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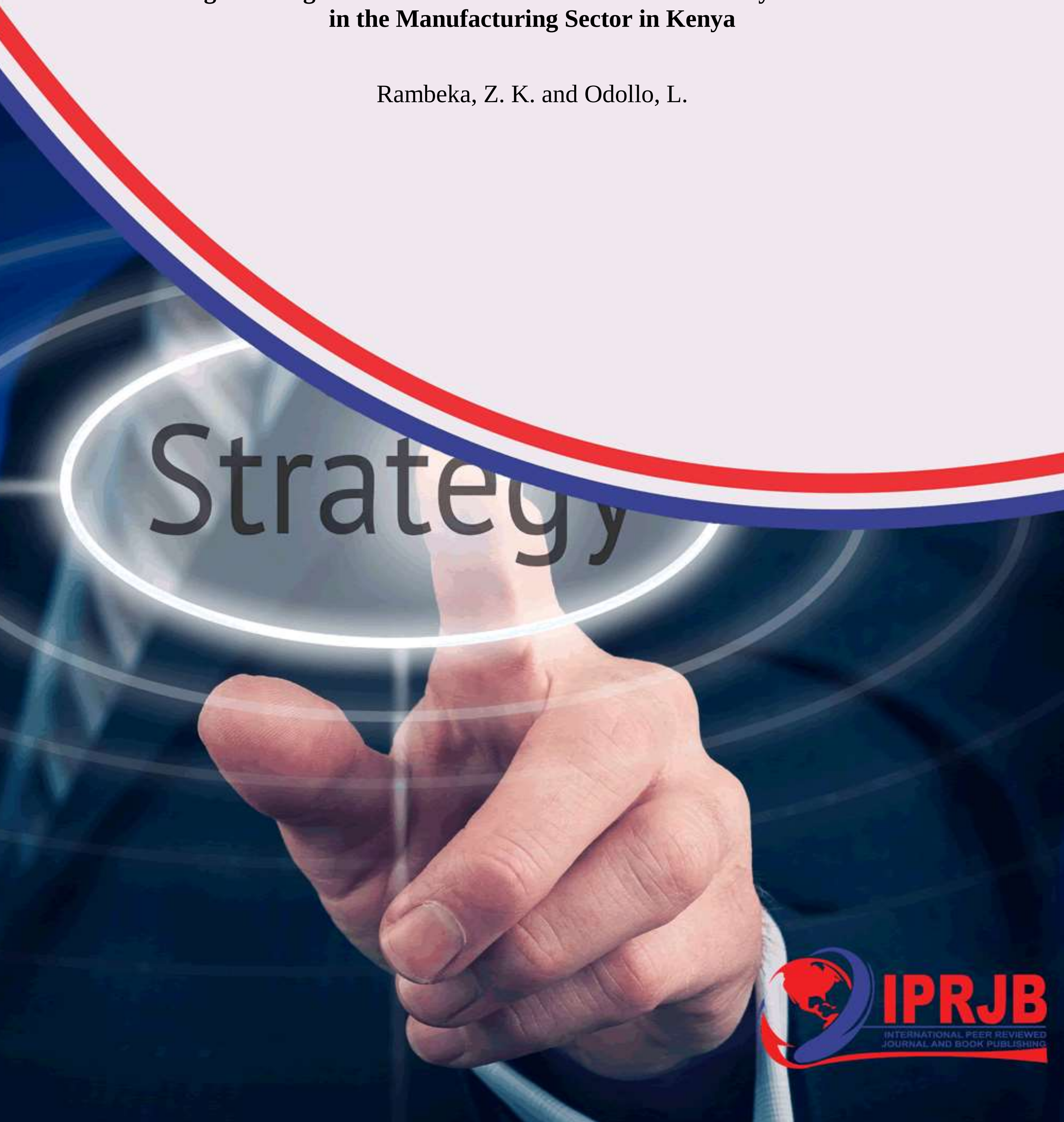

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# Strategic Management Practices on Performance of Family-Owned Firms in the Manufacturing Sector in Kenya

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**Abstract**

**Purpose:** Majority of the small and medium-size enterprises (SMEs) in Kenya are conventionally family businesses owing to their initial source of capital, ownership and day-to-day operations. Kenya's economy represents a feudal-like family economy dominated by a few well-capitalized family-owned units at both the top and mid-tier. Strategic management practices are usually geared towards increasing managerial efficiency and effectiveness so as to increase the current and future operations. The purpose of this study was to explore the effect of strategic management practices on the performance of family-owned manufacturing firms in Nairobi City County, Kenya. The specific objectives of the study included: environmental scanning, strategy formulation, strategy implementation and strategy evaluation and monitoring.

**Methodology:** The study adopted descriptive research design using purposive sampling strategy targeting 4 heads of departments per firm from 20 firms yielding a total of 80 respondents. Structured questionnaires were used to collect primary data. Profitability ratio was collected using a secondary data collection sheet. Primary data was analyzed using SPSS version 25. Data was analyzed both descriptively as well as inferentially using and presented using statistical distribution tables.

**Findings:** The results established that environmental scanning, strategy formulation, strategy implementation and strategy evaluation and monitoring positively and significantly affect the organizational performance of family-owned manufacturing firms. The results hence indicate that increasing each of the variable with one-unit results to increase in organizational performance of these firms with their respective beta values.

**Unique Contribution to Theory, Practice and Policy:** The study was anchored on the following theories: agency theory, transaction cost theory, transformational and stewardship theories. The study recommends that the family-owned manufacturing firms operating in Nairobi City County, Kenya to enhance their environmental scanning, strategy formulation, strategy implementation and strategy evaluation and monitoring practices since the practices positively and significantly affects organizational performance.

**Keywords:** *Strategy, Environmental Scanning, Strategy Implementation, Performance*

## INTRODUCTION

Family-owned businesses are possibly the oldest form of business organization. To be able to recognize the role of family businesses, it will be important to have a distinct definition of a family-owned business. European Commission (2008) defines a family owned business as a firm where firstly, the majority of decision-making rights is in the possession of the natural person (s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs; Secondly the majority of decision-making rights are indirect or direct; Thirdly, at least one representative of the family or kin is formally involved in the governance of the firm; and lastly, listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess twenty five per cent of the decision-making rights mandated by their share capital.

Family-owned business systems have been observed to have an enduring advantage over all other kinds of enterprise in large part because of their long-term goals, plans, and commitments (Davis, 2014). In a family-owned business, a significant percentage, though not necessarily a majority, of the stock, and family members were actively involved both on the board and in management (Moche, 2014). When the family is in control of the business, their strategy is focused on protecting its people, embedding relationships and securing loyalty from clients and being flexible enough to respond to changing market conditions (Kogut, 2017). Farms were an early form of family business where by what we consider today as the private life and work life were intertwined. In urban settings it was once habitual for a shopkeeper or doctor to live in the same building in which he or she worked and family members often assisted with the business as needed. Since the early 1980s the academic study of family business as a distinct and important category of commerce has developed. In the present-day family-owned businesses are acknowledged as important and vibrant contributors in the world economy

### Global Perspective of the Study

According to the U.S. Bureau of the census (2017), about 90 percent of American businesses are family owned or controlled. Ranging in size from two-person partnerships to fortune 500 firms, these businesses account for half of the nation's employment and half of her Gross National Product. Family businesses may have some advantages over other business entities in their focus on the long term, their commitment to quality (often associated with the family name), and their care and concern for employees. However, family businesses do face a unique set of management challenges stemming from the overlap of family and business issues. Globally family-owned businesses make up at least two thirds of all businesses in the world (Silva, 2015). One-third of all companies in the standard and poor's (S&P) 500 index and 40 percent of the 250 largest companies in France and Germany are defined as family businesses, meaning that a family owns a significant share and can influence important decisions, particularly the election of the chairman and Chief Executive Officer (Caspar, 2010). A new study by the Center for Family Business at the University of St. Gallen Switzerland highlights the 500 largest family-owned companies by revenue. The report underscores that family-owned firms, which make up 80-90% of firms worldwide, are important drivers of GDP and job growth.

Dubbed the Global Family Business Index, the list is a who's who of household brands: Wal-Mart, Ford and Tyson are all present, as are prominent international giants like Li Ka-shing's Hutchison Whampoa and Carlos Slim's America Movil. But there are also lesser-known companies like Diersch & Schröder, a German mineral oil and energy company that employs just 350 people yet hauls in $2.5 billion in revenues. Researchers found that whether a company is publicly- or privately-owned has little bearing on whether it appears on the list. It's pretty evenly split: 52% are public while 48% remain in private hands. Europe leads with 50% of the index companies calling the continent home, followed by 24% in North America, while regions that are typically associated with more family-oriented cultures, like Asia and South America, comprise a smaller segment of the top firms than one might imagine.

With a family business the challenge is to combine the most rational world of business with the most emotional world of family, says Englisch (2015). But while many think of the emotionally-charged family mindset as a barrier to business success (which is often thought of as requiring only cold, rational calculation), the Global Family Business Index may suggest that families can be better-equipped to maintain long-term business success than traditionally understood. First, family firms tend to be focused not on the next quarter but the next generation. This long-term view pays off by helping to keep things in perspective, Zellweger (2015) suggests. Second, these companies seem to be especially good at fostering employee commitment and engagement and can lead to stronger brands and more innovation as they are more likely to retain their best employees (especially those who are family members). They might not come out with the latest trends but are very good at refining what they do as well as being innovative, Zellweger (2015).

**Regional Perspective of the Study**

Strong growth has made the industrial manufacturing sector a prime business opportunity, and the sector boasts the largest concentration of leading family-owned businesses (FOBs) in Ethiopia. Uganda's family-owned business (FOBs) market is relatively diverse with only three sectors comprising more than 10% of companies. Industrial manufacturing, agriculture, and food and beverages together make up just over 50% of the landscape, with the other half split among ten sectors, largely in the tertiary sector. A significant number of FOBs in Uganda are large scale conglomerates with interests across a range of sectors. This helps to explain the high concentrations of FOBs in upper revenue bands, with two-thirds of the 69 FOBs estimated to earn above $25 million annually. As with economic activity in general, the bulk of firms are headquartered in Kampala, which is the standout commercial Centre of the country, as well as being its capital city. As a whole, FOBs make a large contribution to Uganda's employment, with workforces of 50-200 staff being the most common, and 40% of firms reporting this metric registering more than 200 staff.

Tanzania's leading family-owned business (FOB) landscape is diverse, with firms across ten sectors and the majority operating within several industries. Agriculture, construction and industrial manufacturing have the highest concentrations of top FOBs, together representing some 60% of the total. Roughly half of the universe of FOBs has estimated revenues over $25 million a year, while the other half lies within the $10 million - $25 million revenue band. The majority have their headquarters in Dar es Salaam, though close to one-third are spread across another five regions making Tanzania's FOB landscape one of the more widely distributed in terms of geographical base. Though small, Rwanda's universe of leading family-owned businesses (FOBs) plays an important role in the economy, especially in the agriculture, food and beverage, construction and manufacturing sectors, where they are most heavily concentrated. Given the smaller size of the national market compared to its neighbors, it is unsurprising that as a whole Rwanda's leading FOBs have lower revenues, with two-thirds

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estimated to be in the $10 million - $25 million band, and none reporting estimated annual earnings over $100 million.

### Local Perspective of the Study

In Kenya some of the listed family-owned businesses include NIC Bank, Sameer Africa, Athi River Mining, Rea Vipingo, Sasini, Longhorn, Bidco, Mabati Rolling Mills and UAP Insurance among others. (CDSC 2019) In most countries around the world including Kenya both listed and non-listed companies operate as closely held companies with concentrated ownership (Opondo, 2012). In Kenya a number of companies are owned by substantial shareholder who is either institution investor or a family that started the business or have accumulated the shares over time. The family-owned businesses whether listed or unlisted recognizes that whilst control of the business is important to them and has an influence on their success, the need for good governance structures is just as important (KPMG, 2014). Close to thirty percent of companies listed on the Nairobi Securities Exchange meet the definition of family-owned business where families or descendants possess twenty-five per cent of the decision-making rights mandated by their share capital. The Capital Markets Authority Developed Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya in 2002 and they are currently being reviewed with the development of a Draft Code of Corporate Governance Practices for Public Listed Companies in Kenya. The objective of the guidelines is to strengthen corporate governance practices by listed companies in Kenya and to promote the standards of self- 4 regulation so as to bring the level of governance in line with international trends (CMA, 2002).

### Problem Statement

The majority of 7.4 million small and medium-size enterprises (SMEs) in Kenya are conventionally family businesses owing to their initial source of capital, ownership and day-to-day operations, (Asoko Insights 2019). Extrapolation of local studies indicates that there are 645 family-owned firms three out of every four of these companies are Kenyan. These businesses are also the engines of growth in the economy and are key to realizing Kenya's Vision 2030; the country's blueprint for social economic development, which, among other objectives, aims to drive the growth of industrialization.

Despite being an enabler of the country's economy, family-owned businesses in Kenya face several structural challenges, including a lack of robust succession planning and good governance strategies, poor management, as well as challenges with the integration of the next family generation ('the NexGen') – all of which, if not correctly addressed at an early stage, could potentially limit their growth and reduce their lifespan. Due to the nature of their business structure, in addition to these challenges, family-owned businesses and to an extent family offices, face a unique set of often issues that can have significant ramifications for the health and life of the company. Since family members are often loyal and dedicated to the family enterprise, their participation as both managers and owners of a business strengthens the company. However, family participation can present unique problems because the dynamics in both the family and business systems are often not in balance (Chung, 2018).

Through the years, numerous academic studies have looked at some of these challenges and weaknesses: Shu-Hui (2009) found that among US corporations, family firms have a lower market value than non-family firms. The study measured companies '―Tobin's Q,‖ a proxy for corporate market value calculated as the market value of a firm's assets divided by replacement value of the firm's assets. A study by Pérez-González, F (2001) found that the stock market

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reacts negatively to the appointment of family heirs as managers. Villalonga and Amit (2015) reported that family control exhibits specific weaknesses when descendants are involved in top management. So, even if family businesses are recognized as a valuable asset, the risks associated with concentration can drive away additional sources of finance, thereby reducing the company‘s value or restricting available credit terms. Das et al. (2015) in his study of listed companies in Bangladesh indicates that the traditional reporting culture in family firms fails to provide enough information to investors in making sound investment decisions.

Curiously, Kenya‘s leading family-owned enterprises are still within the first three generations of ownership, a fact tied to the barely 60-year-old independence in this 100-year-old plantation. Family businesses encounter hitches that relate to involvement(who takes part in the family business and under what circumstance); leadership and ownership (how to prepare a cohort to take up responsibility for the business);letting go (how to help the entrepreneur let go of the family business); liquidity and estate taxes; attracting and retaining non-family 15 executives; compensation of family members(equality versus merit); successors(who chooses and how to choose among multiple successors);and strengthening family harmony (Bowman-Upton, 1991). This setup makes strategic planning for a family business to essentially involve more dimensions than for a business with a nonfamily ownership structure.

A number of studies focusing on strategic management practices have been carried out. Musyoka (2008) researched on the state of strategic management practices in not-for-profit organizations with special reference to membership clubs in Nairobi. Bukusi (2003) investigated on strategic management practices in reproductive health NGOs operating in Kenya. Chiuri (2016) have provided valuable insights on strategic management practices in the private sector. Kang'oro (1998) went further to investigate on the strategic management practices in public sector organizations, none of these studies has focused on the effect of strategic management practices on performance of family-owned businesses in isolation, more specifically those in the manufacturing sector. This study seeks to bridge the existing gap by addressing the questions: What is the effect of strategic management practices on performance of these firms? Do family-owned manufacturing businesses in Kenya engage in strategic management practices?

**Research Objectives**

**General Objective**

The purpose of the study was to determine the effect of strategic management practices on family-owned manufacturing firms in Kenya.

**Specific Objectives**

1. To determine the effect of environmental scanning on the performance of family-owned manufacturing firms in Kenya
2. To evaluate the effect of strategy formulation on the performance of family-owned manufacturing firms in Kenya
3. To assess the effect of strategy implementation on the performance of family-owned manufacturing firms in Kenya
4. To establish the effect of strategy evaluation and monitoring on the performance of family-owned manufacturing firms in Kenya

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## LITERATURE REVIEW

### Theoretical Review

### Transformational Leadership Theory

Transformational leadership theory as proposed by Burns (1978) is a theory of leadership where a leader works with teams or followers beyond their immediate self-interests to identify needed change, creating a vision to guide the change through influence, inspiration, and executing the change in tandem with committed members of a group; This change in self-interests elevates the follower's levels of maturity and ideals, as well as their concerns for the achievement. It is an integral part of the full range leadership. Transformational leadership is when leader behaviors influence followers and inspire them to perform beyond their perceived capabilities. Transformational leadership inspires people to achieve unexpected or remarkable results. It gives workers autonomy over specific jobs, as well as the authority to make decisions once they have been trained. This induces a positive change in the follower's attitudes and the organization as a whole. Transformational leaders typically perform four distinct behaviors, also known as the four I's. These behaviors are inspirational motivation, idealized influence, intellectual stimulation, individualized consideration. Transformational leadership theory is well suited in today's competitive business environment where vision clarity, commitment, innovation, creativity, motivation, etc. are highly sought by an organization from a leader towards team members. Transformational leaders are capable enough for superior performance and create a great impact on change management in organizations and people.

As stated above that the theory takes setting own example by a leader into account while leading the team, so it empowers team members to disburse their tasks with full zeal. As transformational leaders are very much clear on the vision to be achieved and by setting own example, they can inspire subordinates to incline towards the same vision. Unlike other theories, it keeps individual needs on priority than organizational processes. It encourages and build team-work, motivational approach and communicating useful feedback. Feedback generation is from team members as well. This leadership style is highly recommended and implemented in modern businesses for transformation due to uncertainty, stiff competition, insecurity, technical advancements, etc. The theory demands leaders to be empathic, well educated, intellectual, and ethical. This theory therefore supports the variable environmental scanning by indicating that when a leaders' behavior influences his followers they are inspired to perform beyond their perceived capabilities. Environmental scanning can therefore go a long way in enhancing a company's performance. Different theories have therefore been put forth to explain the phenomenon of the family firm. These theories include; the stewardship theory, agency theory and transaction cost economics theory

Regardless of the theories discussed above, Chrisman, Chua & Sharma (2003) had concluded that there is no dominant theory of the family firm. They observed that a good place to start building a theory is to examine whether existing theories of the firm are robust enough to explain family firm behavior and performance. Resource based theory and agency cost theory are two theories that have been increasingly used the former to explain the positive side of family involvement and the latter the negative side. Development of a rigorous theory of the family firm is at preliminary stages. Nevertheless, scholars from mainstream disciplines are applying the dominant theoretical frameworks from their respective disciplines to study family firms. The use of these dominant frameworks is likely to help enforce more discipline and structure on family business research.

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## Conceptual Framework

In this study the dependent variable is performance of family-owned businesses while the independent variables are environmental scanning, strategy formulation, strategy implementation and strategy evaluation.

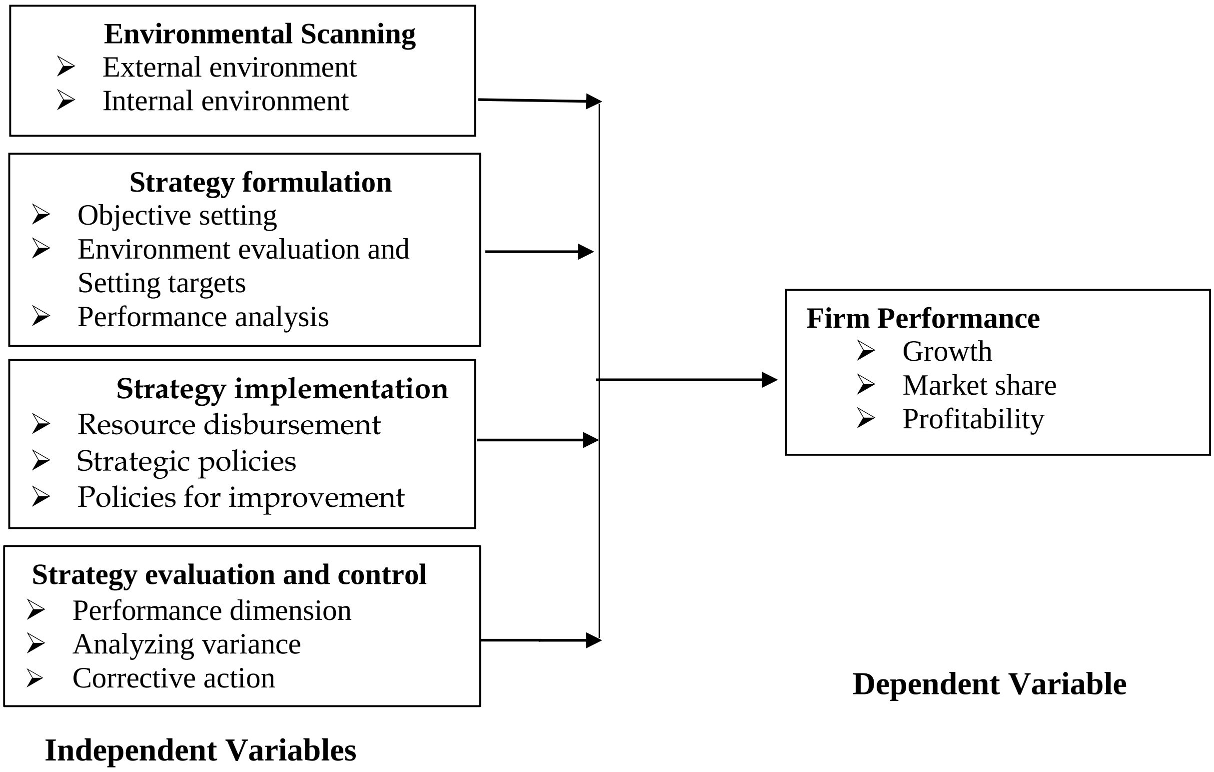


*Figure 1: Conceptual Framework Showing Study Variables*

## Environmental Scanning and Performance

Environmental scanning is the tool used in analysis of the environment and its effectiveness depends on some underlying factors. The complexities within the environment put the organization in a tough mission that requires a fast adoption to ensure survival and achieve their goals. Accordingly, the rapid changes in the internal and external environment, the need for a strategic environmental scanning process increased. The scanning process for the internal and external environment in light of the vision, mission and clear objectives of the organization is essential. Strategic and operational plans for the organization are important to success and survival. Environmental scanning is integral to the study of business strategy and organizational theory. It is vital to the practice of business in for-profit and nonprofit organizations (Pulaj & Pulaj, 2015).

The intensive changes of business conditions are an important fact that the organization operates in a competitive environment characterized by dynamics and complexity (Beal, 2000). Environmental Scanning is the acquisition and use of information about events, trends, and relationships in an organization's external environment, the knowledge of which would assist management in planning the organization's future course of action (Amuna, 2017). According to, Amuna (2017); Agbim and Idris (2015), it is actually done to avoid surprises, identify threats and opportunities, gain competitive advantage and improve long-term and short-term planning.

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It is essential matter to conduct external Environmental Scanning to understand the environment in which an organization function. Organization has no influence on the external environment and it is not possible for it to monitor and control the variables in the external environment, but when the organization conducts environmental scanning, it has the opportunity to respond rapidly to challenges in a timely and effective manner (Toit, 2016, Toivonen & Viitanen, 2016). External environment factors can be categorized into political economic social, technological and information and knowledge environment. Internal environment represents subsystems that form organization system and have a direct and powerful effect on the activity of the organization and the level of performance. The internal environment is a corporate environment that is in the organization band normally has direct and specific implications on the company. Owners / managers of companies should look into the company to identify internal strategic factors, namely the strengths and weaknesses that will determine whether the company is able to take advantage of existing opportunities while avoiding threats (Indris & Primiana, 2015).

Therefore, each organization has to choose the most suitable system by taking into account some variables such as strategy, objectives, structures, culture, technology, knowledge, etc. The analysis of organization internal environment includes the resources, capabilities and competencies held by it, as the resources owned by organization is more important than the structure of the industry in gaining and sustaining competitive advantage (Pearce & Robinson, 2013). The main important factors that form internal environment for any organization are classified into resources (tangible and intangible assets), capability (strengths and weaknesses), organizational culture, management style and organizational structure.

Although there are many ways to analyze the internal environment, the simplest way to observe and analyze the internal environment is through functional analysis (Thomas & Hunger, 2012). The expertise and resources of the organization can be set to the appropriate competency profile business functions such as marketing, finance, research and development, operations, human resources, information systems, knowledge management and organization culture.

Elenkov, D.S (1997) carried out a study where the relationship between perceptions of strategic uncertainty and environmental scanning behaviors was examined. A sample of 141 medium-size Bulgarian companies, all of them operating in a highly constrained external environment and a business culture, characterized by a low degree of calculative strategic decision making, used to test four hypotheses related to scanning behavior. The empirical findings of this study were then compared with the results of prior research on environmental scanning in the United States in order to draw conclusions for both the theory of scanning behavior and strategic management practice in various environments. Njenga (2006) focused on the strategic management practices adopted by the Mater Hospital in Nairobi Kenya. From his study findings, The Mater Hospital has well established and formulated vision and mission statement that suits the hospital. The hospital also does environmental scanning, formulate annual and semi-annual plans. They do also implement and evaluate their strategies and objectives in the right manner. The above according to this study, plays an important role in better performance of the hospital in general.

**Strategy Formulation and Performance**

Strategy formulation process involves the collection of data and continuous exchange of information. Formulating effective strategy is key to improving firm performance. According to Pearce and Robinson (2011), strategy formulation guides executive in defining the business their firm is in, the ends it seeks, and the means it will use to accomplish those ends. Firms develop strategies to address issues that relates to delivering quality products and services. Arguably, it is important for firms to effectively use their resources and technology to deliver innovative products and services to their customers as this will enable them to achieve and sustain competitive advantage. Van Gelderen et al. (2000) contend that strategy formulation process and strategic plan are both important for firms to achieve competitive advantage. Strategy formulation involves reviewing key objectives and strategies of the organization, identifying available alternatives, evaluating the alternatives and deciding on the most appropriate alternative (Cheng, Kadir, & Bohari, 2014).

In their study of microfinance institutions (MFIs) in Nairobi Kenya, Odongo et al. (2016) found a positive correlation between strategy formulation phase and performance of MFIs. Similarly, Woldie et al. (2012) argue that an effective strategy formulation mechanism could enhance performance. Arguably, strategy formulation is important for firms to achieve superior performance and remain competitive. Thus, a systematic strategy formulation process can enable firms develop strategies that are aligned to their goals and aspirations. In the same spirit, Aremu and Oyinloye (2014), using t-test and multiple regression techniques investigated the relationship between strategic management and firms' performance in Nigerian banking industry. The results show a positive correlation between strategy formulation and organisational performance. In the same direction, Auka and Langat (2016), study the effect of strategic planning on the performance of medium-sized enterprises in Nakuru Town using strategy formulation as one of the indicators of strategic planning. The results show a weak positive relationship between strategy formulation and firm performance. They add that strategy formulation significantly influence the performance of medium size enterprises. Evidence from the literature suggests that strategy formulation exerts influence on firm performance.

Badebo (2006) studied on the influence of strategic management practices in health among the Non-Governmental Organizations (NGOs) in Southern Sudan. He found out that the different NGOs also practice strategic management, but the adoption of strategic management varies from each other. Auka and Langat (2016), studied the effects of strategic planning on performance of medium sized enterprises in Nakuru town. The study assessed the relationship of strategic planning on performance of 54 medium sized enterprises. The sample was drawn from medium sized enterprises within Nakuru town. The study used structured questionnaires to gather primary data from Medium sized enterprises. Multiple regression and Pearson's correlation were used to test the study hypotheses. The results show that environmental analysis, organizational direction and strategy formulation had a positive influence on performance of medium sized enterprises. Moreover, Owolabi and Makinde (2012) studied the effects of strategic planning on corporate performance using Babcock University, Nigeria as the case study. Muogbo (2013) explored the impact of strategic management on organizational growth and development of selected manufacturing firms in Anambra State in Nigeria.

**Strategy Implementation and Performance**

Effective strategy implementation is a critical component of organizational success and a potential source of competitive advantage. Without successful implementation, a strategy is but a fantasy (Hitt et al., 2017). The process of strategy implementation is more complicated than formulation (Andrews, Boyne, Law, & Walker, 2011), and many managers and organizations struggle with effective implementation of business strategies (Hrebiniak, 2006). As a result, strategy implementation effectiveness is a significant source of performance heterogeneity between firms (Greer, Lusch, & Hitt, 2017), reinforcing the need for a clear understanding of the strategy implementation process.

Kangoro (2008) did a survey on how strategic management practices apply in the public sector in Kenya. His main objective in the study was to investigate the problems the public sector faces in implementing strategies they have adopted. He also focused on strategy development and the challenges there are. From his study he found out that many public organizations do apply strategic management practices but differently based on the organization. He found out that many of these organizations have well-articulated missions, objectives, strategies and plans. Many of these organizations do not enjoy the benefits that come with strategic concept because of the lack of commitment from the top management.

Bernadette (2015) did a study on evaluating implementation of strategic performance management practices in universities in Uganda. Data was collected from respondents who were university heads by the use of questionnaires. The findings indicated that strategic performance management is highly implemented by the universities in Uganda and leads to improved quality. Mugambi (2003) carried research study on shipping companies based in Mombasa. According to his study, shipping companies do adopt formal strategic management practices in various forms of their companies. Most of these established management practices originate due to external pressure and environment and agencies. Other practices are also adopted due to deliberation by the top management to be able to remain competitive.

**Strategy Evaluation and Control and Performance**

Strategy evaluation process identifies the level of strategy implementation. (Elshamly 2013), gives early signals about factors that might hinder the success of the strategy by prompting management to ask questions on the execution process or the leaders' reliability and competency (Carpenter & Sanders, 2009). Strategy evaluation process highlights firms' effectiveness in reacting to new challenges (Johnson & Scholes, 2003) that make them achieve their strategic aims. In fact, firms should review their capabilities and competencies for successful implementation of their strategy (Popa et al, 2012). Therefore, strategy evaluation process ensures that firms adapt their strategy to any risk of changes in the environment. Arguably, a robust strategy evaluation process provides information to the management on the cause of failure in achieving the firm's strategic objective. Indeed, strategy evaluation protects the business from collapse (Dubihlela & Sandada, 2014), prevents firms from taking wrong decisions and helps them to anticipate problems if there is change in the internal and external environment (Elshamly, 2013).

Strategy evaluation can highlight weaknesses in already implemented strategic plans and makes the entire process to start all over. Ivancic (2013) agrees that the effective evaluation method is important because the key activity of strategy evaluation is to determine if strategy execution meets the firm objectives. Hunger and Wheelen (2011) submitted that results of strategy evaluation are essential for further action if the process is showing any problems that affect the functioning of the firm towards its goal. Therefore, firms need to evaluate their strategies on a continuous basis (King'ola, 2001; Tunji, 2013), so that corrective action could be taken to eliminate the problems that hinder the achievement of firm objectives (David, 2011). Gonçalves (2009) submitted that periodic evaluations keep the strategic plan flexible and connected to the firm competencies. David (2001) pointed out that ineffective evaluation can limit success or create worse problems for firms. Consequently, management needs to ask the right questions to ensure their effectiveness (Onwe, 2014). Strategy evaluation process prevents companies from making a wrong decision that could lead to disruptions and serious damage.

Abdul Najib Bin Abdul Majid and Mas Bambang Baroto (2016) examined the effect of strategic planning on Malaysian SMEs performance as well as the effect of employees' participation, implementation of incentives, strategy evaluation and control on the strategic planning process. One hundred and eighty-three questionnaires, collected via electronic mail and manually from SMEs around Kuala Lumpur, were analyzed using Pearson correlation and multiple regressions techniques. The results suggest that strategy evaluation has a significant and positive impact on strategic planning process, while strategic planning process has a positive impact on Malaysian SMEs' business.

Studying Sarova Town Hotels in Kenya, Wanjiru (2016) examined the influence of strategic management practices on corporate performance. The results showed that strategy evaluation has a significant influence on the performance of Sarova town hotels. Similarly, Maroa and Muturi (2015) investigated the relationship between strategic management practices and performance of flower firms in Kenya. It was observed that most floricultural firms evaluated their strategy and strategy evaluation had a significant influence on the performance of flower firms. Kumar (2015) using correlation analysis found that the strategy evaluation dimension of strategic planning steps has a significant and positive association with firm performance.

## METHODOLOGY

Descriptive research design was used in the study. This study targeted the sixty-six (66) family – owned manufacturing firms in based in Nairobi City County, Kenya. (Asoko Insight 2020). The study adopted purposive sampling technique to draw respondents from the study. The study purposively targeted four (4) heads of departments (Human Resources, Finance, ICT and Operations per firm from 20 firms yielding a total of 80 respondents. The total sample size therefore was 80. The study used primary data collected using a structured questionnaire. Profitability ratio was collected using a secondary data collection sheet. This was captured over a 5-year period. The qualitative data was collected, coded, edited, and cleaned to ensure consistency and error minimization of the study. Collected data was summarized into groups of data by combining tabulated description (tables), graphical description (graphs and charts) and statistical commentary. Statistical Package for Social Science (SPSS) computer software version 25 was used to support data cleaning, analysis and statistical calculations. Data was analyzed both descriptively (means and standard deviation) and inferentially (correlations as well as regression analyses). The data was presented through Tables.

## Data Analysis and Discussions

### Analysis of Study Variables

The descriptive study adopted descriptive statistics for quantitative data in order to assess the level of perception, opinion and feelings of the study respondents along a five – point slanting Likert scale on the questionnaire measurement items concerning strategic management practices and their perceived effect on performance of the sampled family-owned manufacturing firms in Kenya. The study adopted the five-point Likert scale. Descriptively, the study adopted means and standard deviations to interpret the study results.

### Environmental Scanning

The environmental scanning was operationalized through internal and external analyses, with eight measurement items. From study results in Table 1, respondents generally agreed that environmental scanning helps organizations identify threats, opportunities, weaknesses and strengths with a mean of 3.78, standard deviation of 0.79. Meanwhile, the respondents equally generally agreed that environmental scanning allows leadership to proactively respond to external impacts, with a mean of 4.2 and standard deviation of 0.84. When asked about whether, environmental scanning allows leadership to proactively respond to external impacts the respondents generally agreed with a mean of 4.21 and standard deviation of 0.84. In addition, the majority of respondents generally agreed that environmental scanning aids decision making with a mean of 3.82, standard deviation of 1.08.

For whether or not the environmental scanning helps organizations to plan long term business strategies, however, the majority of respondents generally agreed with a mean of 3.33 and standard deviation 1.21. This may be an indication that the family businesses may be managed through strategic strategies that may ensure long term survival and performance. In addition, the respondents generally agreed that the management involves staff members to actively participate in the process of environmental scanning, with a mean of 3.71 (standard deviation, 1.17). Meanwhile, the sampled respondents generally agreed that environmental scanning is carried out on a quarterly basis with majority aggregating at 3.92 and standard deviation of 0.83. however, the qualitative information indicated that the environmental scanning is done more frequently, and such that there is no scheduled period of scanning the environment as it is at the prerogative of the family head. Moreover, the respondents remained neutral that environmental scanning ensures optimum use of resources with a mean of 3.24 and standard deviation of 0.70.

Interestingly, the sampled respondents generally disagreed that environmental scanning increases the probability that organizational strategies appropriately reflect the its environment, with a mean of 2.63 and standard deviation of 0.83. Overally, for the study variable, the surveyed respondents generally agreed that environmental Scanning influence performance of an organization, with ana aggregate mean of 3.59 and standard deviation of 0.93. This study agrees with Wambua and Omondi (2016) as well as Bhardwaj and Kumar (2014) indicating that it is essential for a business to conduct environmental scanning to understand the environment. Moreover, a study by Njenga (2006) concluded that an organization that scans the environment, formulate annual and semi-annual plans, do implement and evaluate their strategies and objectives in the right manner, plays an important role in better performance of the hospital in general.

European Journal of Business and Strategic Management
ISSN 2518-265X (Online)
Vol.8, Issue 3, No.4. pp 65 - 92, 2023



**Table 1: Environmental Scanning Descriptive Statistics**

| Environmental Scanning Measurement Items | Mean | Std. Dev |
|---|---|---|
| Environmental scanning helps organizations to identify threats, opportunities, weaknesses and strengths | 3.78 | 0.79 |
| Environmental scanning allows leadership to proactively respond to external impacts | 4.21 | 0.84 |
| Environmental scanning aids decision making | 3.82 | 1.08 |
| Environmental scanning helps organizations to plan long term business strategies | 3.33 | 1.21 |
| Management involves staff members to actively participate in the process of environmental scanning | 3.71 | 1.17 |
| Environmental scanning is carried out on a quarterly basis | 3.92 | 0.83 |
| Environmental scanning ensures optimum use of resources | 3.24 | 0.70 |
| Environmental scanning increases the probability that organizational strategies appropriately reflect the its environment. | 2.63 | 0.83 |
| **Aggregate** | **3.59** | **0.93** |

### Strategy Formulation

Strategy formulation was operationalized by objective setting, environment evaluation and Setting targets, as well as performance analysis. The descriptive results showed that respondents generally agreed that the process of formulating strategies in your organization is succinct with a mean of 4.12, standard deviation of 0.76. However, the surveyed respondents were neutral that these family businesses do thorough environmental scanning when formulating strategies with a mean of 3.39 (standard deviation, 0.91). Meanwhile, the respondents generally agreed that goals set during strategy formulation are reasonably achievable (mean = 3.6, standard deviation = 1.14). However, the surveyed respondents generally remained neutral that they all relevant stakeholders are engaged in formulating strategies with a mean of 3.14 and standard deviation of 0.95. However, the respondents agreed that stakeholders involved during formulation bring various expertise on board, with a mean of 4.2 and standard deviation of 0.64.

In addition, the surveyed respondents generally strongly agreed that the approaches with the majority support end up being adopted with a mean of 4.45 and standard deviation of 0.87. This opinion was equally support by the qualitative information from majority of respondents that the family members are involved in the strategy formulation, and such that their opinions count and often implemented. Based on the study findings, majority of respondents showed that they generally agreed that they use several evidence-based strategic models while formulating strategies, with a mean of 3.74 and standard deviation of 1.18. In addition, the majority of respondents generally agreed that the goals set during strategy formulation are realistic with a mean of 3.81 and standard deviation of 0.79.

On average, the surveyed respondents generally agreed that strategy formulation has a positive influence on performance with an aggregate mean of 3.81 and standard deviation of 0.91. this resonates with study conclusion by Van Gelderen et al. (2000) contending that strategy formulation process and strategic plan are both important for firms to achieve competitive advantage. Similarly, a study by Woldie et al. (2012) concluded that an effective strategy formulation mechanism could enhance performance. Arguably, strategy formulation is important for firms to achieve superior performance and remain competitive. Thus, a systematic strategy formulation process can enable firms develop strategies that are aligned to their goals

European Journal of Business and Strategic Management
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Vol.8, Issue 3, No.4. pp 65 - 92, 2023
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and aspirations. In the same spirit, while investigating a relationship between strategic management and firms' performance in Nigerian banking industry, Aremu and Oyinloye (2014) shows a positive correlation between strategy formulation and organizational performance.

**Table 2: Strategy Formulation Descriptive Statistics**

| Strategy Formulation Measurement items | Mean | Std. Dev. |
|---|---|---|
| The process of formulating strategies in your organization is succinct | 4.12 | 0.76 |
| Goals set during strategy formulation are reasonably achievable | 3.39 | 0.91 |
| We do thorough environmental scanning when formulating strategies | | |
| We engage all relevant stakeholders while formulating strategies | 3.14 | 0.95 |
| Stakeholders involved during formulation bring various expertise on board | 4.20 | 0.64 |
| Approaches with the majority support end up being adopted | 4.45 | 0.87 |
| We use several evidence-based strategic models while formulating strategies | 3.74 | 1.18 |
| The goals set during strategy formulation are realistic | 3.81 | 0.79 |
| **Aggregate** | **3.81** | **0.91** |

**Strategy Implementation Descriptives**

Strategy implementation was operationalized by resource disbursement, strategic policies, as well as policies for improvement. The descriptive results are as presented in Table 3 showed that the surveyed respondents generally agreed that there is a clear line of authority for members to follow during strategy execution with a mean of 4.4 and standard deviation of 0.93. Similarly, respondents generally agreed that implementation of strategies is highly facilitated through departmentalization with a mean of 3.91 and a standard deviation of 1.74. This was confirmed by respondents that generally agreed that members in the departments are involved in the implementation of the strategies in their departments. However, some respondents indicated that the implementation process is rarely executed as originally envisioned, given family interests that are often protected.

Concerning communication, the majority of respondents generally agreed that communication with external stakeholders is orderly and timely with a mean of 3.87, standard deviation of 1.34. However, the majority of respondents generally remained neutral that the implementation of strategies is highly facilitated through departmentalization. Following the qualitative information, some respondents indicated that the implementation of strategies sometimes is facilitated from the top management and departments merely receive instructions at times. This might negatively influence the success of the strategies finally implemented. However, the majority of the respondents remained neutral whether on not internal communication is conducted in an orderly and timely fashion while implementing strategies with a mean of 2.63 and standard deviation of 0.98, indicating that there is no ordered manner of communicating to stakeholders while implementing strategies. This might be one of the reasons why the implementation process is likely to be flawed. Concerning resources, the majority of respondents surveyed generally agreed that the management provides adequate financial resources for the implementation of strategies with a mean of 3.54 and standard deviation of 1.39.

**Table 3: Strategy Implementation Descriptive Statistics**

| Strategy Implementation Measurement Items | Mean | Std. Dev |
|---|---|---|
| There is a clear line of authority for members to follow during strategy execution | 4.40 | 0.93 |
| Implementation of strategies is highly facilitated through departmentalization | 3.91 | 1.74 |
| Communication with external stakeholders is orderly and timely | 3.87 | 1.34 |
| Internal communication is conducted in an orderly and timely fashion while implementing strategies | 2.63 | 0.98 |
| Management provides adequate financial resources for the implementation of strategies | 3.54 | 1.39 |
| Management provides adequate physical resources for the implementation of strategies | 4.19 | 0.72 |
| Management provides adequate human resources for the implementation of strategies | 4.72 | 1.06 |
| Roles and responsibilities are appropriately allocated on basis of competence and capability | 4.05 | 0.99 |
| **Aggregate** | **4.04** | **1.15** |

**Strategy Evaluation and Monitoring Descriptives**

The strategy evaluation was operationalized by performance dimension, analyzing variance, corrective action, and performance measurement, with a total of eight measurement items. The descriptive results are as presented in Table 4. From the study results, majority of respondents generally agree that formative evaluations find very little negative deviations from expectations with a mean of 4.04, standard deviation of 0.97. Concerning the involvement of stakeholders, the respondents generally agreed that all relevant stakeholders are involved in formative evaluations, with a mean of 3.85 and standard deviation of 1.05. Moreover, the sampled respondents generally agreed that the interim evaluations performed on strategies are comprehensive enough (mean = 3.81, standard deviation = 0.88). In addition, the respondents generally agreed that the formative evaluations are carried out by competent teams, with a mean of 3.66 and standard deviation of 0.65.

With regard to summative assessments, the majority of respondents generally agreed that the summative evaluations find very little negative deviations from expectations (mean = 3.97, standard deviation = 1.23). Of the respondents surveyed, the majority generally agreed that terminal evaluations are carried out by competent teams, with a mean of 3.88 and standard deviation of 0.68. Meanwhile, the respondents generally agreed that annual evaluations performed on strategies are comprehensive enough, with a mean of 3.83, and standard deviation of 1.12. In addition, the surveyed respondents generally agreed that formative evaluations find very little negative deviations from expectations with a mean of 3.75 and standard deviation of 0.95. On overall, strategy evaluation and monitoring variable had a mean of 3.86 and standard deviations of 0,95, implying that the surveyed respondents generally agreed that evaluation and monitoring strategy has an influence on performance of these family-owned businesses. This agrees with Gonçalves (2009) that periodic evaluations keep the strategic plan flexible and connected to the firm competencies. In addition, Onwe (2014) further confirms that strategy evaluation process prevents companies from making a wrong decision that could lead to disruptions and serious damage.

European Journal of Business and Strategic Management
ISSN 2518-265X (Online)
Vol.8, Issue 3, No.4. pp 65 - 92, 2023



**Table 4: Strategy Evaluation and Monitoring Descriptive Statistics**

| Strategy Evaluation and Monitoring Measurement Items | Mean | Std. Dev |
|---|---|---|
| Formative evaluations find very little negative deviations from expectations | 4.04 | 0.97 |
| All relevant stakeholders are involved in formative evaluations | 3.85 | 1.05 |
| Interim evaluations performed on strategies are comprehensive enough | 3.81 | 0.88 |
| Formative evaluations are carried out by competent teams | 3.66 | 0.65 |
| Summative evaluations find very little negative deviations from expectations | 3.97 | 1.23 |
| Terminal evaluations are carried out by competent teams | 3.88 | 0.68 |
| Annual evaluations performed on strategies are comprehensive enough | 3.83 | 1.12 |
| Formative evaluations find very little negative deviations from expectations | 3.75 | 0.95 |
| **Aggregate** | **3.86** | **0.95** |

### Performance of Family-Owned Businesses

The purpose of the study was to determine the effect of strategic management practices on family-owned manufacturing firms in Kenya. By assessing the performance of these businesses, the study descriptively analyzed the performance as a dependent variable. Performance was modeled around growth, market Share and profitability with a total of six (6) measurement items. The results are contained in table 4.9. From the study results, it was showed that the firm ventures and is accepted into more markets with time with a mean of 3.96 and a standard deviation of 0.89. In addition, the respondents generally agreed that the business revenues grow at acceptable rates, with a mean of 3.88 and standard deviation of 1.25. concerning market share, the surveyed respondents generally agreed that the firm’s market share in the manufacturing industry is considerably big (mean = 3.74, standard deviation = 0.82). However, the respondents generally remained neutral that the business has captured all major manufacturing markets with a mean of 3.38 with a standard deviation of 1.09. With reference to profitability, respondents generally agreed that the business’s profitability is high and promising with a mean of 3.96 and standard deviation of 0.89. However, the surveyed respondents remained generally disagreed that the business is more profitable than most other family-owned manufacturing companies in Kenya (mean = 2.31, standard deviation = 1.17). On average, all the respondents surveyed marginally agreed that the performance of these family-owned businesses have improved with a mean of 3.54 and standard deviation of 0.85.

**Table 5: Performance Descriptive Statistics**

| Performance measurement Items | Mean | Std. Dev |
|---|---|---|
| **Growth** | | |
| Your firm ventures and is accepted into more markets with time | 3.96 | 0.89 |
| Year on Year revenues grow at acceptable rates | 3.88 | 1.25 |
| **Market Share** | | |
| The firm’s market share in the manufacturing industry is considerably big | 3.74 | 0.82 |
| Your firm has captured all major manufacturing markets | 3.38 | 1.09 |
| **Profitability** | | |
| The firm’s profitability is high and promising | 3.96 | 0.89 |
| Your firm is more profitable than most other FOB manufacturing companies | 2.31 | 1.17 |
| **Aggregate** | **3.54** | **0.85** |

The study findings contradict study findings by Asoko (2019) who intoned that only a handful of the thousands of family-owned firms in Kenya reach elite status or provide strong products, brands, and services across the region, thus significantly influencing the export basket. Moreover, the author argues that there exist complexities and contradictions cutting across the family-business divide in which virtues and vices on one end diffuse to the other end with speed and ferocity. Much more intuitively, their very nature as family-owned businesses results in unique models of starting, running and decision-making, the end result of which is usually a surprising litany of dilemmas: political interference, their worries about work and sibling rivalry, inheritance squabbles, and most of all, the fears for the heirs. Coupled with this, it could cast doubts if these businesses are actually improving in their performances. However, qualitative information from respondents indicated that majority are dissatisfied with their current sales. Meanwhile, the majority believed that they are trying to implement right strategies to improve their sales but it has proved futile with time, even though their customers are satisfied with their services. However, it emerged that the majority of these businesses have been offering traditionally defined services with no improvement at all. This could be one of the reasons why their performances have remained marginal?

### Diagnostic Test Results

### Test of Normality

For this study, Shapiro Wilk test was adopted to test normality. The assumption of the Shapiro Wilk test is that for the population to be normally distributed, the p-values are preferably be higher than 0.05. The test results are as indicated in Table 6. From the results, all the test statistics were above the recommended 0.05 implying that the data was drowned from a normal population, i.e., the normality assumption is met.

**Table 6: Shapiro-Wilk Test of Normality**

| | Shapiro-Wilk | |
|---|---|---|
| | **Statistic** | **Sig.** |
| Environmental Scanning | .794 | .256 |
| Strategy Formulation | .671 | .213 |
| Strategy Implementation | .850 | .240 |
| Strategy Evaluation and Control | .833 | .215 |
| Performance Measurement | .770 | .311 |

### Multicollinearity Test Results

Multicollinearity can be said to be the existence of correlation among the independent variables. According to Hansen (2022), multicollinearity entails the extent to which any effect of a variable can be explained by the other variable in the analysis). In Ordinary Least Squares the independent variables are not supposed to influence each other. The study adopted Variance Inflation Factor (VIF) to determine the presence of multicollinearity. The study results are as outlined in Table 7. The rule of the thumb in interpretation of VIF is that it should be less than 10 to indicate multicollinearity. The findings provided indicate that no independent variable had a VIF of above 10. This is an indication that there was no multicollinearity.

**Table 7: Multicollinearlity Test**

| Coefficients[a] Model | | Collinearity Statistics | |
|---|---|---|---|
| | | Tolerance | VIF |
| 1 | Environmental Scanning | .699 | 1.431 |
| | Strategy Formulation | .881 | 1.135 |
| | Strategy Implementation | .671 | 1.490 |
| | Strategy Evaluation & Control | .847 | 1.180 |

a. Dependent Variable: Performance

### Autocorrelation Test Results

The study checked for autocorrelation utilizing Durbin-Watson test (***d***) in linear regression model. The study checked for autocorrelation utilizing Durbin-Watson test in linear regression model. Durbin-Watson's test's hypothesis is that the residuals are not linearly auto correlated. The ***d*** value has a range of 0 to 4. However, the rule of the thump is that the closer to 2 the d-value is, the more indication of lack of autocorrelation. Findings presented in Table 8 show that no autocorrelation was observed in the data (***d*** - test = 1.282).

**Table 8: Durbin-Watson Autocorrelation Test**

| Model | Durbin-Watson |
|---|---|
| 1 | 1.282 |

### Linearity Test Results

The study sought to evaluate the extent to which the independent variable (strategic management practices) which is the predictors and the dependent variable (performance) which is the predicted have a linear relationship. Accordingly, the linear relationship between study variables come into existence when the dependent variable's values and the independent variable's values fall on a straight line when plotted on a scatter diagram. The deviation from linearity test was used to determine whether the relationship between dependent and independent variables was linear. It does not matter whether the line falls in a positive or negative slope. As shown in Figure 2, strategic management practices were found to have a positive linear relationship with Performance of the family-owned firms in Nairobi City County, Kenya. This shows that the study variables were found to have a linear relationship. Moreover, the results suggest that that increased strategic management practices results in the rise of Performance of family-owned firms in Nairobi City County in Kenya.

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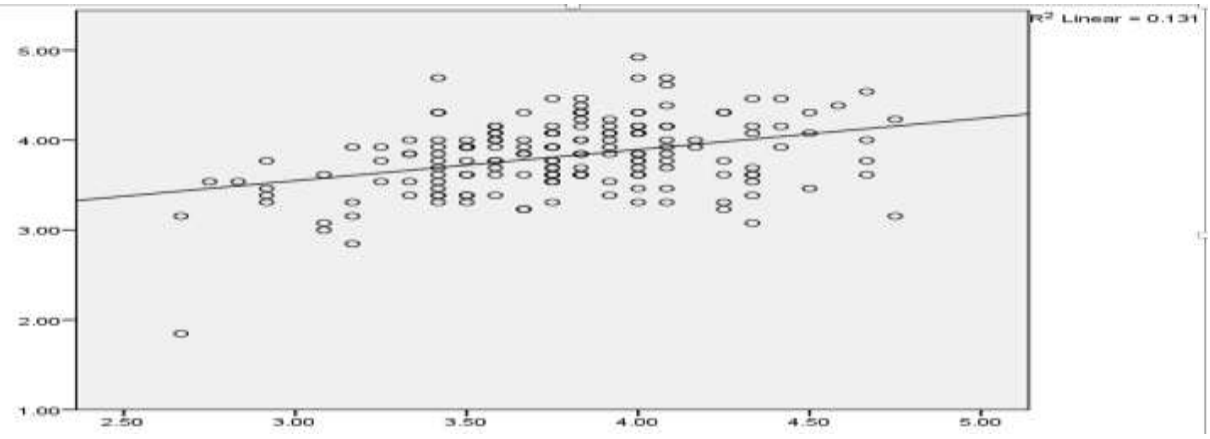


*Figure 2: Scatter Plot for Strategic Management Practices and Performance*

**Inferential Statistics Results**

**Correlation Analysis**

The current study adopted correlation analysis in order to determine whether there were significant associations between study variables. Pearson's product-moment correlation coefficient (***r***) was used to explore relationships between the variables, the direction and their strength. Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients. The correlation analysis results are as presented in table 4.13. The study results showed a strong relationship between environmental scanning and performance of family-owned firms in Nairobi City County, Kenya ($r = 0.880$, p value $<0.005$). The relationship was found to be statistically significant. This implies that when environmental scanning strategic activities increase by a unit, then the performance of these family-owned firms are highly likely to increase by approximately 88%. These study results confirm a study by Njenga (2006) which determined that environmental scanning, formulation of annual and semi-annual plans play an important role to better performance. Even though the study was conducted in a hospital set up, its results is significant to the current study in showing the significance of environmental scanning to influence performance in general. The relationship between strategy formulation and performance was found to be strong and statistically significant ($r = 0.842$, p value $<0.005$). the results indicate that a unit positive change of strategy formulation strategies improves performance of family-owned firms by 84.2%. These study results confirm those by Auka and Langat (2016), that showed that environmental analysis, organizational direction and strategy formulation had a positive influence on performance of medium sized enterprises of medium sized enterprises in Nakuru City, Kenya. However, a study by Badebo (2006) found out that the different NGOs in Southern Sudan practice strategic management, but the process of strategy formulation varies from each other.

Furthermore, the current study results revealed a moderate relationship between strategy implementation and performance of manufacturing firms in Kenya ($r = 0.568$, p value $<0.005$). The relationship was found to be significant. This study results confirm a study by Kangoro (2008) which concluded that many organizations have well-articulated missions, objectives, strategies and plans but do not enjoy the benefits that come with strategic concept because of the lack of commitment from the top management. Moreover, a study by Mugambi (2003) showed that even though shipping companies in Mombasa do adopt formal strategic management practices in various forms of their companies, most of these established management practices originate due to external pressure and environment and agencies. However, the respondents felt that generally these family-owned firms do not implement strategies crafted as they should, leading to their lackluster performance. This could be the reason why surveyed respondents were of the moderate feeling about the cardinal role strategy implementation plays in improving performance.

However, a study by Bernadette (2014) on evaluating implementation of strategic performance management practices in universities in Uganda indicated that strategy implementation by the universities in Uganda leads to improved quality. The relationship between strategy evaluation and control and performance of family-owned firms in Nairobi City Kenya was found to be strong and statistically significant ($r = 0.810$, p value $<0.005$). The current study results confirm study results by Abdul and Baroto (2016) that examined the effect of strategic planning on Malaysian SMEs performance suggests that strategy evaluation has a significant and positive impact on strategic performance of the Malaysian SMEs' businesses. In addition, a study by Wanjiru (2016) that examined influence of strategic management practices on corporate performance of Sarova Town Hotels in Kenya showed that strategy evaluation has a significant influence on the performance. Similarly, a study by Maroa and Muturi (2015) that investigated the relationship between strategic management practices and performance of flower firms in Kenya, observed that most floricultural firms evaluated their strategy and hence, the strategy evaluation had a significant influence on the performance of flower firms.

**Table 9: Pearson's Correlation Matrix Coefficients**

| | | Performance | ES | SF | SI | SEC |
|---|---|---|---|---|---|---|
| Organization Performance | Pearson Correlation | 1 | | | | |
| | Sig. (2-tailed) | | | | | |
| Environmental Scanning | Pearson Correlation | .880** | 1 | | | |
| Strategy Formulation | Pearson Correlation | .842** | .279 | 1 | | |
| Strategy Implementation | Pearson Correlation | .568** | .162 | .139 | 1 | |
| Strategy Evaluation & Control | Pearson Correlation | .810** | .135 | .179 | .269 | 1 |
| | N | 62 | 62 | 62 | 62 | 62 |

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

## Regression Analysis

Linear regression analysis was adopted in order to test how the independent variables (strategic management practices) predicted the Dependent variable (performance); as well as to finally test if the strategic management practices had any statistically significant effect on the performance of the surveyed family-owned firms in the manufacturing sector in Nairobi city County, Kenya. Strategic management practices were modeled by Environmental Scanning, Strategy Formulation, Strategy Implementation, as well as Strategy Evaluation and Control. A model summary was used to explain the variation in the performance that could be explained by the explanatory variables and study results presented in Table 10. The study results revealed that 76.2% variations in the performance ($R^2 = 0.762$) of these family-owned businesses are contingent on strategic management practices (Environmental Scanning, Strategy Formulation, Strategy Implementation, as well as Strategy Evaluation and Control) as modelled by the study. The rest (i.e., 23.8%) as as a result of other factors not included in the study. Since the value is greater than 0.5, it implies that the model is effective enough to determine the relationship among the study variables. The current study findings confirm study findings by Kiruthi (200I) that investigated the state of strategic management practices in not-for-profit organizations; Bukusi (2003) who investigated the strategic management practices in reproductive health NGOs operating in Kenya; Shimba (1993) all which have provided valuable insights on the positive contributory role of strategic management practices on the performance of firms across different sectors. Moreover, a study by Kang'oro (1998) went further to investigate on the strategic management practices in public sector organizations, and determined that strategic management practices have a significant impact on the performance of organization.

**Table 10: Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .873[a] | .762 | .747 | .41075 | 1.260 |

a. Predictors: (Constant), Environmental Scanning, Strategy Formulation, Strategy Implementation, as well as Strategy Evaluation and Control
b. Dependent Variable: Performance

The ANOVA Table 11 shows the significance of the developed model in estimating the significance of the study relationships. The ANOVA was used to determine whether the model was a good fit for the data. An ANOVA value is preferably be greater than 1 for the F-ratio to yield a efficient model. From the study results in Table 12, the F-calculated was 14.55, p value < 0.005, making the model a good fit for the data. Therefore, the model can be used to predict the influence of Environmental Scanning, Strategy Formulation, Strategy Implementation, as well as Strategy Evaluation and Control analysis on performance of family-owned firms in the manufacturing sector in Kenya. This indicates that the study variables, strategic direction, Human capacity development, Strategy design and Strategy control can be used to predict Performance of Commercial Banks in Kenya.

**Table 11: ANOVA Test Results**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| | Regression | 8.027 | 4 | 2.007 | 14.55 | .000[b] |
| 1 | Residual | 7.865 | 57 | .0138 | | |
| | **Total** | **14.595** | **61** | | | |

a. Dependent Variable: Performance of Family-owned manufacturing firms in Kenya
b. Predictors: (Constant), Environmental Scanning, Strategy Formulation, Strategy Implementation, as well as Strategy Evaluation and Control

The multivariate regression analysis was used to assess the relationship between strategic management practices (Environmental Scanning, Strategy Formulation, Strategy Implementation, as well as Strategy Evaluation and Control) and the performance of family-owned firms in the manufacturing sector in Nairobi City County, Kenya. Table 12 shows the results for coefficients that show the extent and nature of relationship among the study variables. The study adopted a generic regression model in the form:

European Journal of Business and Strategic Management
ISSN 2518-265X (Online)
Vol.8, Issue 3, No.4. pp 65 - 92, 2023



$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \varepsilon$.

Based on the unstandardized beta coefficients in Table 12, the following regression equation was fitted;

**$Y = 1.262 + 0.365X_1 + 1.260 X_2 + 0.391 X_3 +0.436 X_4$ ……………………..*Equation* (ii)**

Accordingly, when all other factors are held constant, the performance of these family- owned firms would be at 1.262, $p<0.005$. Based on standardized coefficients (β), the study findings further show that environmental scanning had the highest significant influence on performance ($\beta=0.397$, $p<0.005$). Moreover, this influence was found to be statistically significant. This confirmed study findings by Njenga (2006) that concluded that environmental scanning plays an important role in better performance of the hospital and in general. This was followed by strategy implementation with $\beta=0.176$ ($p<0.005$). Equally, the influence was found to be statistically significant. This however negated a study by Kangoro (2008) that investigated the problems the public sector faces in implementing strategies they have adopted. The study hence concluded that even though many of these organizations have well-articulated missions, objectives, strategies and plans, they do not, however, enjoy the benefits that come with strategic concept because of the lack of commitment from the top management.

The findings further indicated that strategy formulation had a positive and significant influence on performance ($\beta=0.246$, $p<0.005$). Following a recommendation by Auka and Langat (2016) that the relationship between strategy formulation and performance of medium sized enterprises was positive. Lastly, in the same order, the study revealed that Strategy Evaluation had the least impact on performance ($\beta=0.242$, $p<0.005$). Equally, this influence was found to be statistically significant. This study results confirmed a study by Abdul and Baroto (2016) that examined the effect of employees' participation, implementation of incentives, strategy evaluation and control on the strategic planning process, and hence concluded that that strategy evaluation has a significant and positive impact on strategic planning process, while strategic planning process has a positive impact on Malaysian SMEs' business. Similarly, a study by Maroa and Muturi (2015) observed that most floricultural firms evaluated their strategy and strategy evaluation had a significant influence on the performance of flower firms.

**Table 12: Regression Coefficients**

| **Coefficients[a]** | | | | | | |
|---|---|---|---|---|---|---|
| | | **Unstandardized Coefficients** | | **Standardized Coefficients** | | |
| **Model** | | **B** | **Std. Error** | **Beta** | **t** | **Sig.** |
| 1 | (Constant) | 1.262 | .242 | | 5.215 | .000 |
| | Environmental Scanning | .365 | .065 | .397 | 4.847 | .000 |
| | Strategy Formulation | 1.260 | .165 | .246 | 7.636 | .002 |
| | Strategy Implementation | .391 | .048 | .376 | 8.145 | .003 |
| | Strategy Evaluation | .436 | .064 | .242 | 6.814 | .001 |

a. Dependent Variable: Performance

## CONCLUSION AND RECOMMENDATIONS

### Conclusions

Based on the standardized coefficients (β), the study findings showed that environmental scanning had a significant influence on performance. The study hence concluded that for the family-owned firms to improve their performance, they have to be actively involved in their business environment, use appropriate tolls to collect information, synthesize the information, organize it, analyze and make meaning of it relative to the competitors in the market. The study evaluated the effect of strategy formulation on the performance of family-owned manufacturing firms in Kenya. Since the study showed that strategy formulation has a positive influence on performance and arguably, strategy formulation is important for firms to achieve superior performance and remain competitive. The correlation analysis revealed that the relationship between strategy formulation and performance was found to be strong and statistically significant. Moreover, the regression coefficient findings further indicated that strategy formulation had a positive and significant influence on performance. The study assessed the effect of strategy implementation on the performance of family-owned manufacturing firms in Kenya. Since the results indicated that on average, found a marginal influence of strategy implementation on performance, the study concluded that the management of these firms need to improve on their implementation strategies. The study also concluded that strategy evaluation and control be improved by improving performance dimension, analyzing variance, corrective action, and performance measurement. This has a long-term influence in the performance of a firm.

### Recommendations

In line with the study results and study conclusions drawn, a number of recommendations towards policy formulations were made by the study. The study findings showed that environmental scanning had the highest significant influence on performance. The study hence recommends that the management of these family-owned firms in the manufacturing sector improve on them in order to achieve superior performance. Moreover, the study concludes that the relationship between strategy formulation and performance was found to be strong, positive and statistically significant. The study hence recommends an improvement in the formulation process, with all stakeholders be included and the process be as participatory as possible as well as inclusivity. In addition, since the study results indicated that on average, found a marginal influence of strategy implementation on performance, the study hence recommends that the management of these firms need to improve on their implementation strategies. Lastly, the study results showed that strategy evaluation and control have a positive influence on performance. The study hence recommends an improvement in the evaluation and control process.

### Recommendation for Further Research

The general objective of this study was to assess the influence of strategic management practices on the performance of family-owned firms in the manufacturing sector in Nairobi City in Kenya. Strategy management practices was operationalized by environmental scanning, strategy formulation, strategy implementation, as well as strategy evaluation and control. From the study results, environmental scanning, strategy formulation as well as strategy evaluation and control were found to be strongly and positively correlated to performance. However, the influence of strategy implementation was found to be significantly moderate, yet the theory and past studies indicate that forms that correctly implement their strategies have superior performance unlike the ones that don't. Hence, the study recommends that further research be undertaken ion the strategy implementation as well as conduct similar study in other sectors in the country, targeting similar study constructs.

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