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# The Moderating Effect of Organizational Culture on the Relationship between Knowledge Transfer Strategy and Performance of Medium Size Family Owned Businesses in Selected Counties in Kenya

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## ABSTRACT

Family owned medium businesses contribute significantly to Kenyan economic development. Despite this vital contribution, family owned medium enterprises have been performing poorly. Profits, sales growth, intergenerational transition and family members' satisfaction has been proved to be low. Extant literature shows that knowledge transfer strategy may influence performance of medium size family owned businesses and organizational culture may moderate the relationship. This study therefore sought to establish the moderating effect of organizational culture on the relationship between knowledge transfer strategy and performance of medium size family owned businesses in Kenya. The study was premised on institutional and balanced scorecard theory. The philosophy applied was positivism while the research design was descriptive and explanatory approaches. The study targeted four senior managers of 320 mid-size family businesses in selected counties in Kenya. Proportionate stratified sampling of the manufacturing, service and trade sectors were used to establish a representative sample of 560 respondents. A questionnaire was used to collect primary data, and a document review guide was used to obtain secondary data.

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# The Moderating Effect of Organizational Culture on the Relationship between Knowledge Transfer Strategy and Performance of Medium Size Family Owned Businesses in Selected Counties in Kenya

Mworia Kaibung'a<sup>α</sup>, Anne Muchemi<sup>σ</sup> & Dr. Evans Mwasiaji<sup>ρ</sup>

## ABSTRACT

Family owned medium businesses contribute significantly to Kenyan economic development. Despite this vital contribution, family owned medium enterprises have been performing poorly. Profits, sales growth, intergenerational transition and family members' satisfaction has been proved to be low. Extant literature shows that knowledge transfer strategy may influence performance of medium size family owned businesses and organizational culture may moderate the relationship. This study therefore sought to establish the moderating effect of organizational culture on the relationship between knowledge transfer strategy and performance of medium size family owned businesses in Kenya. The study was premised on institutional and balanced scorecard theory. The philosophy applied was positivism while the research design was descriptive and explanatory approaches. The study targeted four senior managers of 320 mid-size family businesses in selected counties in Kenya. Proportionate stratified sampling of the manufacturing, service and trade sectors were used to establish a representative sample of 560 respondents. A questionnaire was used to collect primary data, and a document review guide was used to obtain secondary data. Face, construct, and content validity were all ensured with the help of experts and supervisors, as well as confirmatory factor analysis with factor loadings of 0.4 or above. Cronbach's Alpha was used to measure reliability, and a coefficient of 0.7 was found to be satisfactory. Descriptive and inferential statistics were used to analyze the data.

*Inferential analysis examined moderating effect of organizational culture on the relationship between knowledge transfer strategy and performance of medium size family owned businesses in Kenya through the use of multivariate analysis and hypothesis testing. Results were presented using charts and tables. It was established that firm culture has positive and significant moderating effect on the link between knowledge transfer strategy and medium size family owned businesses performance in selected counties in Kenya. The study recommends that family owned medium size businesses should empower both family and non-family staff members to make decisions for the best interest of the organization. Such firms should also involve professionals who could even be non-family members in management of the businesses. Medium size family owned businesses should also have a working organizational structure where every position whether held by a family or non-family member is respected.*

**Keywords:** organizational culture, knowledge transfer strategy, family owned medium size businesses, performance of family owned businesses.

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## I. INTRODUCTION

In all types of companies, performance denotes a measure of objectives, outcomes and aspiration significant to different stakeholders in a firm (Seijts, Latham, Tasa, & Latham, 2004). Businesses are often seen as economy welfare drivers regardless of their size by improving the economy, providing job opportunities, trade and merchandise, which lead to successful businesses. Businesses are of different types depending on ownership and those owned by families are considered to be one of them. Abouzaid (2011) stated that businesses owned by families are the most common and oldest type of business firms globally. Family organizations have been vital business landscape features for many years and today are still significant. They range from small, medium/large and are in every sector and the three industrial revolutions (Andrea & Mary, 2013). Knowledge transfer strategy is key in sustaining good performance in family owned businesses.

Knowledge transfer (KT) strategy has brought about a novel method of resource sharing and experience to all individuals; this has formed a basis of solid existence of explicit and tacit knowledge that stresses the value of experiences and ideas. The approach of knowledge management use has been in different industries like technology, education, business and social (Hussin & Mokhtar, 2018). Suppiah and Sandhu (2011) argued that the culture of an organization plays a vital role in transfer of knowledge in organizations. Firm performance may rely on the set regulations, norms, traditions, beliefs, values and ideologies embedded in the organization (Amabile, 1996).

### 1.1 Knowledge Transfer Strategy

knowledge transfer strategy is a systematic process of disseminating knowledge from generation to generation or between members in a similar generation (Barroso, Sanguino & Bañegil, 2013). People in non-family firm environments are unlikely to share their knowledge with others, because they see them as competitors in the labour market (Trevinyo-Rodriguez & Tapies, 2006). However, within family businesses KT is

more easy than in other firms (Cabrera-Suárez *et al.*, 2013). The reason is because of stable, personal, long-term, trust-based relationships between individuals which are essential foundations for effective management of knowledge. Selecting a suitable knowledge transfer strategy highly determines knowledge transfer success (Law & Kamoche, 2015).

Lopez and Ramon (2004) recommended organizational learning strategy, personalization strategy, codification strategy and communities of practice as strategies that can be adopted for effective transfer of knowledge. Hung *et al.*, (2008) proposed organizational learning strategy, codification strategy, mentorship strategy and personalization strategy as strategies for knowledge transfer. This study adopted organizational learning, codification, personalization and mentorship strategies as the measures of knowledge transfer as they are applicable to medium size family businesses.

### 1.2 Organizational Culture

Culture explains the underlying group of values and norms that are precise to a particular group and forms and distinguishes beliefs, behaviors and individuals' personal traits in the peculiar group (Thomas & Mueller, 2000). Also, the culture of the organization comprises a myriad of beliefs, norms, regulations, traditions and ideologies ingrained in a company which impacts on the manner the firm undertakes its job (Poškienė, 2006). Culture of an organization is significant in the integration internally and adaptation on the outside, which are essential factors for performance results. Though culture may provide a fairly stable and smooth pathway for enhancing firm performance, little has been researched on the same (Owino & Kibera, 2019).

According to Barney (1986), resource based view theory, has highly increased organizations' understanding on the importance of strategic resources in enhancing competitive advantage. The firm culture has traditionally been seen as a vital intangible resource in ensuring competitive advantage (Denison, 1990; Hayton, & Salvato, 2004). The culture of an organization is of

immense significance in family businesses, where a group of interests, values and belief are impacted by relations in the family (Chrisman, Chua, & Steier, 2002). Firm culture is a vital ingredient for the performance of the firm and leads to competitive advantage sustainability. Culture is also an element that is essential in unifying different cultures in an organization in the corporate structure (Kenny, 2012). The managers in a company may develop an appropriate culture to incorporate the firm culture and its performance. Liu (2010) explains that culture and knowledge are highly integrated in a company.

Quinn (1988), identified hierarchy, market, clan and adhocracy as the four dominant organizational cultures. So, while balancing the needs of numerous shareholders, organizations make some choices in the level in which the cultures show norms and values that represent four varied orientations on culture (Morgan & Vorhies, 2018). The culture of clan constitutes relations among people (O'Reilly et al., 1990; Chatman & Caldwell, 1991) showed by in-house unity, staff welfare, commitment and loyal nature of staff to the firm. Adhocracy/creative culture is a development form of culture showed by taking risks, change and innovation (Quinn & Spreitzer, 1991). Market (competitive) culture takes place when there is control and stability. This culture is rational and stresses on achievement and efficiency (Quinn & Spreitzer, 1991). Hierarchy (control) culture is placed between internal focus of the firm and dimensions of stability/control. This culture shows the norms and values linked to bureaucracy (Quinn & Spreitzer, 1991).

Gibb (2004) identified four common cultures dominant in family owned businesses: the laissez-faire, paternalistic, professional and participative cultures. In paternalistic culture, relationships are arranged hierarchically and members of the family remain with all authority and power and come up with vital decisions (Koiranen, 2003). The family does not trust outsiders and employees are closely supervised. However, the members in the family are given special treatment. With participative culture, the family power and status are not stressed. Staffs

are trusted and the staffs are given an opportunity to show and improve their talents by the family. In Laissez-Faire Culture, the members in the family are treated specially and staffs are required to accomplish family goals. Members experience excessive freedom; staff are perceived as trustworthy and given the role to make decisions (Baykal, 2019). The pattern on professional culture is available in organizations where the family makes a decision to put the running of the organization to non-family professional managers where individual motivation and achievement are significant. This study adopted bureaucracy, employee empowerment and family involvement identified from Gibb (2004) analogy on culture as measures of organizational culture as they are more specific to family firms.

### *1.3 Family Owned Medium size Businesses in Kenya*

A FOB is an organization where the majority voting is by the family in control; plus, the founders who aim to transfer the business and knowledge on to their offspring's (Gulzar & Wang, 2010). In the present years, there has been a proposal of multi-method definitions. Research by Smyrnios, Romano and Tanewski (2017) opined that a business entity can be considered as a family one when it has at least met four criteria which include: one family holds fifty percent or more of the ownership, two or more families hold fifty percent or more of the ownership and a group of one family controls the firm effectively or most of the senior managers come from the same family.

Kenya is considered one of the most developed economies in Eastern Africa. Family owned businesses are approximated to be the greatest contributors to most countries' GDP (Rodrigo, 2013). In Kenya, majority of medium size family businesses owned by families are well known for their spirit of innovation and entrepreneurship and the main drivers in the economy of Kenya. There are several challenges that medium size businesses owned by families in Kenya face especially in the business environment full of turbulence. Most of the challenges are based on ownership and reward, conflict, profitability,



benefits and pay, succession and family member's engagement (Waweru, Mutuma & Chege, 2011). Waweru *et al.*, (2011) indicated that in Kenya, the average period a family-owned business can exist is 24 years. According to Otieno (2008), Kijana Wamalwa's family is engaged in a management tussle which has affected the performance of the businesses. Lack of effective generational management was linked to the dismal performance of Thuo and Partners Company that was dealing in stock brokerage, Brokers and Discount Securities Company by Nyaga and company which lead to their ultimate closure (Aron, 2015).

Despite the many challenges faced, there are still success stories. Sarit Centre is a perfect example of firms in Kenya that have transitioned to third generation. Sarit Centre is a shopping mall offering diversified services and is ranked among the top leaders in East Africa. The business is currently under the management of Kenyans who are third generation from the business founders who are traced to have come to the country in early 20<sup>th</sup> century (Whitehead, 2012). Other most successful cases are those of the Ndegwa family, the Chandaria and the Shah family companies. Majority of SMEs are businesses owned by families (Esuha & Fletcher, 2013). Over the recent years, a number of family business failures have been highlighted by the media, most of them being SMEs. Such occurrences motivated this study to establish whether knowledge transfer strategy can trigger improved performance in family owned businesses in Kenya.

#### 1.4 Performance of Family Owned Businesses

Barney (2011) defines performance as the strategic results used by organizations to achieve their success or goals. Firm performance comprises the financial and non-financial measures that assist in examining the level to which a firm goals have been achieved (Kaplan & Norton, 2012). A study by Norton and Kaplan (1992) revealed that firm performance ought to be measured based on non-financial indicators like quality, delivery time, innovation and flexibility. Family business non-financial goals such as intergenerational transition or continuity, brand

presence and family members' satisfaction levels can complement family business financial goals of profitability, return on investment and return on equity; and, alignment of family and business objectives lead to better results for the business and family (Craig & Moores, 2010, Carr *et al.*, 2011).

Performance in family enterprises differ from the non-family ones because families may come up with objectives in their own ways and may be more than financial results (Williams, 2015). In studies on family firms, financial metrics are used by researchers in measuring performance (Astrachan & Jaskiewicz, 2018; Zellweger & Sieger, 2012). Moreover, performance measurement only with metrics on financial performance assumes legitimacy and dominance of financial objectives in an organization's goals (Venkatraman & Ramanujam, 2016). However, concerns have been expressed by some researchers on the assumptions that finance goals are the primary goals of family firms (Westhead 1 & 2017). In this study, performance will be measured by profits, sales growth, intergenerational transition and family members satisfaction.

#### 1.5 Problem Statement

Businesses owned by families form part of the most significant contributors to GDP and employment creation in most countries of the world (Venter *et al.*, 2016). Despite the vital contribution by these businesses, their performance across generations is low. SMEs owned by families in Kenya contribute over 70% of the nation's GDP. This is in spite of the many issues surrounding this sector including low performance as compared to non-family firms, high mortality rate especially after the exit of the founder, low finances among others (Mburu, Gichira & Kyalo, 2017).

In Kenya, it has been established that 80 to 90% of every business enterprises are family owned but there have been concerns on their performance and the level at which these businesses fail before getting to the fourth and fifth generation or very few are able to that level. Many family businesses start facing severe performance challenges from

their second generation (Pinfold, 2011). The statistics in Kenya indicates that only 30% of the family business sustains good performance for up to 2nd generation with only 12 percent making it to the third generation and a paltry 3% get to the fourth generation (Ntale *et al.*, 2018).

According to PWC year 2017 survey on performance of family businesses in Kenya, majority of firms performed poorly on profit and sales growth parameters. Of the firms surveyed, 73% recorded negative profits and sales growth especially in 2<sup>nd</sup> and subsequent generation firms. Intergeneration transition was lowest at 3% after 3<sup>rd</sup> generation (PWC report, 2019). Transitioning from generations to the other is the greatest challenge in Kenyan owned family business model. Customer and family members' satisfaction as measured by customer and family members' satisfaction index was found to be declining from 86%,78%,64%,60% and 70%,62%,55%, 52% respectively for the years 2016, 2017, 2018 and 2019 survey in that order. Family members' satisfaction was very low from the 2<sup>nd</sup> generation in most of the firms in the four years under review (PWC reports, 2016, 2017, 2018 and 2019). The need to examine why many family businesses don't attain the desired performance is a concern that this study sought to address.

Reviewed literature indicates that various studies on family businesses in Kenya have been carried out, but studies on the role played by organizational culture on the relationship between knowledge transfer strategy and performance of medium size family owned businesses has not been exhaustive. Syed-Ikhsan and Rowland (2004) noted that there are insufficient studies done on knowledge transfer strategy and organizational culture, and fewer in developing nations. The high number of studies that focused on establishing knowledge transfer strategy as a vital field explains large organization practices. On the contrary, there is noted lack of studies on role of organizational culture on the relationship between knowledge transfer strategy and performance of medium size family owned businesses (Lavía & Otero, 2011). Also, the studies done on knowledge transfer strategy and culture

in family enterprises are few (Mazzola, Marchisio & Astrachan, 2008). Actually, there is a gap in the understanding the role of organizational culture in ensuring effective transfer of both tacit and explicit knowledge within and across generations in family businesses (Trevinyo-Rodríguez & Tàpies, 2010).

Gibb (2004) studied Culture and Continuity in Family Firms which was only a conceptual review. From the considered studies, it is confirmed that most of the studies on knowledge transfer and performance of family businesses have been carried outside Kenya and Africa. The extant literature reviewed has also shown that studies done on knowledge transfer strategy and performance didn't incorporate a moderating variable. This study was undertaken to fill the existing contextual, conceptual and empirical research gap as highlighted above by conducting a research to establish the moderating effect of organizational culture on the relationship between knowledge transfer strategy and performance of medium size family owned businesses in selected counties in Kenya.

### 1.6 Objectives of the Study

To determine the moderating effect of organizational culture on the relationship between knowledge transfer strategy and performance of medium size family owned businesses in selected counties in Kenya.

### 1.7 Research Hypotheses

The study tested the following null hypotheses:

H<sub>01</sub>: Organizational culture does not have significant moderating effect on the relationship between knowledge transfer strategy and performance of medium size family owned businesses in selected counties in Kenya.

## II. LITERATURE REVIEW

### 2.1 Institutional Theory

The foundations of this theory were laid from 1977 to 1983 after publications by Rowan and Meyer (1977), Zucker (1977), Meyer and Scott (1983), DiMaggio and Powell (1983) and Zucker<sup>1</sup> (1983). They stated that an institutions environment

highly impacts the formal development structure more than pressures from the market. The theory seeks to explain the expansion of rules, norms and cultural needs to which firms should follow if they are to get support legitimacy (Meyer & Scott, 1983). The function of social, cultural, political, and economic frameworks through which organizations operate and earn legitimacy is the focus of institutional theory.

Scott (2001) explained that firms provide the game rules and define the available operation ways through discouragement, constraining or encouragement of certain patterns of behavior. They influence the process of decision making by providing signs of what should be acceptable and determines the people socialization of norms and behaviors in a certain society. While institutional theory is recognized broadly as a major noticeable methods to firm research now (David & Bitektine, 2009; Greenwood et al., 2011), a lot of differences are there between scholars regarding the references of important aspects and the main assumptions about how social norm and anticipations impact firms. For instance, the word 'institution' is used to show certain firm practices or need (Meyer & Rowan, 1977), while it can also be used to mean whole businesses (Selznick, 1949) or to wide network of norms and values that feature in a certain group in the society (Friedland & Alford, 1991).

A lot of knowledge is rooted in employees' minds (Drucker, 1999); so, firms ought to encourage the staff to share knowledge, experiences and data to circulate, spread and accumulate knowledge towards finally forming major firm values. Other than organizational norms, trust has been identified as an essential aspect that influences the sharing of knowledge and innovative performance (Gilsing & Nooteboom, 2006). Individuals create knowledge; so, employees' interactions are essential in developing and creating novel knowledge for organizations. But, trust is the vital factor that pushed employees' interaction (David & Bitektine, 2009). This theory was anchor organizational culture variable.

## 2.2 Balance Scorecard Model

The theory was first propounded by Norton and Kaplan in 1992 in an article published in Harvard Business review. The theory postulates that to measure organization performance, financial measures, like ROI or operating profit, are not adequate. To achieve a wider view on performance, non-financial indicators should also be added. Selecting the measures also impacts on managers' behaviors (Kaplan and Norton, 1992). The measures selected should be relevant to the company strategy. There is a problem in financial measures since they provide past report and does not guide on what to do afterwards (Kaplan and Norton, 1993).

The theory further argues that the performance indicators should be chosen from financial, customers, internal procedures and learning and growth (Norton & Kaplan, 1992). By choosing a limited number of measures, the management can stay focused on them and not have too much to follow while similarly perceiving the company from four different perspectives. The numerous indicators prevent the organization from being too short-sighted in seeking fast profits in the short term while forgetting about development in the long run (Kaplan & Norton, 1992). This theory anchors performance variable of the study.

## 2.3 Empirical Literature Review

Tedla (2016) studied the effect of firm culture on firm performance. The goal was to find out appropriate strategies that companies can use to determine firm culture to enhance performance. The study applied Denison model for firm culture as the study conceptual framework. Purposive sampling of 20 directors from a firm group on Ethiopia took part in the study. The studies concluded that absence of effective culture in a firm and poor integration of culture impact on firm performance and reduce stakeholders' earnings.

Zakari, Poku and Owusu-Ansah (2013) researched on the culture and firm performance in Ghana banking industry. Using the Denison's Organisational Model, because of its integrative nature and stress on internal and external



elements, the study evaluated the link between culture and firm performance in Ghana. Data was collected from 9 Ghana banks comprising 60 percent of banks which were private, public and multinational. The study respondents were 296. It was noted that though there were great differences between banks in regard to culture, there were no great differences in performance. Notably, among the banks none was more innovative than other. Generally, organization culture and performance in the banks were positively related. In every case, the culture trait was the mission it had the greatest potential of positively affecting performance.

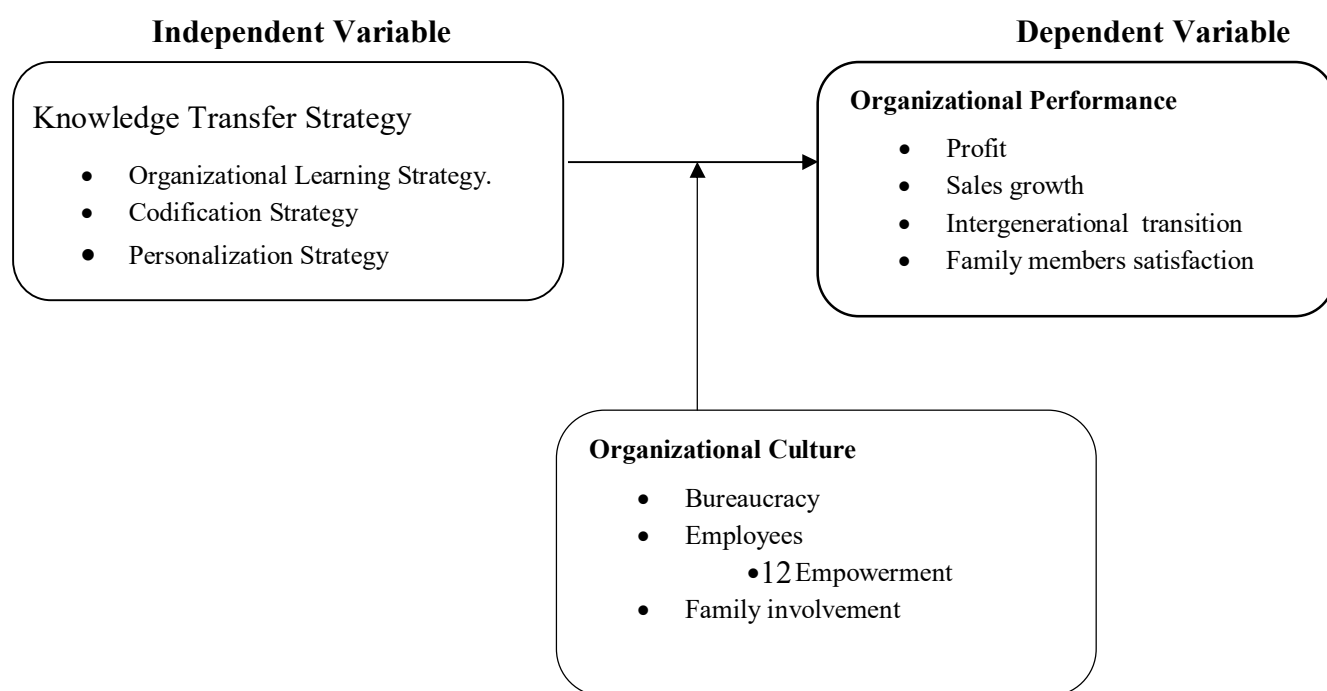
Ahmed and Shafiq (2014) studied the effects of firm culture on firm performance in telecommunication industry. The study purpose was to explore how firm culture affects performance in the organization so as to find out how firm culture help in improving firm performance. Firm performance was measured by use of balance score card. Quantitative methods were used whereby a questionnaire was adopted

for data collection. The results indicated that all culture dimensions' impact on various perspectives of firm performance.

Zafer and Pinar (2012) researched on the impact of firm culture and innovativeness on healthcare firms' performance. The study aim was to determine firm culture and innovativeness effects on company performance. The study administered a questionnaire survey to 332 staff of 65 private hospitals. Data analysis was by use of SPSS 15 by use of multivariate data analysis methods through the hypothesis. The results of the study found that innovativeness and culture impact on firm performance in hospitals.

### 2.4 Conceptual Framework

Conceptual framework in research is based on the reviewed literature both conceptual and empirical. This is presented graphically to show the connection between different variables affecting and determining the objective of the study relationships.



Source: Researcher(2020)

Figure 1: Conceptual framework

The framework presupposes that organizational performance is the dependent variable, an is influenced by the following independent

variables: knowledge transfer strategy. In the proposed model, culture of the organization is the moderating variable of the link between

knowledge transfer strategy and performance of medium size family owned businesses.

### III. RESEARCH METHODOLOGY

The study used positivism research philosophy. Positivism basis is that research may be objective, the researcher is independent and results are valid, reliable and replicable (Shaun & Remenyi, 2004). According to positivists, there is stability in reality and therefore it is possible to view and describe them from objective viewpoint. Positivism research philosophy seeks facts of social phenomena regardless of the subjective nature of the individuals; it presumes social world exists objectively (Maylor, Blackmon & Huemann, 2016). The research design used was descriptive survey. Creswell and Clark (2007) explains that the descriptive method is about what, who and how of a situation about the study. Berg (2008) supported this by arguing that this study design is aimed at producing statistical data and gives the room for findings generalization and flexibility. The study target population comprised of 320 medium size family owned businesses operating in 44 counties in Kenya as at December 2020 as provided for by Kenya National Bureau of Statistics. The firms were categorized into three; manufacturing, service and trade. Mid-size family owned businesses will be chosen because of the imminent challenges due to their growth, their importance in contribution to GDP and finally data availability due to the survey conducted by KNBS annually. The study sample frame was finance directors, general managers, human resource managers and marketing managers. The study used simple and stratified random sampling methods to determine a sample of 175 firms from a total of 320 firms. From each firm a finance director, a general manager, a human resource

manager and a marketing manager acted as respondent totaling to 54% of the respondents. The sample of 175 firms was achieved by calculation of a population of 320 respondents at 95 percent level of confidence and 0.05 error. In addition, inferential statistics were carried out using correlation and regression analysis to establish the extent and nature of the relationship between the variables of the study (Jobson, 2012). The study used the adjusted coefficient of determination (R-squared (R<sup>2</sup>)) to show the extent to which the changes in which family owned medium size business performance is explained by changes in organizational culture in selected counties in Kenya. Additionally, F-statistic was also tested at a confidence level of 95% to test the existence of a significant relationship between organizational culture and performance of medium size family owned businesses in selected counties in Kenya. P-values were used to help make a decision on test of hypothesis at 0.05 significant level and at 95% confidence level (Sekaran, 2011). The sample of 175 firms was achieved by calculation of a population of 320 respondents at 95 percent level of confidence and 0.05 error by use of the below formula used by Kothari (2004).

$$n = \frac{z^2 \cdot N \cdot \sigma_p^2}{(N-1)e^2 + Z^2 \sigma_p^2}$$

Where,

n = Size of sample

N = Population size(320)

e = Error term

$\sigma_p$  = population standard deviation (0.5)

Z = standard variate at 95% level of confidence (1.96).

Table 1: Distribution of Sample

Operational Area	Number (N <sub>i</sub> )	Sampling factor	Sample size
Finance directors	175	0.8	140
General managers	175	0.8	140
HR Managers	175	0.8	140
Marketing manager	175	0.8	140
	<b>Σ N<sub>i</sub> = 700</b>		<b>560</b>

Source: Researcher (2020)

#### IV. RESPONSE RATE

A response rate of 75%, according to Nulty (2011), is acceptable for analysis, drawing conclusions, and inferring about a population. Furthermore, Fincham (2010) states that for analysis, a response rate of 60% or above is appropriate. Furthermore, according to Kothari (2012), a response rate of 50% should be considered normal, 60 percent to 70 percent ought to be considered sufficient, and beyond 70 percent ought to be considered outstanding. This infers that the 82.5 percent response rate was adequate for analysis, drawing conclusions, and reporting.

Questionnaires	Sample Size	Response rate
Dully filled Questionnaires	462	82.5
Unreturned	98	17.5
Total	560	100

#### V. RESEARCH FINDINGS AND DISCUSSION

##### 5.1 Validity and Reliability of the Research Instruments

Validity is about the integrity of conclusions generated from a study. It is the level at which a tool measures what it purports to measure. Saunders et al. (2012) indicates that validity is the degree whereby methods of data collection accurately measures what it aims to determine and the level to which study results are what they should be. Both Content and construct validity were determined. Content validity of the study tool was determined by seeking expert opinion in the study field who include the lecturers and supervisors in the business school as suggested by Kane (2013) while construct validity was determined by conducting Confirmatory Factor Analysis and based on a recommendation by Field

(2009), factor loadings greater than 0.4 were adopted for valid constructs. Reliability is inclination to consistency and so, numerous measures of a similar concept or similar measurement done repeatedly over time can provide similar results (Treiman, 2009). Reliability was tested using Cronbach Alpha. Field (2009) notes that a value of Cronbach alpha of at least 0.70 shows that the research tool is reliable.

Table 2: Reliability Statistics

Variable	No of Items	Cronbach's Alpha
Organizational Culture	8	.750
Performance	4	.764

The reliability test results shown in table 2 above shows that the scales for the variables are reliable as they are more than the Cronbach's Alpha value threshold of 0.7 recommended by Field (2013). Accordingly, none of the items in the questionnaire were deleted after the pilot study. The tool was adequate for use in the final study.

##### 5.2 Descriptive Statistics for Organizational Culture

This section presents descriptive analysis for independent variables, dependent variable, moderating variable and finally mediating variable. The study used ai5-pont Likert scale questionnaire to measure the variables.

Participants were required to indicate their level of agreement with on statements related to firm culture and performance of family owned businesses in Kenya using the scale. iNot at all, 2-Littlei extent, 3-Moderat eextent, 4-Largei extent, 5-iVery large extent, the findings obtained were as presented in Table 3.

Table 3: Descriptive Statistics for Organizational Culture

	N	Min.	Max.	Mean.	Std. Dev.
<b>Bureaucracy</b>					
In our organization every department has an established organizational chart	462	1.00	5.00	3.9329	.64354
Decision making in our organization is done through a organized process	462	1.00	5.00	4.0043	.62831

<b>Employees empowerment</b>					
In our firm employees take part in decision making to a small extent	462	1.00	5.00	3.9524	.67966
Our organization employees are given an opportunity to make decisions	462	1.00	5.00	4.0108	.64694
<b>Family involvement</b>					
<b>Family members are involved in ownership of p of the business</b>	462	1.00	5.00	3.8442	.75786
Business is managed by professionals with family members play no active role.	462	1.00	5.00	3.6580	1.39099
Family members take part in the management of the organization	462	2.00	5.00	3.5671	.93082
<b>Aggregate score</b>				3.868	1.045

Source: Survey Data (2021).

The findings specifically show that the participants to a moderate extent agreed on bureaucracy that decision making in their organization is done through an organized process (M=4.0043, Sd=.62831), and to a little extent that in their organization every department has an established organizational chart (M=3.9329, Sd=.64354). Respondents also moderately agreed on employees' empowerment that their organization employees are given an opportunity to make decisions (M=4.0108, SD=.64694), and that in their firm, employees take part in decision making to a little extent (M=3.9524, SD=.67966).

The outcomes also show that the participants to a little extent agreed on family involvement that family members are part of ownership of part of the business (M=3.8442, SD=.75786), to a little extent that business is managed by professionals with family members playing no active role (M=3.6580, SD=1.39099), and to a little extent that family members take part in the management of the firm (M=3.5671, SD=.93082). Overall, the respondents, to a moderate extent agreed on the statements on organizational culture as a knowledge transfer strategy as illustrated by an aggregate mean of 3.868. This infers that the issues on bureaucracy, employee empowerment and family involvement are to a moderate extent implemented by management of family owned medium size firms. The aggregate SD of 1.045

implies no much variation regarding respondent views.

### 5.3 Descriptive Statistics for Performance of Family Owned Medium Size Businesses

Performance of a business is a set of both financial and non-financial indicators capable of assessing the degree to which organizational goals and objectives have been accomplished. In this study, intergenerational transition, profits, sales growth and family members' satisfaction were used to measure performance. The participants were asked to rate how much they agreed with certain assertions that related to performance of family owned medium size businesses in Kenya. They used the scale iNot at all, 2 -Little extent 3-Moderate extent, 4- Large extent, 5- Very large extent. The findings presented in table 4 below;



Table 4: Descriptive Statistics for Performance

	N	Min.	Max.	Mean	Std. Dev.
Intergenerational transition					
Our company has seamlessly transitioned to our current generation	462	1.00	5.00	3.5476	1.36142
Profits					
The levels of profits in the organization have improved from period to period and from generation to generation	462	2.00	5.00	3.5974	.91873
Sales growth					
The levels of sales in the organization have improved from period to period and from generation to generation	462	1.00	5.00	3.7965	.75513
Family members satisfaction					
Family members are happy with the company progress.	462	1.00	4.00	3.8030	1.1091
Aggregate score				3.686	1.036

Source: Survey Data (2021).

The findings show that the respondents to a little extent agreed on intergenerational transition that their company has seamlessly transitioned to their current generation (M=3.5476, SD=1.36142). On profits, participants agreed to a little extent that the levels of profits in the organization have improved from period to period and generation to generation (M=3.5974, SD=.91873). The respondents to a moderate extent agreed on sales growth that the levels of sales in the organization have improved from period to period and generation to generation (M=3.7965, SD=.75513).

It was further established on family members' satisfaction that the respondents moderately agreed that the family members are happy with the company progress (M=3.8030, SD=1.1091).

On average, with the statements on performance of family owned medium size businesses, the respondents to a moderate extent agreed with the statements on profits, sales growth, intergenerational transition and family members' satisfaction with an overall mean of 3.686. The aggregate SD of 1.036 implies no much variation regarding respondent views.

#### 5.4. Correlation Analysis for Knowledge Transfer Strategy

Table 5: Correlation Analysis Results

		Performance	Organization al learning	Codification strategy	Personalization strategy	Mentorship strategy	HR competences
Performance of family owned business.	Pearson correlation	1					
	Sig. (2-tailed)						
	N	462					
Organizational learning strategy	Pearson correlation	.696**	1				
	Sig. (2-tailed)	.000					

Codification strategy	Pearson correlation	.635**	.275**	1			
	Sig. (2-tailed)	.000	.000				
	N	462	462	462			
Personalization strategy	Pearson correlation	.712**	.158**	.287**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	462	462	462	462		
Mentorship strategy	Pearson correlation	.707**	.196**	.235**	.166**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	462	462	462	462	462	
Human resource competences	Pearson correlation	.674**	.210**	.302**	-.447**	.245**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.002	
	N	462	462	462	462	462	462

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

Source: Research data (2021)

From the findings in table 5 above, organizational learning strategy has a strong positive correlation with firm performance ( $r=0.696$ ,  $p\text{-value}=0.000$ ). Since the  $p\text{-value}$  obtained ( $0.000$ ) was below the selected significance level ( $0.05$ ). The findings also show that codification strategy has a strong positive correlation with performance ( $r=0.635$ ,  $p\text{-value}=0.000$ ). Since the  $p\text{-value}$  obtained ( $0.000$ ) was below the selected significance level ( $0.05$ ), the relationship was considered to be significant. The findings agree with those of Singh and Zollo (2014) that accumulation of tacit knowledge and performance were significantly related in highly homogenous experiences and codification of knowledge enhances performance when there is high post-acquisition integration in situations where the company challenge is complex.

Personalization strategy was established to have a very strong positive correlation with firm performance ( $r=0.712$ ,  $p\text{-value}=0.000$ ). Because the  $p\text{-value}$  obtained ( $0.000$ ) was less than the selected significance level ( $0.05$ ), the relationship was considered to be significant. The findings concur with the findings of Njenga (2019) that personalization and performance had a significant and positive link. In the data, there was no

violation of the homoscedasticity criterion. Also, mentorship strategy had a strong positive correlation with performance in the organization ( $r=0.707$ ,  $p\text{-value}=0.000$ ). As the  $p\text{-value}$  obtained ( $0.000$ ) was below the selected level of significance ( $0.05$ ), the relationship was considered to be significant. The outcomes are in line with those of Neupane (2015) that mentoring has significant positive impact on staff and overall company performance.

Moreover, the study discovered that there is high positive correlation amid human resource competences and organizational performance ( $r=0.674$ ,  $p\text{-value}=0.000$ ). Since the  $p\text{-value}$  gotten ( $0.000$ ) was below the selected level of revealed that there was a moderate positive correlation amid organizational outcomes and organizational culture with a coefficient of  $0.589$  and  $p\text{-value}$   $0.000$  which is below the critical  $P\text{-value}$  of  $0.05$

### 5.5 Hypotheses Testing

To test the hypothesis, the study conducted multiple regression analysis. The outcomes were illustrated in Table 5 below

Table 6: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891 <sup>a</sup>	0.794	.782	0.4468

Predictors: (constant), Organizational Learning Strategy, Codification Strategy, Personalization Strategy, Mentorship Strategy

Source: Survey data (2021)

The results noted that the coefficient of correlation was 0.891 indicating the presence of a very strong link between the predictor variables (Organizational Learning Strategy, Codification Strategy, Personalization Strategy and Mentorship Strategy) and organizational performance. In addition, Adjusted R<sup>2</sup> was 0.782 implying that there was 78.2% of variations in performance of medium size family owned businesses in selected counties in Kenya is explained by organizational

learning strategy, codification strategy, personalization strategy and mentorship strategy. The remaining 21.8% imply that there are other factors that affected performance of medium size family owned businesses which were not included in the model. The ANOVA was used to find out whether the data used in the study is significant. The results are as illustrated in Table 4.15 below

Table 7: Analysis of variance

Model	Sum of squares	df	Mean Square	Sig.	F	
1	Regression	49.648	4	12.412	39.675	.001 <sup>b</sup>
	Residual	174.341	557	0.313		
	Total	223.989	461			

Dependent variable: Family Businesses performance Predictors: (constant), organizational learning strategy, codification strategy, personalization strategy, mentorship strategy.  
Source: Survey Data (2021).

From the ANOVA table 7 above, the parameters had a significance level of 0.001. This reveals that the data is ideal and can be used to make conclusions on the parameters of the population as the significance value (p-value) is below 0.05.

The F calculated was more than F critical (39.675 > 2.388). This demonstrates that the model was fit in predicting performance of medium size family owned businesses in selected counties in Kenya.

Table 8: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.987	0.098		10.071	.000
Organizational learning strategy	.343	.123	.374	2.789	.004
Codification strategy	.631	.190	.584	3.317	.001
Personalization strategy	.699	.117	.379	3.410	.000
Mentorship strategy	.450	.136	.365	3.294	.002

Dependent Variable: Family Business Performance

Source: Survey data (2021)

Table 8 above indicates that the Beta coefficients for the constant was 0.987 indicating that when we hold every of the elements impacting performance of medium size family owned businesses in selected counties in Kenya constant,

the performance of medium size family owned businesses would be 0.987. The results also show that if we increase organizational learning strategy by one unit, performance of medium size family owned businesses in selected counties in

Kenya should rise by 0.343 all other factors held constant. In addition, a unit change in codification strategy could cause 0.631 rise in performance of medium size family owned businesses in selected counties in Kenya every of the factors held constant. Moreover, a unit change in personalization strategy would result to 0.699 increases in outcomes of medium size family owned businesses in selected counties in Kenya holding every of the elements constant. Similarly, a unit change in mentorship strategy would cause a 0.450 rise in outcomes of medium size family owned businesses ceteris paribus. Thus, the model was as below:

$$\text{Family Business Performance} = 0.987 + 0.343 \text{ Org Learning Strategy} + 0.631 \text{ Codification Strategy} + 0.699 \text{ Personalization Strategy} + 0.450 \text{ Mentorship Strategy}$$

From the model above, personalization strategy had the highest effect on medium size family owned business performance followed by codification strategy then mentorship strategy and organizational learning strategy had the lowest effect on the performance of medium size family owned businesses in selected counties in Kenya. The study variables were significant at

significance level of 0.05 as shown by their respective P-values. These results are in consistent with those of Kumar and Ganesh (2004) who concluded that knowledge transfer strategy allows family firms to harness knowledge hence sustainable performance. Further, Akhtar, Arif, Rubi and Naveed concluded that adoption of effective organizational learning strategy positively and significantly affected the firm performance. On the other hand, Njenga (2019) reached a conclusion that personalization and performance had a significant and positive link. Firms that implemented a personalized strategy to manage knowledge were also more likely to achieve high performance than those that did not. Neupane (2015) concluded that mentoring has significant positive impact on the overall company performance.

### 5.6 Correlation Analysis for Organizational Culture

Analysis of correlation was conducted to determine the strength of the link between organizational culture and performance of family owned medium size businesses in selected counties in Kenya. The outcomes were as illustrated in table 8.

Table 9: Correlation for Organizational Culture

		Performance	Organizational Culture
Performance of family owned business.		Pearson Correlation	
	Sig. (2-tailed)		
	N	462	
Organizational Culture		Pearson Correlation	1
	Sig. (2-tailed)	.589**	
	N	462	462

Since the p-value gotten (0.000) was below the selected level of significance, the study revealed that there was a moderate positive correlation between organizational performance and organizational culture with a coefficient of 0.589 and p-value 0.000 which is below the critical P-value of 0.05

### 5.7 Regression Analysis for Moderated Relationship

The study's objective was to find out the moderating effect of organization culture on the association between knowledge transfer strategy and performance of medium-sized family-owned firms selected counties in Kenya. In this study Baron and Kenny (1986) two steps approach was adopted. The results are shown in tables 5, 6 and 7.



**Table 10:** Model Summary for Knowledge Transfer, Organizational Culture, and Performance

Model	R	R Square	R Square	Std. Error of the Estimate
1	.653 <sup>a</sup>	.426	.423	.66289
2	.654 <sup>b</sup>	.427	.422	.66313

a. Predictors: (Constant), KT, Organizational Culture, Performance

b. Predictors: (Constant), KT, Organizational Culture, Performance Org\*KT

Source: Survey Data (2021).

The first model 10 included knowledge Transfer strategy (KT), Organizational Culture and performance. The R squared between these variables and performance of medium size family owned businesses in Kenya was 0.426, which implied that 42.6% of the performance of medium size family owned businesses in Kenya can be explained by knowledge transfer strategy and organizational culture . However, in the second

model, which constituted the interaction of knowledge transfer strategy and Organizational Culture, Org\*KT, the r-squared was 0.427. This infers that the introduction of organizational culture in the second model led to a rise in r-squared, showing that organizational culture moderates the link between knowledge transfer strategy and performance of medium size family owned businesses in Kenya.

**Table 11:** ANOVA for Knowledge Transfer, Organizational Culture and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	149.526	2	49.842	113.425	.000 <sup>b</sup>
	Residual	201.258	459	.439		
	Total	350.784	461			
2	Regression	149.823	3	37.456	85.178	.000 <sup>c</sup>
	Residual	200.960	458	.440		
	Total	350.784	461			

a. Dependent Variable: Performance

b. Predictors: (Constant), KT, Organizational Culture

c. Predictors: (Constant), KT, Organizational Culture, Org\*KT

Source: Survey Data (2021).

The F-calculated for the first model, as indicated in Table 11, was 113.425, while the F-calculated for the second model was 85.178. Because the F-calculated for the two models was higher than the F-critical, 2.624 (first model) and 2.391 (second model), the two models were strong fits

for the data and could thus be used to forecast the moderating impact of organizational culture on the link between knowledge transfer strategy and performance of medium size FOB in selected counties in Kenya.

**Table 12:** Regression Coefficients for Knowledge Transfer, Organizational Culture and Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.183	0.378		3.130	.629
	Organizational Culture	0.344	0.057	0.216	6.035	.001
	KT	0.504	0.074	0.650	6.811	.000

2	(Constant)	1.959	0.632		3.100	.001
	Organizational Culture	0.437	0.171	0.549	2.556	.004
	KT	0.673	0.196	0.326	3.434	.003
	OC*KT	0.354	0.087	0.451	4.069	.001
a. Dependent Variable: Performance						

Source: Survey Data (2021).

Model 1 resulting from the first stage in regression modeling would be as follows, as shown in Table 12, by replacing the beta values as well as the constant term:

$$Y = 1.183 + 0.344 OC + 0.763 KT$$

Where: OC is organizational culture, and KT is knowledge transfer strategy.

The findings show that organizational culture has a statistically significant effect on performance of medium size family owned businesses in Kenya as shown by a regression coefficient of 0.344 (p-value=0.001). The findings further show that knowledge transfer strategy has a positive and statistically significant effect on performance of medium size family owned businesses in Kenya as shown by a regression coefficient of 0.504 (p-value=0.000).

By replacing the beta values as well as the constant term in the second regression model,

model2 resulting from the second stage in regression modeling as below:

$$\text{Family owned Businesses Performance} = 1.959 + 0.437OC + 0.673KT + 0.354OC*KT$$

The model indicated that organizational culture had a positive and statistically significant effect on the performance as shown by a regression coefficient of 0.437 (p-value=0.004). Further, knowledge transfer strategy had statistically significant effect on performance of medium size family owned businesses in Kenya as shown by a regression coefficient of 0.673 (p-value=0.003). The results further show that the interaction between organizational culture and knowledge transfer strategy has statistically significant effect on the performance of medium size family owned businesses in Kenya as shown by a regression coefficient of 0.354 (p-value=0.001).

Table 13: Summary of the Hypotheses Testing

Hypotheses	Results	Decision
H <sub>01</sub> : Organizational culture does not have significant moderating effect on the relationship between knowledge transfer strategy and performance of medium size family owned businesses in Kenya	Multivariate linear regression analysis	Reject null hypothesis H <sub>01</sub>

## VI. CONCLUSIONS

The study sought to find out the moderating effect of organizational culture on the association between knowledge transfer strategy and performance of medium size family owned businesses. From the results of the study, it was concluded that organizational culture moderates the link between knowledge transfer strategy and

performance of medium size family owned businesses.

## RECOMMENDATIONS

The study concluded that organizational culture had a significant moderation effect on the relationship between knowledge transfer strategy and performance of medium size family owned

businesses. The study therefore recommends that family owned medium size family owned firms should empower both family and non-family staff members to make decisions for the best interest of the organization. Such firms should also involve professionals who could even be non-family members in management of the businesses.

Medium size family owned businesses should also have a working organizational structure where every position whether held by a family or non-family member is respected.

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