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Influence of Family Business Entrepreneurial orientation on Performance of Small and Medium Sized food and Beverage Manufacturing Family Enterprises in Nairobi County, Kenya

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ABSTRACT: *The purpose of this study was to explore the influence entrepreneurial orientation on performance of small and medium sized food and beverage manufacturing family enterprises in Nairobi County. The study used descriptive survey design. The target population was 146 businesses registered by Kenya Association of Manufacturers operating businesses in food and beverages. Sample size included 84 businesses which were confirmed as family owned. Respondents were sampled using non-probability convenient sampling procedure. Data was collected using a questionnaire which had both open ended and closed ended items. The study generated both qualitative and quantitative data. The collected data analyzed using inferential and descriptive statistics. Testing of hypothesis was at 95% level of significance. The findings revealed that owner/ managers were supportive and encouraged new ways of doing business and that in the past three years businesses had pioneered the development of breakthrough innovations in industry with respondents' having introduced many new products / services over the past three years implying that the businesses have not only been innovative but also risk taking. Findings also revealed that respondents generally took new initiatives and strategies rather than responding to competitors. On basis of these findings the following recommendations were made: family business should embrace entrepreneurial culture, CEOs and founders to create necessary environment that would encourage and reward those working in the family business to be more innovative, creative and risk takers if they are to continue existing beyond the life span of the founder.*
Keyterm: *Entrepreneurial orientation, Family businesses performance, Innovativeness, Individual autonomy, Competitive aggressiveness, Risk taking*

I. INTRODUCTION

Family businesses are the dominant form of business ownership and play a critical role in the economies of most counties globally and in Kenya. They are an important segment of the global economy contributing more than 75 percent of the Gross Domestic Product (GDP) in most countries and employing more than 85 percent of the working population around the world (Poza, 2007). They are said to be the originating form of any business activity dominating the economic landscape of majority economies in the world (Klein, 2000; Heck et al., 2006). In the world businesses competitive report, family enterprises in the United States contribute half of the job opportunities (Lee and Li, 2009). In Germany, they contribute 66 percent of GDP and accounts for 75 percent of total national employment. In Great Britain, the number of employees in family enterprises is 50 percent of the country's workforce. In Southeast Asian nations, family enterprises contribute significantly to the GDP with Korea for example reaching 48.2 percent, Taiwan 61 percent and Malaysia 67.2 percent.

Small and medium enterprises (SMEs) have many definitions and vary from country to country. However, most of the definitions are based on ownership, formality, number of employees, sales turnover and capital investment. For the purpose of this study, SMEs were considered to be those enterprises employing between 1 to 50employees and a sales turnover of between Kenya Shilling 8 to 100 million. This definition is in line with the one contained in Kenyan Session paper No.2 of 2005, Kenya Association of Manufacturers (KAM) and the one of World Bank. In many countries, SMEs are widely equated to family owned businesses and for the purpose of this study, family businesses are those with family as the majority in ownership and exercises control and influence in the strategic direction of the business. This definition is in line with that of Dyer (2006) and Katz et al., (2007). Internationally, majority of family businesses are small or medium sized (Bjuggern and Sund, 2002; Serrano, 2000).They dominate the economies of developing countries from 80-90 percent of total businesses. In Kenya, Small and medium sized enterprises (SMEs) are family owned which in 2009 employed 8.3 million people which is 75 percent of total employment in Kenya and contributed 18.4 percent of GDP (Kenya National Bureau of Statistics (KNBS) (2010). As drivers of economic development and the foundation of many businesses in Kenya, the family owned SMEs provides goods and services, provide employment and sustain the family in various ways among other contributions. As such family businesses are an important source of economic growth and development in many countries (Astrachan and Shanker, 2003). They are seen as the

engines of development, alleviating poverty and improving quality of life of many people (Ayyagari et al; 2011). The SMEs are therefore important to the economies of many countries yet little attention has been given specifically to the family owned businesses in Kenya.

In a survey carried by Institute of Development Studies (IDS) University of Nairobi, Kinyanjui (2006) revealed that 57 percent of the small businesses were found to be either in stagnation or failing with only 33 percent showing some level of growth. The factors that contribute to the high failure rate of family businesses originate from the complexity of business organizations. The complexity occurs as a result of the family dimension being added to the common governance roles found in any business, namely that of the owner, management and employees. This is even more common where there is no separation between the business and the family. Research on family firms has long recognized the unique characteristics of family business (Soufani et al., 2009). Several studies also suggest that the overlap between both the family and the business systems and the simultaneous interaction between them, accounts for the unique behavior of these firms (Sharma, 2004; Aldrich and Cliff, 2003).

Although family firms have attracted substantial attentionthe case of small family firms has been minimally studied (Gomez-Mejia et al., 2001). Many studies focus on bigger firms and those that focus on small firms rarely consider the family effect or family business characteristics and its influence on the firm performance. Brice (2005) observes that limited research has been carried out to understand the intricacies of family businesses while Astrachan (2010) highlighted that the field of family firms need greater attention and more outlets for theory and research. Herrero (2011) contends that the conflictingresults of family firm performance are because family firms are studied in very different contexts hence the argument against family firms performing poorly is flawed when the firms are relatively small. Herrero maintains that small firms are very peculiar and attributes this to lower agency costs particularly when the manager of the firm is related to the family.Though a lot of research has been done on family businesses, much of the literature has concentrated on succession planning, others compare and contrast the performance implication between family and non-family firms. The other stream of literature according to Jackiewicz and Klein (2005) investigate how the specific characteristics of family business affect the performance. The results are highly inconsistent and the questions still remain which of the family business characteristics has influence on firm performance. Furthermore, according to Astrachan and Zellweger (2008) available research on family business is ambiguous as to whether family influence is beneficial or detrimental to firm performance. These studies are, however not done in the Kenyan context. Studies investigating SMEs performance have not addressed the issues of family business characteristics and family involvement in the performance of the SMEs. The few that have addressed family owned businesses have concentrated on succession planning while ignoring other family business characteristics. This research therefore aims to narrow the gap in knowledge by studying specific family business characteristics and firm performance among the family SMEs in the Kenyan context.

The SMEs were selected for this study because they comprise the largest proportion of the family businesses in Kenya while the food and beverage sub-sector of the manufacturing industries is the biggest sub-sector according to Kenya Association of Manufacturers (KAM) (2012). Nairobi County has the highest concentration of the food and beverage manufacturing enterprises in Kenya with over 80 percent. An understanding of factors that may lead to their success or solutions to their problems will greatly help this country.

1.2 Statement of the Problem

Family businesses which constitute the highest proportion of SMEs in Kenya are the dominant and the originating form of business ownership in the country. They are an important pillar of the Kenyan economy contributing significantly to the social and economic development. Although the dominant position and contribution is evident, the survival rate beyond the founder is extremely very low while the performance as indicated by longevity and growth has been less than satisfactory. This is a major concern as it leads to job losses and negative impact to the Kenyan economy. Due to family involvement in the businesses, family business have unique characteristics which exist in a number of dimensions such as ownership structures, governance, decision making, succession planning, roles and responsibilities among others which influence the strategic processes and ultimately performance. There has been conflicting results from previous studies on family businesses with some confirming that family businesses outperform their non-family counterparts while others have found conflicting results concluding that family firm is inherently inefficient, flawed and poor performers. Many studies carried out on SMEs have not explored family dimension as a factor contributing to performance and furthermore it is not clear which of the family business characteristics and practices hinders or contributes to good performance and growth among the Kenyan family owned SMEs. The family business have also been subject of comparatively little research and attention in Kenya. It is therefore in view of this that the researcher sought to examine family entrepreneurial characteristics and performance among the small and medium sized food and beverage manufacturing family enterprises in Nairobi County, Kenya.

1.3 Research objectives

The study aimed to achieve the following objectives

1. To determine extent to which innovativeness influences family business performance.
2. To establish extent to which risk taking influences family business performance.
3. To determine influence of individual autonomy on family business performance.
4. To examine influence of Competitive aggressiveness on family business performance.

1.4 Hypothesis

The researcher also tested the hypothesis at 95% level of significance.

$\mathbf{H1_a}$: Family entrepreneurial orientation does influence performance of family owned businesses in Kenya.

2.1 Concept of Entrepreneurship

Entrepreneurship like family business has been defined differently by many Scholars. Bula (2012) observes that the classical and neo-classical theories have laboured in trying to define entrepreneurship, but there is no single definition of entrepreneurship. Entrepreneurs are persons with certain behavioural characteristics while entrepreneurship is what the entrepreneurs do in the process of coming up with a business venture. Holt (2003) considers entrepreneurs as inspired people, often adventurers who can disrupt a society and instigate progress. The term is derived from a 17th century French word 'undertaker' meaning those persons who undertook the risk of new enterprises. The earliest concept of entrepreneurs was therefore associated with risk taking. Richard Cantillon a French economist described entrepreneurship concept from the economic point of view and considered an entrepreneur as a person who pays a certain price for a product to resell at uncertain price, making decision regarding resource allocation and assuming the risk of the enterprise. Schumpeter (1934) introduced the concept of innovation and described entrepreneurs as innovators who use the process to shatter the status quo through new combinations of resources and new methods of commerce. This is what has come to be popularly known as 'force of creative destruction'. The development of the theory of entrepreneurship parallels to a great extent the development of the term itself entrepreneur (Hisrich et al., 2005).

2.2 Entrepreneurial Orientation (EO) and performance of Family Businesses

Research on entrepreneurial orientation (EO) provides a unique conceptual lens to examine differences in the identities espoused by family firms as compared to non-familyfirm (Short et al., 2009). EO refers to the process, practices, and decision making styles of firms that act entrepreneurially (Lumpkin and Dess, 1996). In general, EO refers to top management strategy in relation to innovativeness, pro-activeness and risk taking (Poon et al., 2006). EO is a mindset of individuals who are entrepreneurs. Jones (2005) defines entrepreneurs as people who notice opportunities, take risk, and responsibility for mobilizing resources necessary to produce new and improved goods and services.

According to Stevenson and Jarillo (1990), EO has been recognized as one of the most important factors for a firm's growth and profitability. Research has shown that high growth correlates with a firm's entrepreneurial orientation. Growth can therefore be associated with innovations, pro-activeness and risk taking behavior of the individuals working in the family business and the owners have a lot of influence. Indeed, scholars argue that entrepreneurial efforts are central to firm's survival and prosperity (Ireland et al., 2003). Entrepreneurial behaivours may be particularly crucial to a family firm as it strives to identify and take advantage of opportunities in the dynamic and uncertain competitive environment of the twenty first century (Sirmon and Hitt, 2003). Family firms that engage in the innovative, proactive and risk taking behaviors that characterize corporate entrepreneurship are major contributors to the world economy (Zahra et al., 2004).Lumpkin & Dess (1996) call for research that investigate how characteristics internal to the firm moderate and mediate the EO performance relationships. A state of fragmentation exists in entrepreneurship research. Some theorists believe that the unique values and attitudes of individuals drive entrepreneurial behavior.

Family firms contain unique characteristics derived from patterns of ownership, governance and succession that are argued, to influence the strategic processes and ultimately the performance of such firms (Anderson and Reeb, (2003); Carney, (2005). However, there has been disagreement regarding the extent to which these unique characteristics affect the strategic process and practices of family (Chrisma et al., (2005). Whereas the basic strategic management steps that are formulation, implementation and evaluation are likely to be similar in family and non –family firms, family dynamics may influence the decisions and processes in all the steps (Sharma et al., 1997). Scholars have argued that the unique characteristics relevant to family firms' identities foster entrepreneurship (Aldrich & Cliff, 2003), whereas others have argued that these family firm characteristics may work to inhibit entrepreneurial activities overtime(Zahra, 2007). Overall, the ambiguity regarding the impact of family ownership and control is required to be resolved if we are to fully understand the nature of family firms' distinctions (Chrisman et al., 2007) and how these distinctions influence firm's strategic behaviour and performance. Moreover, Aldrich & Reeb (2003) asserts that more needs to be done to understand the role that the family dynamics play in influencing entrepreneurial processes in family firms.

2.3 Innovation and performance of Family Business

Innovation is key to entrepreneurship and has proven to be one of the most effective driving forces for the continued growth of most companies. Innovation is what Joseph Schumpeter considered as a "force of creative destruction" where old ways of doing things are replaced by new and better ways. (Zahra, 2007) observed that the purest type of entrepreneur genus is the one who confines himself/herself mostly strictly to the characteristic entrepreneurial functions of carrying out of new combinations. The innovation according toZahra, can take the form of new products, / services, finding new markets, new marketing methods, and new forms of organizations among others. It is by embracing the concept of innovation that has seen many companies register high growth. According to Lumpkin & Dess (1996), innovativeness reflects a tendency for an enterprise to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services or technological processes. Innovation is an important means of pursuing opportunities and so an important component of an entrepreneurial orientation (Lumpkin & Dess, 1996).

Innovation goes beyond the generation of good ideas; it is a management process and must involve transforming those good ideas into results. For the family firm to be innovative, create value and bring new ideas to the market there must be internal changes and certain environment and founder characteristics that support innovation. Matama (2006) notes that innovation is the actualization of ideas produced under creativity as it does jobs of converting materials into resources and combining existing resources into more productive configuration. It is one of the most important growth oriented strategies and includes other in born traits of intelligence, hard work and courage. Research examining the relationship between innovation and ownership structure appears to be nonexistent especially on the family business entities. Innovation research has tended to focus on large publicly held organizations although statistics suggest that, majority of innovations come from the small business section (Kuratko and Hodgetts, 2001).

2.4 Risk taking in Family Business

According to Lumpkin & Dess (1996), risk taking propensity is a behavioural dimension of an entrepreneurial orientation along which opportunity is pursued. Despite studies linking entrepreneurship and risk taking, this relationship has continued to puzzle researchers. According to Lucia et al. (2007), research at the individual level has found little empirical evidence to support the idea that entrepreneurs take considerable risks. Fama and Jensen, (1983), notes that the problem with current literature on entrepreneurship and risk taking is that not enough attention has been paid to the role of the organizational context in which risk taking takes place.

Firms differ in terms of their organizational context in which this risk taking takes place. Risk taking may be higher in some organizational contexts than in others as argued by agency theorists. Corporate entrepreneurship literatures also indicate that organizational context plays a role in risk taking Lucia et al. (2007). However, much more can be learned about how different organization contexts moderate the strength of EO dimensions such as risk taking (Lumpkin and Dess, 1996). Agency theory argues that the extent of involvement in risk activities is likely to be influenced by the ownership and governance of the firm (Fama, 1980; Fama and Jensen, 1983). Scholars of EO and agency theory share an interest in how risk taking affects performance (Wiklund and Shepherd, 2003).Lucia et al. (2007) argue that the relationship between risk taking and performance is better understood by taking into account the organizational context and especially the relationship between the nature of ownership, governance and management. Family business are the organizational contexts and are likely to handle risk differently than other types of firms partly because management and ownership are not separated(Fama & Jensen, 1983) and partly because of the family nature of ownership and management Carney (2005).

According to Steir (2003), family firms share certain characteristics that render them unique in terms of ownership, governance and succession. Owner – families for instance, share the desire for ownership control and the continuity of family involvement in the firm. It is this involvement in the firm by family members that constitute the special characteristics of family firms and its considerable influence on entrepreneurial activities and performance. However, Scholars disagree regarding extent to family firms constitute an organizational context that supports or constrains an entrepreneurial orientation (Habberson and Pistrui, 2002; Zahra, 2005).According to Arnoff and Ward (1997), family firms are often characterized as conservative, resistant to change and introverted, contradicting what would be viewed as entrepreneurial .Sharma et al. (1997) asserts that the risk of losing family wealth created over a long period of time may inhibit family firms from engaging in entrepreneurial activities. Some empirical research contradicts this view and confirms that entrepreneurial activity is a common characteristic of many family firms (Steir, 2003). Indeed, in today's highly competitive and changing environment, firms that desire to grow must be prepared to take risks (Ward, 1997).

2.5Individualautonomyand family business performance

Lumpkin and Dess (1996) refer to the autonomy as an independent action in terms of bringing forth an idea or a vision and carrying it through to completion. It is believed that this independent spirit is necessary for entrepreneurship which is a key component of entrepreneurial orientation.Entrepreneurs have been found to

have a high need for autonomy (Sexton &Bowman, 1985) and fear of external control (Smith, 2000). This desire to manage one's own business is a central feature of entrepreneurship, but it is difficult to explain the causal order.

2.6 Competitive Aggressivenessand family business performance

Lumpkin & Dess (1996) considers competitive aggressiveness as a tendency by a firm to directly and intensely challenge its competitors to achieve entry or improve position. This tendency is characterized by responsiveness in terms of confrontation or reactive action which is contrary to pro-activeness which relates to market opportunities.

2.8 Theoretical Perspectives

A theoretical perspective helps to provide analytical structures within which the researcher locates particular forms of argument in order to provide clarity and avoid misconceptions. Relevant theories for this study are as presented in the subsequent sub sections.

2.8.1 Psychological Theories

The psychological theories put emphasize on personal characteristics of entrepreneurs. The theories consider that certain personal attributes are associated with entrepreneurs. These attribute include risk-taking, innovativeness, opportunity recognition, tolerance for ambiguity among others. Locus of control has been recognised as an important aspect of personality. Rotter (1966) refers to locus of control as an individual's perception regarding an outcome of an action. Those that consider an outcome being the result of one effort are regarded as internal locus of control and are more likely to become entrepreneurs while those who consider an outcome as a result of external factors are external locus and are not likely to pursue entrepreneurship line. Another personality characteristics is the need for achievement developed by McClelland (1961) which explained that human being have need for success, to accomplish, excel and achieve. This is what drives individuals to do certain activities making them entrepreneurs. Expectations, goals and objectives can also be driving force among individuals in the business.

2.8.2 Resource Based Theory

Alvarez and Busenitz (2001) argues that access to resources by founders of business is an important predictor of opportunity based entrepreneurship and new venture growth. Access to resources according to Davidson and Honing (2003) enhances the individual's ability to detect and act upon discovered opportunities. These resources include financial, social and human resources. However, some studies contest this theory as it is demonstrated that most founders of business start with little capital and that financial capital is not significantly related to the probability of being nascent entrepreneurs (Kim, Aldrich and Keister, 2003).

The implication of entrepreneurship theories helps deepen our understanding of entrepreneurs and their role in the family business and that though used interchangeably entrepreneurs and small business owners mean different. Entrepreneurs incubate new ideas and start new enterprises based on those ideas. They are risk takers, innovative and provide added value to society while business person are imitators, less aggressive and simply substitute income by leaving jobs to operate business (Holt, 2003). From the theories it can be concluded that a Nation's culture has an important role in business and entrepreneurship while families are vital and supportive environments for entrepreneurship behaviour actions.

2.8.3 Resource Based View (RBV)

The Resource based view focuses on analysis of the nature, characteristics and potential of a firm's resource base. It has been suggested that the family business uniqueness is largely as a result of the idiosyncratic resources and capabilities that are generated when the family system and the business system interact and co-exist in Unison (Basco and Perez Rodriguez, 2009; Nordqvist and Melin, 2010). While the theories provide useful insights into family business characteristics, the systems and RBV is the framework that is commonly used. RBV, as a theoretical framework has been instrumental in developing a theory for family business (Chrisma et al., 2007).

Organizational knowledge is an example of an intangible knowledge-based resource that is a source of sustainable competitive advantage (Hitt et al. 1991). Knowledge based resources may be particularly important for providing sustainable competitive advantage (Wiklund and Shephard, 2003). Knowledge-based resources can be derived from work experience, networks, education and personal background. Barney (1991) offers another definition when he observed that resources are all assets, capabilities, organizational processes, firm attributes, information, knowledge and others controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness. Barney suggested that resources can be classified into three main categories; physical, human and organizational resources. He further noted that the test

for whether a resource has a competitive advantage can be determined by four resource attributes; valuable, rare, imperfect imitable and non-substitutable (VRIN). The four attributes produced the VRIN framework for resource /capability analysis. Sirmon and Hitt (2003) categorized unique resources and attributes for family businesses into five classes that provide a competitive advantage. They are: Human capital, Social capital, Patient financial capital, and Governance structures and costs Survivability capital.
According to Rogan and Verbeke (2002) RBV has the following four characteristics,

a) The firm's ultimate objective in a resource based approach is to achieve sustained, above normal returns, as compared to rivals.
b) A set of resources, not equally available to all firms, and their combination into competencies and capabilities, are a precondition for sustained superior returns.
c) Competencies and capabilities lead to sustained returns, to the extent that they are firm specific (that is imperfectly mobile), valuable to customers, non-substitutable and difficult to imitate.
d) From a dynamic perspective, innovations, especially in terms of new resource combinations, can substantially contribute to sustainable superior returns.

Schoemaker et.al (1993) brings more meaning of resources and stress that the encompassing construct previously called resources can be split into resources and capabilities. Resources here, is seen as stocks of available factors that are owned and controlled by the firm while capabilities are the firm's capacity to deploy these resources. Chandler and Hanks (1994), defines capability as the capacity for a coordinated set of resources to perform some task or activity. The distinction between resources and capabilities which stems from the work of Penrose (1959) is important because while resource heterogeneity is a necessary condition of RBV, it is not a sufficient condition for sustainable advantage (Alvarez and Busenitz, 2001). Perhaps, this explains differences among family firms performance. The resources require capabilities to identify and maximize their value potential (Sirmon and Hitt, 2003).The study of the firm's capabilities or what is termed as competence has developed into what the literature refer to as the dynamic capabilities approach (Eisenhardt and Martin 2000; Teece et al., 1997). This approach identifies the dimensions of firm's specific capabilities that can be source of advantage and explain how combinations of competencies and resources can be developed, deployed and protected. Day (1994) defines capabilities as the complex bundle of skills and accumulated knowledge exercised through organizational processes that enable firms to coordinate activities and make use of their assets. It is therefore, the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environment that makes differences among firms. In other words it is not what the firm has but how the firm uses what it has. Barney (1991), explains that a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy.

Studies by winter et.al (2004) have particularly highlighted the complexity of a firm's resources base as an effective barrier to imitation. Many scholars argue that knowledge-based assets such as firm specific capabilities are particularly likely to meet these criteria, because these have emerged through complex and path –dependent historical processes and embody a great deal of knowledge that is costly to articulate (Barney, 1991; Winter, 2000). Lippman and Rumelt (2003) observe that the resource – based view predicts that firms will focus their energies on the development of complex home-grown resources taking time and care to develop knowledge, know-how, social capital, and other socially complex, difficult – to – transfer resources. According to Habbershon and Williams (1999), a broad overview of RBV suggests that unique bundles of resources and capabilities serve as a source of competitive advantage for the firm. The objective then of RBV is in understanding how firms can attain and sustain their competitive advantage through resource heterogeneity (Barney, 1991). The RBV also helps us understand the heterogeneous character of the family business. The theory holds that firms with valuable, rare and inimitable resources have the potential of achieving superior performance (Barney et al., 2002). This view has been addressed by several scholars who argue that RBV is useful in examining strategic alliances between firms (Das and Teng, 2000).

2.9: Conceptual Framework

Conceptual framework refers to how a researcher conceptualizes relationship between variables in a study and shows them graphically or diagrammatically (Mugenda and Mugenda, 2003).

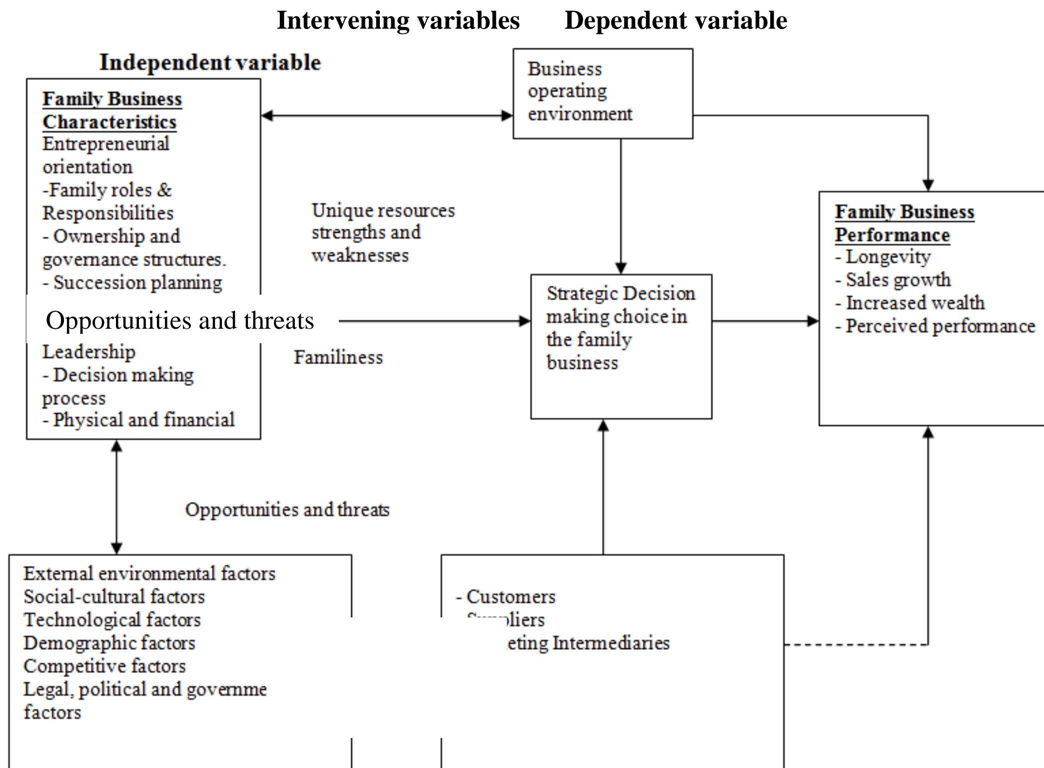

Figure 1: Conceptual Framework

II. RESEARCH DESIGN AND METHODOLOGY

The study used descriptive survey design to sought explanation for current phenomenon through the use of systematic and controlled methods in data collection. The target population was 146 businesses registered by Kenya Association of Manufacturers operating businesses in food and beverages. Sample size included 84 businesses which were confirmed as family owned. Respondents were sampled using non-probability convenient sampling procedure. Data was collected using a questionnaire which had both open ended and closed ended items. The study generated both qualitative and quantitative data. The use of quantitative methods was generally meant to ensure objectivity, generalizability and reliability and on the other hand, the qualitative method was designed to provide the researcher with the perspective of target audience under study. The collected data was analyzed using inferential and descriptive statistics and testing of hypotheses was at 95% level of significance.

III. FINDINGS OF THE STUDY

The findings are based on the various objectives.

4.4.1 Entrepreneurial Orientation (EO)

This study under this objective sought to establish the extent of entrepreneurial orientation among the family business and its influence on business performance. The statements included here are meant to determine the measures of (EO) which are the risk taking, innovativeness, pro-activeness and autonomy of the family business. Respondents were required to respond to the statements showing the extent of agreement. Entrepreneur orientation according to Jones and George (2005) is a mindset of individuals who notice opportunities and take risk, and responsibility for mobilizing the resources necessary to produce new and improved goods and services.

Table 4.1: Extent to which respondents agreed with various statements about Entrepreneurial Orientation

	Mean	**Stdev**
Owner/ managers is supportive and encourages new ways of doing business.	3.6	0.34
Owner/ manager is supportive and encourages new business opportunities	3.9	0.36
Over the past three years, our company has pioneered the development of breakthrough innovations in its industry.	3.7	0.28
Our business has introduced many new products / services over the past 3 years.	3.4	0.35
Changes in product / service have not been quite dramatic in the last 3 years.	4.0	0.30
We emphasize taking bold wide ranging actions in positioning the business and its products / services in new markets over the last 3 years.	3.5	0.10
We favour strong emphasis on R&D, new technologies and innovations.	3.7	0.20

There is a strong tendency for high-risk projects with chances of high returns.	4.7	0.10
Depending on the environment, we take bold and wide ranging acts to achieve the firm's objectives	4.1	0.10
The business is highly involved in the risk and uncertain initiatives.	4.1	0.29
We generally take new initiatives and strategies rather than responding to our competitors.	4.4	0.50
In dealing with competitors, our firm is not usually the first to introduce new products / services, administrative techniques or operating technologies.	3.3	0.45
We support employees to take new initiatives in dealing with business issues.	3.4	0.68
New initiatives and innovations are rewarded and encouraged in our business.	3.2	1.25
My company adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunity.	4.4	0.50

The study findings show that Owner/ managers are supportive and encourages new ways of doing business as shown by a mean of 3.6 and a standard deviation of 0.34; that owner/ managers is supportive and encourages new business opportunities as shown by a mean of 3.9 and a standard deviation of 0.36. Over the past three years, the businesses that have pioneered the development of breakthrough innovations in its industry are shown by a mean of 3.7 and a standard deviation of 0.28. Business that have introduced many new products / services over the past 3 years is indicated by a mean of 3.4 and a standard deviation of 0.35; while those that felt that changes in product / service have not been quite dramatic in the last 3 years is shown by a mean of 4.0 and a standard deviation of 0.30 implying that the businesses have not been very innovative and risk taking.

The respondents who emphasize taking bold wide ranging actions in positioning the business and its products / services in new markets over the last 3 years is shown by a mean of 3.5 and a standard deviation of 0.10; that respondents favour strong emphasis on R&D, new technologies and innovations as shown by a mean of 3.7 and a standard deviation of 0.20; that there is a strong tendency for high-risk projects with chances of high returns. as shown by a mean of 4.7 and a standard deviation of 0.10; that depending on the environment, we take bold and wide ranging acts to achieve the firm's objectives as shown by a mean of 4.1 and a standard deviation of 0.10; that the business is highly involved in the risk and uncertain initiatives as shown by a mean of 4.1 and a standard deviation of 0.29; that respondents generally take new initiatives and strategies rather than responding to competitors as shown by a mean of 4.4 and a standard deviation of 0.50; in dealing with competitors, the respondents' firm is not usually the first to introduce new products / services, administrative techniques or operating technologies as shown by a mean of 3.3 and a standard deviation of 0.45; that respondents support employees to take new initiatives in dealing with business issues as shown by a mean of 3.4 and a standard deviation of 0.68; that new initiatives and innovations are rewarded and encouraged in the business as shown by a mean of 3.2 and a standard deviation of 1.25; and that respondents' companies adopt a bold, aggressive posture in order to maximize the probability of exploiting potential opportunity as shown by a mean of 4.4 and a standard deviation of 0.50.

Innovation was considered by Joseph Schumpeter as a 'force of creative destruction' where old ways of doing things are done away with and replaced by new and better ways. The innovativeness of a business can take various dimensions such as introducing new products /services or their improvements, finding new markets and new marketing approaches, new forms production and organizations. Innovation is the engine that drives entrepreneurship and has proven to be one of the most effective driving forces for the continued business growth. Lumpkin and Dess (1996) points out that innovation is an important means of pursuing opportunities and an important component of entrepreneurial orientation. Risk taking like innovation is a behavioural dimension upon which opportunity is pursued. For the family business to grow, the CEOs/Founders must be both innovative and risk taking in order to identify and pursue new market opportunities. However, as Lucia et al. (2007) pointed out, the relationship between risk taking and performance is better understood by taking into account the organizational context and especially the relationship between nature of ownership, governance and management. For the family business to exhibit a corporate entrepreneurship the CEO/Founder has to create an environment that encourages individuals working in the family businesses to be creative, innovative and take risk.The other attributes associated with entrepreneurial orientation are related and are connected to business growth. Autonomy for instance refers to the independent action of bringing forth an idea or vision and carrying it through to completion. Pro-activeness is associated with leadership and is related to one taking initiative by anticipating and pursuing new opportunities while competitive aggressiveness is involved with actions that directly and intensively challenge competition to enable entry or improve market position.

4.2 Hypotheses Testing

H_a: Family entrepreneurial orientation does influence performance of family owned businesses in Kenya.

The coefficient of Family entrepreneurial orientation **(X_2)** has an estimated standard error of 0.08, t-statistic of -0.44and p-value of 0.04. The influence therefore of the family entrepreneurial orientation on performance of family owned businesses is statistically significant at significance level $\alpha=0.05$ since $p<0.05$. The hypothesis was therefore rejected.

IV. CONCLUSIONS

While business characteristic contributes to the bundle of resources owned by family businesses, it is not their ownership which is important but how they are utilized through certain capabilities which include family innovativeness, autonomy in decision making process and competitive aggressiveness. Business owners supported and encouraged new ways of doing business and many business owners over the years had pioneered the development of breakthrough innovations in business industry. Many owners also had a tendency of high risk projects. Autonomy in making independent decisions in business undertakings positively influenced business growth while aggressiveness which challenged competitionenabled entry or improvement in market position

5.2 Recommendation

In view of the study findings, the following recommendations were made:

1) Family business should embrace entrepreneurial culture and CEO / founders to create necessary environment that would encourage and reward those working in the family business to be more innovative, creative and risk takers.
2) That the Kenya government should come up with policy framework and capacity building on family businesses. The first step towards this goal should be to compile a family business data base and encourage Universities and other learning institutions to offer courses on family business dynamics.
3) Those interested in family business should have a clear understanding of their nature and characteristics that will enable family business owners or managers address their specific needs for good performance and a sound economy.

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