>
<td>130</td>
<td>4.40</td>
<td>.732</td>
</tr>
<tr>
<td>Special skills within the organization have been identified and developed further.</td>
<td>130</td>
<td>4.28</td>
<td>1.019</td>
</tr>
<tr>
<td>There is a clear plan as to the leadership and their deputies in the organization.</td>
<td>130</td>
<td>4.17</td>
<td>1.169</td>
</tr>
</tbody>
</table>

**4.4.2 Descriptive Statistics of Leadership Preparations**

The study sought to establish the extent to which leadership preparations in the company affected the performance of the family business. The study findings indicated that 6.9% was to a negligible extent, those who indicated to a little extent represented 13.8%. The findings also indicated that leadership preparations in the company affected the
performance of the family business to a moderate extent by 33.1%. The results also established that 21.5% of leadership preparation was to a great extent while 24.6% indicated to a very great extent. This is illustrated in Figure 4.6 below.

Figure 4.6: Descriptive Statistics of Leadership Preparations

4.4.3 Management and Nurturing Individual’s Talent

The study also sought to establish whether the management nurtured individual’s talent and the finding indicated that 87.7% affirmed that in deed the management nurtured an individual’s talent while only 12.3% disagreed as shown in Figure 4.7 below.

Figure 4.7: Management and Nurturing Individual’s Talent
4.4.4 Mentoring Potential Successor

An analysis was done to establish if owner of the organization mentored the potential successor. The study revealed that 88.5% were in agreement while those who disagreed represented 11.5% as shown in Figure 4.8 below.

![Mentoring Potential Successor](image)

**Figure 4.8: Mentoring Potential Successor**

4.5 Influence of Conflicting Interest on Firm Performance

The last objective sought to establish the influence of conflicting interest on the performance of family business. Based on scale of 1-5 where 5= strongly agree, 4= agree, 3= neutral, 2= disagree and 1= strongly disagree, respondents were required to indicate by extent they agreed with each statement.

4.5.1 Descriptive Statistics of Influence of Conflicting Interest

The study established that employees and family members are working towards the same vision and mission (M=4.26, SD=0.953) and when there is conflict in the organization solutions are sought out immediately (M=4.18, SD=0.84). Results also indicated that there is a clear cut role of every family member and non-family member working in the organization (M=4.15, SD=0.695). In addition a majority agreed that relationship conflict affect the performance of family members (M=4.08, SD=0.965), in addition there is a procedure of monitoring and rewarding both the family and non-family members in the organization (M=4.02, SD=1.056). Findings also indicated that there is a clear cut separation between ownership and management (M=3.85, SD=0.965). Respondents also
indicated that conflict within the family business to innovative decisions and stimulates richer interactions (M=3.56, SD=0.94) as shown in Table 4.3 below.

Table 4.3: Descriptive Statistics of Influence of Conflicting Interest

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict within the family business to innovative decisions and stimulates richer interactions.</td>
<td>130</td>
<td>3.56</td>
<td>.940</td>
</tr>
<tr>
<td>Relationship conflict affect the performance of family members.</td>
<td>130</td>
<td>4.08</td>
<td>.965</td>
</tr>
<tr>
<td>When there is conflict in the organization solutions are sought out immediately.</td>
<td>130</td>
<td>4.18</td>
<td>.840</td>
</tr>
<tr>
<td>There is a clear cut separation between ownership and management.</td>
<td>130</td>
<td>3.85</td>
<td>.965</td>
</tr>
<tr>
<td>There is a clear cut role of every family member and non-family member working in the organization.</td>
<td>130</td>
<td>4.15</td>
<td>.695</td>
</tr>
<tr>
<td>There is a procedure of monitoring and rewarding both the family and non-family members in the organization.</td>
<td>130</td>
<td>4.02</td>
<td>1.056</td>
</tr>
<tr>
<td>The employees and family members are working towards the same vision and mission.</td>
<td>130</td>
<td>4.26</td>
<td>.953</td>
</tr>
</tbody>
</table>

4.5.2 Conflicting Interest and Performance of Family Business

From Figure 4.9 below, the study sought to establish to what extent conflicting interest influence performance of family businesses. Results indicated that 13.8% felt it was to a negligible extent, 4.6% indicated little extent and 46.9% indicated to a moderate extent. Results also indicated that 17.7% noted that it was to a great extent and only 16.9% indicated that conflicting interest influence performance of family businesses to a very great extent.

Figure 4.9: Conflicting Interest and Performance of Family Business
4.5.3 Policy Interruptions
The study sought to establish if owners of the firm interrupt the policies of the company in one way or another. The study findings revealed that 77 individuals agreed and this represented 59.2% of the total respondents. At the same time 53 individuals disagreed and this represented 40.8% of the total as shown in Figure 4.10 below.

![Policy Interruptions](image)

**Figure 4.10: Policy Interruptions**

4.6 Influence of Governance Structure on Firm Performance
The second objective sought to establish the influence of governance structure on the performance of family business. Based on the Likert Scale of 1-5; where 5= strongly agree, 4= agree, 3= neutral, 2= disagree and 1= strongly disagree, respondents were required to indicate the extent by which they agreed with each statement.

4.6.1 Descriptive Statistics of Influence of Governance Structure
The findings indicated that the governance structures provided insights into how other business pursued new approaches (M=3.94, SD=0.851). Also the governance structure exposed the owner(s) to economic trends (M=3.93, SD=0.9). It was also established that there is a clear leadership structure in the business (M=3.91, SD=1.309). The governance structure used provides important information relating to new policies and trade secrets from other businesses (M=3.87, SD=0.709). It was also established that the leadership structure in the business encourages faster decision making process (M=3.83, SD=1.215).
It was also revealed that the amount of each owner’s proportion of the business affects their performance towards attainment of business targets (M=3.73, SD=1.133). It was also revealed that one of the family members allocates the business resources for his/her own good regardless of the effects of such decisions on other members (M=3.64, SD=1.353). This is illustrated in Table 4.4 below

Table 4.4: Descriptive Statistics of Influence of Governance Structure

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a clear leadership structure in the business</td>
<td>130</td>
<td>3.91</td>
<td>1.309</td>
</tr>
<tr>
<td>The leadership structure in the business encourages faster decision making process</td>
<td>130</td>
<td>3.83</td>
<td>1.215</td>
</tr>
<tr>
<td>The governance structure used provides important information relating to new policies and trade secrets from other businesses.</td>
<td>130</td>
<td>3.87</td>
<td>.709</td>
</tr>
<tr>
<td>The governance structure exposes the owner(s) to economic trends.</td>
<td>130</td>
<td>3.93</td>
<td>.900</td>
</tr>
<tr>
<td>The governance structures provide insights into how other business pursues new approaches.</td>
<td>130</td>
<td>3.94</td>
<td>.851</td>
</tr>
<tr>
<td>One of the family members allocates the business resources for his/her own good regardless of the effects of such decisions on other members.</td>
<td>130</td>
<td>3.64</td>
<td>1.353</td>
</tr>
<tr>
<td>The amount of each owner’s proportion of the business affects their performance towards attainment of business targets.</td>
<td>130</td>
<td>3.73</td>
<td>1.133</td>
</tr>
</tbody>
</table>

4.6.2 Influence Governance Structures on Performance

The study also sought to establish the extent to which governance structures influenced performance of family businesses as shown in Figure 4.11 as follows.

![Figure 4.11: Influence Governance Structures on Performance](image-url)
The respondents indicated that 11.5% indicated too little extent, 46.9% who were the majority indicated to moderate extent and 20% indicated to a great extent. The results also indicated that 21.5% indicated to a very great extent.

4.6.3 Defined Roles for Family Members

The study sought to establish if there are defined roles for the family members working in the organization. Results shown in Figure 4.12 below revealed that 114 or 87.7% of the respondents agreed with the contention while 12 respondents or 9.2% disagreed.

![Figure 4.12: Defined Roles for Family Members](image)

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>114</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
</tr>
</tbody>
</table>

4.7 Inferential Statistics

4.7.1 Correlation Analysis

A Pearson correlation analysis was done to establish the relationship between the dependent variable (performance of family businesses) against succession planning, governance and conflicting interests and the result established a weak positive relationship between performance of family businesses and succession planning (r=0.310, p value=0.000), governance (r=0.449, p value=0.000). However there was a weak negative relationship between conflicting interest and performance (r=-.363, p value=0.000). Therefore, an increase in combined variables of succession planning and governance lead to an increase in performance of family owned businesses. This is illustrated in Table 4.5 below.
Table 4.5: Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Performance</th>
<th>Succession Plan</th>
<th>Governance</th>
<th>Conflict Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>performance</td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>succession</td>
<td>Pearson</td>
<td>.310**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>plan</td>
<td>Correlation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>governance</td>
<td>Pearson</td>
<td>.449**</td>
<td>.737**</td>
<td>1</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conflict Interest</td>
<td>Pearson</td>
<td>-.363**</td>
<td>-.200*</td>
<td>-.332**</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.022</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

4.8 Chapter Summary

This chapter presented the results obtained from the data analysis done. This includes results relate to the respondents’ demography and the specific research questions which sought to establish how does succession planning affect the performance of family business at Alpha Grain Millers? How does conflicting interests of various stakeholders involved in the family business affect the performance of family business at Alpha Grain Millers? How does the governance structure influence the employee performance in a family business enterprises at Alpha Grain Millers? The research utilised descriptive statistics such as mean and standard deviation to show data distribution. On the other hand, inferential statistics such as correlation was employed to establish the relationship between the variables. This information was presented in tables and figures. In the next chapter the conclusion, discussion and recommendations as per the objectives of this study were presented.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section offered the discussion, conclusions and recommendations arrived at guided by the research questions of the study. The study was guided by the following research questions: How does succession planning affect the performance of family business at Alpha Grain Millers? How does conflicting interests of various stakeholders involved in the family business affect the performance of family business at Alpha Grain Millers? How does the governance structure influence the employee performance in a family business enterprises at Alpha Grain Millers?

5.2 Summary

The purpose of this study was to determine the effects of internal organizational factors on performance of family business enterprises in Kenya: A case study of Alpha Grain Millers Limited. The study sought to find answers on different sectors of family business that might affect performance of the organization. The three specific questions were: How does succession planning affect the performance of family business at Alpha Grain Millers? How does conflicting interests of various stakeholders involved in the family business affect the performance of family business at Alpha Grain Millers? How does the governance structure influence the employee performance in a family business enterprises at Alpha Grain Millers?

The target population for the study was 282 staff of Alpha Grain Millers. This target population provided relevant information regarding the effect of internal organizational factors on firm performance. Stratified random sampling technique was used to select the sample size of the study. The study population was divided into 11 levels of management namely: administration, finance, sales and marketing, production, procurement and quality departments. Others were maintenance, transport, human resource, ICT and Security. Primary data from 130 duly filled questionnaires out of a target sample size of 166 arrived at using Yamane (1967) formula was used in the study. This represented 78.3% response rate which was good and representative enough for purposes of generalization. The study adopted a descriptive research design approach in explaining the causal relationship between the study variables using correlation and regression analysis. To support this, the
Statistical Package for Social Sciences (SPSS) version 24 was used to generate the mean scores, frequency distribution, proportions, standard deviation and percentages.

The study established that the business developed employees with skills to take up more tasks and business owner were involved in the skills development of the employees. It was also established that special skills within the organization were identified and developed further at the same time the business planned for the future operations in terms of human capital. Findings also showed that the business had a clear career growth channel and there was a clear plan as to the leadership and their deputies in the organization. It was also established that the business had best qualified staff in each department and senior managers in the business were given specialized training. The findings also indicated that career planning in the organization was done. It was also established that to a great extent leadership preparations in the company affected the performance of the family business. The majority of the respondents’ affirmed that management nurtured individual’s talent and the owner of the organization mentored the potential successor.

The second objective evaluated the influence of conflicting interest on the performance of Alpha Grain Millers. The study established that employees and family members worked towards the same vision and mission and whenever there was conflict in the organization, solutions were sought out immediately. Results also indicated that there were clear cut roles for every family and non-family member working in the organization. In addition, majority of the respondents agreed that conflicting interest affected family business performance. The study also established that there were procedures of monitoring and rewarding both the family and non-family members in the organization. Findings also indicated that there was a clear cut separation between ownership and management. Conflict within the family business affected innovative decisions and stimulated interactions.

The findings of the third objective revealed that governance structures provided insights into how other business pursued new approaches. Also the governance structure exposed the owner(s) to economic trends. It was also established that there was a clear leadership structure in the business. The governance structure used provided important information relating to new policies and trade secrets from other businesses. It was also established that the leadership structure in the business encouraged faster decision making process. Further, the study revealed that the amount of each owner’s proportion of the business affected their performance towards attainment of business targets. Findings also revealed that one of the
family members allocated the business resources for his/her own goodness regardless of the effects of such decisions on other members. The study also established that governance structures influenced performance of family businesses and there were defined roles for the family members working in the organization.

5.3 Discussion

5.3.1 Effects of Succession Planning on Firm Performance

The study established that the business developed employees with skills to take up more tasks. Otieno (2014) noted that the future performance of any company was mainly dependent on the amount of time they take in their succession planning. Companies have been trying to come up with ways that will identify, develop and retain their talent for decades (Abdille, 2013). Many organizations were facing very high demands in a global market because of the widening talent gap. One of the main problem that faced family business owners is how they will effect an orderly succession of the business at the same time ensuring that the business will provide the current and future needs of the owner and his family. Findings showed that the business owner is involved in the skills development of the employees. In order for family organizations to be successful in their succession planning they need to do a number of things. Knowing what talent and skills the organization has within the company is the first step of knowing how to develop the employee. An organization will always need a leader and a manager that has versed skills and qualification even though they are not useful in their current job role. Listening to employees is also important because it is one of the easiest way of understanding what is happening within the company and how the succession planning can solve it (Chignell, 2017).

It was also established that the business has planned for the future operations in terms of human capital. Succession planning and management programs enables organizations to identify a group of potential candidates for the leadership position in the business. To achieve a smooth transition in leadership position, experts suggest that the heir have enough time to work with the incumbent leader before the successor takes the office (Leon, 2014). This kind of approach is called the relay succession approach, which requires the leader in office, to work together with the successor for some time in order to make him build his/her corporate knowledge base and forthcoming working team.
Findings also showed that the business has a clear career growth channel and there is a clear plan as to the leadership and their deputies in the organization. The companies that are planning for high levels of growth in the future it is advisable to get staff who are competent for the job and then plan on retaining them. The high performing talent that is necessary to see family business in the future is a growing concern. Families should share their value and legacy enterprise with the future owners. Therefore through communication and modelling, families can make the children understand that the business provides benefits beyond just a source of dividends (Abdille, 2013). The future owners should also be educated about the basics of ownership. Previous studies have shown that companies are not able to succeed in succession to the next generation due to successor nurturing (Samei & Feyzbakhsh, 2016). Firms should have effective methods in place to ensure a smooth succession.

It was also established that the business had best qualified staff in each department and senior managers in the business are given specialized training. There are two categories of mentoring, this are career functions and psychosocial functions. Career functions helps the mentees in developing his career, this includes sponsoring the mentee for organizational promotion, coaching the employee through offering advice and also giving him assignments that are challenging so that he can be ready for more important responsibilities (Form, Schlichting, & Kaernbach, 2017).

It was also established that to a great extent, leadership preparations in the company influence family business performance. Leon (2014) adds that the internal struggle can make the employees and external stakeholders have a perception that the company is not stable leading to the loss of the key employees. When leaders are running a business it is good to be strategic in all their business adventures. Sadly this is not the common perception of strategy. However, family businesses do not rely much on formal planning. Therefore there is gap between the research of strategy and the strategy work performed by each firm. Hall, Melin and Nordqvist (2006) states that in order to understand the family business strategy, the researcher ought to be aware of the particular family business dynamics.

5.3.2 Effects of Conflict of Interest on Firm Performance

The findings from the second objective revealed that conflicting interest provide insights into how other business pursues new approaches. Family businesses are at risk of experiencing conflicts compared to other corporations especially when the company is
experiencing success (Harland, 2015). The overlap between business and family brings a lot of problems to the management, growth and sustainability of the business. When there is no clear cut separation between ownership and management it often leads conflicts and affect the future of the company (Right, 2017). Brown (2011) mentions that family dispute if not solved can spill into other arears. Therefore if family members take things personal and are not able to solve things fast, an outside consultant can be engaged to act as a negotiator and come up with amicable solutions. Understanding conflicts starts with the studying family dynamics and the impact it has on the way family members relate on a daily business.

It was also established that there is a clear leadership structure in the business. Harland (2015) observed that understanding a family system is different from a business formal system which is key to managing conflicts in family run enterprises. An average business has a set of instructions that govern relationships between supervisors, managers, and employees. Every member of the organization understands that it is an obligation to adhere with all the rules and guidelines set by the top management. It is a fact that families have systems that dictate relationships; however, these relationships tend to be informal and organic. It is very difficult for family members to operate between family and business systems without straining relationships. Difficulties tend to arise when family members assume business systems work the way family systems work (Harland, 2015). Davis, Carriere and Bourque (2010) argued that the key psychological elements that influence the relationships between stewards are motivation, identification, and use of power. Family business members work hard for the success of the organization once they accept the family firm mission and objectives (Zellweger, Eddleston, & Kellermanns, 2010).

The governance structure used provides important information relating to new policies and trade secrets from other businesses. Kotlar and De Massis (2013) observed that family members have disagreements when they are setting goals, especially when they know that that interfamilys succession is forthcoming, which may later need the family members to come into a collective agreement in order to avoid conflict. Role conflict can lead to low performance because it elevates negative feelings. This problem is mostly faced by small-to medium –sized family businesses where the performance of the firm depends on the contribution of the family members working in the firm (Memili, Kellermanns, & Welsh, 2013). If the family members cannot solve this conflict then they will not be able to focus on the firms goals because they are likely not to perform well.
It was also established that the leadership structure in the business encourages faster decision making process. Lambrecht and Lievens (2008) reiterated that ownership and control are among the key factors that instigate conflicts in family run enterprises. The study findings show that pruning the family tree simplifies ownership and creates the path to harmonize the family and business performance. No contradiction was established between pruning the family tree and the governance structure. This means there is no negative impact on performance. Pruning the family tree facilitates continuity and harmony when it is done at the right time and the in the right manner. The centers of power become clear in the organization.

Family businesses are at risk of experiencing conflicts compared to other corporations with the highest being when the company is experiencing success (Harland, 2015). In most cases, the type of conflicts experienced in family run enterprises are highly predictable. Unfortunately, attempts to find solution are unsuccessful in most cases, which might attributed to the complexity of relationships among the key family members. Sibling rivalry, preferential treatment, and aging patriarchs’ are some of the common triggers of conflicts in family owned enterprises. According to Harland (2015), there is nothing strange about these type of conflicts in family owned enterprises. It would be strange if these types of conflicts did not exist in family businesses.

The overlap between business and family brings a lot of problems to the management, growth and sustainability of the business. When there is no clear cut separation between ownership and management it often leads conflicts and affect the future of the company (Right, 2017). Brown (2011) mentions that family dispute if not solved can spill into other areas. Therefore if family members take things personal and are not able to solve things fast therefore its best to involve an outside consultant who can act as a negotiator and come up relevant resolutions. Understanding conflicts starts with the studying family dynamics and the impact it has on the way family members relate on a daily business.

According to Brown (2011), one of the ways to avoid family conflicts is to ensure that family members who are not necessarily working for the family business should not be put in the payroll. When family business start most of the family members have no roles and responsibility. But this is where the conflict starts. Companies should make sure all their members have a designated responsibility (Brown, 2011). Once they have their responsibilities then the company should conduct a performance review for both the family
and non-family. The company should also be very careful when contracting suppliers who are relatives (Brown, 2011).

5.3.3 Effects of Governance Structure on Firm Performance

The study established that employees and family members are working towards the same vision and mission and when there is conflict in the organization solutions are sought out immediately. Good governance is crucial to survival of any organizational entity because it has a direct impact on how limited resources are utilized to satisfy unlimited wants (Ediriweera, Armstrong & Heenetigala, 2015). There are many governance structures in different organizations based on social, religious, political, and cultural beliefs and practices. Ediriweera, Armstrong and Heenetigala (2015) reviewed literature with a specific focus on governance in family owned businesses in Sri Lanka. The governance of family owned enterprises is complex because of the need to create a balance between the family system and the business system. The review found studies that pointed that governance structure is an emerging trend among the young generation who inherit family corporations. In most cases, the older generation relied on intuition to make decisions and the young generation tend to lean towards creating a governance structure to formalize the process of decision making.

Results also indicated that there is a clear cut role of every family member and non-family member working in the organization. Varying institutional and industry contexts, dispersion in goals, heterogeneity, and multiple stakeholders have a significant impact on the governance structures adopted in family owned enterprises (Ediriweera, 2015; Steier, Chrisman, & Chua, 2015). The uniqueness of governance in family businesses stems from the fact that there is a constant need to ensure the goals of other stakeholders are in line with the goals of the dominant family. Steier et al. (2015) recommend a business development perspective that gears towards the search for new opportunities. The fact that a governance perspective has an impact on the performance of a firm shows that governance structure can help improve the performance of the businesses. It supports the high level of innovation and resourcefulness that has been associated with a significant number of family businesses in different parts of the world.

In addition, a majority agreed that relationship conflict affect the performance of family members. Similar sentiments were echoed by Asser (2011) who undertook a study to investigate the impact of governance structure on both family and non-family based
businesses in Pakistan. The findings of the study show that governance structure has a significant effect on the performance of both family and non-family owned enterprises. It is imperative to note that there are several factors that affect the overall performance levels of the organization (Asser, 2011).

There is a need to control the factors that are specific to each organization to maximize returns. The positive effect of governance structure on the performance of family firms is echoed by Gama and Rodrigues (2013). The study analyses governance roles and the impact it has on the performance of family owned enterprises the findings confirm that family firms perform better compared to non-accounting firms, which implies a better governing structure. The key insight from the study is that the appointment methods used by family firms can be effective in non-family firms. Governance structures used in family firms take into account the complex nature of relationships and finds ways to navigate through all the issues (Gama & Rodrigues, 2013).

It was also proven that conflicting interest influence performance of family businesses and owners of the firm interrupt the policies of the company in one way or another. The structure of ownership has a direct effect on the decisions taken by management in any organization. It explains the focus that researchers have given to governance structure and firm performance in family firms. A wide range of studies have confirmed that family ownership can have positive and negative effects of the performance of the firm. The introduction of corporate governance methods can help improve employee performance (Kumar & Zattoni, 2016). Empirical findings show that the Board of Directors of most family owned corporations are full of insiders, which increases the risk of conflict and tension due to the underlying social issues. The replacement of insiders with the formal business professionals can reduce the emotional issues and pave way for productive discussions. The removal of insiders paves way for trained personnel who are obligated to serve the organization without emotional qualms. The application of corporate mechanisms can help improve the performance of family owned businesses.

5.4 Conclusion

5.4.1 Effects of Succession Planning on Firm Performance

It’s of importance for the business to develop employees with skills to take up more tasks and its the role of the business owner to get involved in the skills development of the employees. By doing so the business creates a plan for the future operations in terms of
human capital. It is therefore of essence for the business to have a clear career growth channel for leadership and their deputies in the organization. Level of leadership preparations in the company affect the performance of the family business.

5.4.2 Effects of Conflict of Interest on Firm Performance

There is a synergy between employees and family members as a result the teams work together towards achieving the same vision and mission. To ensure continuity when there is conflict in the organization, solutions are sought out immediately. Results also indicated that there is a clear cut role of every family member and non-family member working in the organization. Relationship conflict affect the performance of family members and an innovative decisions although there are set down procedures of monitoring and rewarding all members.

5.4.3 Effects of Governance Structure on Firm Performance

Governance structures put in place offer insights into how other business would pursues new approaches. At the same time issues of governance structure in the firm exposes the ownership to the current economic trends and as such there is a clear leadership structure in the business. The study concluded that governance structure acts as a policy guideline on important information relating to new policies and trade secrets from other businesses. The type of leadership structure adopted by the business has a great influence on the decision making process and the ownership levels affect attainment of business targets.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Effects of Succession Planning on Firm Performance

The study recommended that the business should continuously develop employees with the necessary skills in the dynamic business environment, so as to ensure there is a pool of multi-talented employees who are capable of taking up the necessary tasks. There should be a continuous involvement in employee skills development to ensure the firm remains competitive. Employees with special skills within the organization should be identified and developed to ensure highly skilled employees are retained in the firm. For strategic planning there should be effective planning for future operations in terms of human capital as well as a clear career growth channel. To ensure a high retention rate best qualified staff
in each department and senior managers in the business should be given specialized training as well as enough motivation to reduce staff turnover. The findings also indicated that career planning in the organization has been done.

5.5.1.2 Effects of Conflict of Interest on Firm Performance

To minimize conflicts the study recommends that all employees and family members should work towards sharing the same vision and mission. There should also be in place laid down procedures on conflict management in the organization, this will ensure immediate problem solving in the firm. To minimize conflict, clear cut role of every family member and non-family member working in the organization should be put in place. Procedure of monitoring and rewarding both the family and non-family members in the organization need to be understood by all, and should be done in an open and impartial manner without bias.

5.5.1.3 Effects of Governance Structure on Firm Performance

The study recommends that the governance structures put in place should offer insights into how other business pursues new approaches and there is a need for the firm. It was also recommended that despite the firm having a clear leadership structure, all employees should be informed of the protocol to be observed. The leadership structure in the business should be one with minimal bureaucracy hence encourage faster decision making process. There is a need for the firm to put up budgeting and expenditure policy that would regulate personal withdrawals.

5.5.2 Recommendation for Further Studies

The aim of this study was to establish the effects of internal organization to the performance of family business enterprises in Kenya at Alpha Grain Millers. The study recommends that further studies should be done on other firms operating in the same sector in order to generalize the findings.
REFERENCES


Erbetta, Menozzi, Corbetta, & Fraquelli, 2013


Jaskiewicz, Comb and Rau (2015)


APPENDICES

APPENDIX I: QUESTIONNAIRE

EFFECTS OF INTERNAL ORGANIZATIONAL FACTORS ON PERFORMANCE OF FAMILY BUSINESS ENTERPRISES IN KENYA. A CASE STUDY OF ALPHA GRAIN MILLERS LIMITED

INTRODUCTION

You have been selected to participate in the study on an evaluation on the effects of internal organizational factors on performance of family business enterprises in Kenya: A case study of Alpha Grain Millers Limited. You are requested to respond to each question thoughtfully and truthfully. There are no wrong or right answers. All responses will be treated with utmost confidentiality and for the purpose of this study alone. Please do not write your name anywhere on this questionnaire.

SECTION A: RESPONDENT’S BACKGROUND

Respond by putting a tick (√) in the box next to your correct answer.

1. Gender
   Male [ ]
   Female [ ]
2. Age (in years)
   below 30 [ ]
   30 – 39 [ ]
   40 – 49 [ ]
   50 and above [ ]
3. What is your Highest Professional Qualification?
   Masters [ ]
   Degree [ ]
Diploma [ ]
Tertiary Education [ ]
others (specify) [ ].................................................................

4. What is your Job Position in this business?
Top Management [ ]
Middle level management [ ]
Operational staff [ ]

5. For how long have you worked for this organization?
1 – 5 years ( ) 6 – 10 years ( ) 11 – 15 years ( )
16 – 20 years ( ) above 21 years ( )

SECTION B: INFLUENCE OF SUCCESSION PLANNING ON THE PERFORMANCE OF FAMILY BUSINESS AT ALPHA GRAIN MILLERS LIMITED

6. Below are statements on the effects of succession planning on the performance of the family businesses? On scale of 1-5 where 5= strongly agree, 4= agree, 3= neutral, 2= disagree and 1= strongly disagree, please indicate by ticking (√) the extent of your agreement with each statement.

<table>
<thead>
<tr>
<th>Effects of succession planning</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>The business has best qualified staff in each department</td>
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<tr>
<td>The business develops employees with skills to take up more tasks</td>
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<td>The business has planned for the future operations in terms of human capital</td>
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<td>The business has a clear career growth channel</td>
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<td>Senior managers in the business are given specialized training</td>
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<td>Career planning in the organization has been done</td>
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<td>The business owner is involved in the skills development of the employees.</td>
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Special skills within the organization have been identified and developed further.

There is a clear plan as to the leadership and their deputies in the organization.

7. To what extent do you think that leadership preparations in the company affect the performance of the family business?

Very great extent ( ) Great extent ( )

Moderate extent ( ) little extent ( )

Negligible extent ( )

8. Does the management nurture an individual’s talent?

9. Does the owner of the organization mentor the potential successor?

SECTION C: INFLUENCE OF GOVERNANCE STRUCTURE ON THE PERFORMANCE OF FAMILY BUSINESS AT ALPHA GRAIN MILLERS LIMITED.

10. Below are statements regarding the influence of governance structure on the performance of family business at Alpha Grain Millers Limited, on a scale of 1-5 where 5= strongly agree, 4= agree, 3= neutral, 2= disagree, please indicate by ticking (√) the extent of your agreement with each statement.

<table>
<thead>
<tr>
<th>Influence of governance structures</th>
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<th>2</th>
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<tr>
<td>There is a clear leadership structure in the business</td>
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<td>The leadership structure in the business encourages faster decision making process</td>
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<tr>
<td>The governance structure used provides important information relating to new policies and trade secrets from other businesses.</td>
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<tr>
<td>The governance structure exposes the owner(s) to economic trends.</td>
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<tr>
<td>The governance structures provide insights into how other business pursues new approaches.</td>
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One of the family members allocates the business resources for his/her own good regardless of the effects of such decisions on other members.

The amount of each owner’s proportion of the business affects their performance towards attainment of business targets.

11. To what extent do you think that governance structures influence performance of family businesses?

Very great extent ( )  Greta extent ( )
Moderate extent ( )  little extent ( )
Negligible extent ( )

12. Explain the effects of conflicting interest on the family business?

13. Are there defined roles for the family members working in the organization?

SECTION C: INFLUENCE OF CONFLICTING INTEREST ON THE PERFORMANCE OF FAMILY BUSINESS AT ALPHA GRAIN MILLERS LIMITED.

14. Below are statements regarding the influence of conflicting interest on the performance of family business at Alpha Grain Millers Limited, on a scale of 1-5 where 5= strongly agree, 4= agree, 3= neutral, 2= disagree, please indicate by ticking (✓) the extent of your agreement with each statement.

<table>
<thead>
<tr>
<th>Influence of conflicting interest</th>
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<tbody>
<tr>
<td>Conflict within the family business to innovative decisions and stimulates richer interactions.</td>
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<tr>
<td>Relationship conflict affects the performance of family members.</td>
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<tr>
<td>When there is conflict in the organization solutions are sought out immediately.</td>
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<tr>
<td>There is a clear cut separation between ownership and management.</td>
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<tr>
<td>There is a clear cut role of every family member and non-family member working in the organization.</td>
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</table>
There is a procedure of monitoring and rewarding both the family and non-family members in the organization.

The employees and family members are working towards the same vision and mission.

15. To what extent do you think that conflicting interest influence performance of family businesses?

Very great extent ( ) Greta extent ( )
Moderate extent ( ) little extent ( )
Negligible extent ( )

16. Does the kind of governance structure present in this company improve the performance of the business?

17. Do the owners of the firm interrupt the policies of the company in one way or another? Give an example.
APPENDIX II: RESEARCH CONSENT FORM

I agree to participate in the research project titled, Effects of Internal Organizational Factors on Performance of Family Business Enterprises in Kenya. A Case Study of Alpha Grain Millers Limited. Conducted by Aisha Ibrahim Khalif, an MBA student at USIU-A Chandaria School of Business who has discussed the research project with me.

I have had the opportunity to ask questions about this research and I have received satisfactory answers. I understand the general purposes and methods of this research.

I consent to participate in the research project and the following has been explained to me:

- the research may not be of direct benefit to me
- my participation is completely voluntary
- my right to withdraw from the study at any time without any implications to me
- the risks including any possible inconvenience, discomfort or harm as a consequence of my participation in the research project
- the steps that have been taken to minimise any possible risks
- what I am expected and required to do
- whom I should contact for any complaints with the research or the conduct of the research
- Security and confidentiality of my personal information.

In addition, I consent to publication of results from this study on condition that my identity will not be revealed.

Participant name: _______________________________________________________

Signature: ___________________________ Date: ___________________________

Researcher name: _______________________________________________________

73
APPENDIX III: DEBRIEFING FORM

Dear Participant;

In this study, you were asked to participate by answering the questions in the questionnaire. You were told that the purpose of the study to establish the internal factors that contributes to the performance of family business enterprises in Kenya at Alpha Grain Millers.

You are reminded that your original consent document included the following information: your right to withdraw from the study at any time without any implications to me.

If you have any concerns about your participation or the information you provided in light of this disclosure, please discuss this with me. I will be happy to provide any information I can to help answer questions you have about this study.

If your concerns are such that you would now like to have your data withdrawn, and the data is identifiable, I will do so.

If you have questions about your participation in the study, please contact me on email aishakhalif123@gmail.com, or my Project Supervisor Professor Caren Oguma on email couma@usiu.ac.ke

If you have questions about your rights as a research participant, you may contact the USIU-A Institutional Review Board Office telephone 254730116127, irb@usiu.ac.ke.

Please again accept my appreciation for your participation in this study.

Name: Aisha Ibrahim Khalid

Signature: ___________________________ Date: ___________________________
This is to certify that Mr. Aisha Khalil of UNITED STATES INTERNATIONAL UNIVERSITY- AFRICA, has been licensed to conduct research in Nairobi on the topic: EFFECTS OF INTERNAL ORGANIZATIONAL FACTORS ON PERFORMANCE OF FAMILY BUSINESS ENTERPRISES IN KENYA: A CASE STUDY OF ALPHA GRAIN MILLERS LIMITED for the period ending 21/August/2020.

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APPENDIX V: IRB LETTER

17 July 2019

To whom it may concern

RESEARCH PROJECT BY KHALIF AISHA IBRAHIM: ID 636593

The bearer of this letter is a student at the United States International University-Africa pursuing a Master in Business Administration-Strategic Management.

As part of the program, she is required to undertake a research project on "Effects of Internal Organization Factors on Performance of Family Business Enterprises in Kenya: A Case Study of Alpha Grain Millers. This requires her to collect data and information from various relevant institutions.

Kindly assist by enabling her access data, information and contacts with respondents who can complete his questionnaires. I assure you that the information provided will be treated with the utmost confidentiality.

Should you have any queries regarding the student research please feel free to contact me on my email, tlinge@usi.ac.ke or phone, +254 730116419

Yours sincerely

[Signature]

Dr. Teresia Linge
Acting Dean, Chandaria School of Business