FOUNDERS' BUSINESS DECISIONS AND FINANCIAL PERFORMANCE OF SMALL-SCALE DAIRY PROCESSING PLANTS IN CENTRAL, KENYA

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DECLARATION

This thesis is my original work. It has not been presented in any other University or institution of higher learning for any academic credit. All work sourced from other scholars and sources have been duly cited and acknowledged in this document.

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DEDICATION

I wholeheartedly dedicate this research thesis to my beloved parents, Mr. Dominic Njuguna and Mrs. Agnes Njuguna, whose unwavering love, enduring support, and steadfast guidance have been the unshakable pillars of my academic and professional journey. Your sacrifices have been profound. Your wisdom has shaped my character, your faith in me has fuelled my determination, and your relentless encouragement has lifted me through seasons of doubt and triumph alike. In your hands, I found both my first teachers and my lifelong champions.

This achievement is not mine alone. This is a living testament to the values you have instilled in me: resilience, integrity, humility, and the pursuit of excellence. You taught me to dream without limits and to work with purpose, and for that, I remain forever grateful. May this milestone reflect not only the knowledge gained, but the legacy of love, perseverance, and vision you have so selflessly nurtured within me.

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LIST OF ACRONYMS AND ABBREVIATIONS

B2B : Business to Business

CEO : Chief Executive Officer

CMP : Contemporary Marketing Practices

CRM : Consumer Relationship Management

EO : Entrepreneurial Orientation

FP : Financial Performance

FSB : Federation of Small Businesses

GDP : Gross Domestic Product

GMM : Generalized Method of Moment

HOSE : Ho Chi Minh Stock Exchange

INF : Inflation Rate

KDB : Kenya Dairy Board

KNBS : Kenya National Bureau of Statistics

LTDTA : Long-Term Debt to Total Assets

PD : Product Development

PwC : PricewaterhouseCoopers

RBV : Resource-Based View

RM : Relationship Marketing

ROA : Return on Assets

ROCE : Return on Capital Employed

STDTA : Short-Term Debt to Total Assets

TAM : Technology Acceptance Model

TDTA : Total Debt to Total Assets

WB : World Bank

OPERATIONAL DEFINITION OF TERMS

Business Founders	This term refers to an individual or individuals who initiate, establish and develop a business enterprise (Kuratko, 2016).
Financing Decision	Financing decisions involve determining the best capital structure and funding sources to support a firm's operations and growth, balancing debt and equity to optimize cost of capital and financial risk (Brealey, Myers, & Allen, 2020).
Financial Performance	This is measurement of a business's financial health and returns over a specific period, computed and interpreted as Return on Investment Ratio; That is (Net Profit / Cost of Investment) x 100 (McLaney & Atrill, 2018)
Innovation Decision	Refers to the process of choosing and implementing new ideas, technologies, or strategies to improve business operations, products, or services (Tidd & Bessant, 2020).
Revenue Management	Refers to the strategies and tactics businesses use to maximize income by controlling pricing, sales channels and product offerings in response to demand (Kimes, 1989).
Risk Management	Companies adopt strategic financial decisions to identify, assess and mitigate risks that threaten their financial stability, cash flow and long-term growth prospects (Hopkin, 2018).

Small Scale Dairy Processing Plants	Refers to newly established and decentralized dairy manufacturing facilities that process milk into different dairy products, such as cheese, yogurt, or pasteurized milk, for local markets. These dairy businesses typically handle small amount of milk (less than 15,000 litres per day) (Kenya Dairy Board, 2021).

ABSTRACT

Small-scale dairy processing plants in Central Kenya face persistent financial challenges due to ineffective strategy execution, inefficient resource use, limited innovation and inherent business risks. This study investigated how founders' strategic business decisions influence the financial outcomes of small-scale dairy processing enterprises in Central Kenya. Specifically, it explored the impact of decisions related to financing, revenue generation and marketing, risk management and innovation on business performance. The research is grounded in four theoretical models: Resource-Based View, Pecking Order Theory, Prospect Theory and Schumpeter's Innovation Theory. A cross-sectional survey design guided the research process. The target population was all the 66 licensed small-scale dairy processing businesses located in the counties of Nyeri, Kiambu, Murang'a, Kirinyaga and Nyandarua, based on data from the Kenya Dairy Board. The study population consisted of all the stakeholders in the dairy processing plants A census method was used to capture the entire study population. Hence the sample size included 166 participants, comprising founders and key decision-makers such as chief executive officers, finance and marketing managers, extension officers and cooperative officials. Data was collected through structured questionnaires featuring Likert-scale items. Data was analysed using descriptive and inferential statistics (specifically regression analysis and analysis of variance) with the help of SPSS Version 26.0. The study found that founder's level of involvement on the running of the dairy processing plants was low, founder's financing decisions, revenue management decisions, and innovation decision had significant positive effects while founder's risk management decision had no significant effect on the financial performance of dairy processing plants in Central Kenya for the period under study. The study concluded that most dairy processing plants in Central Kenya do not survive beyond the third year of operation and that for the period under study, that there was enough evidence to suggest that the founder's financing decisions, revenue management decisions and founder's innovation decisions all had a statistically significant positive effect on the financial performance of small-scale dairy processing plants in Central, Kenya and that there was not enough evidence to suggest that the founder's financial risk management decisions had a statistically significant positive effect on the financial performance of small-scale dairy processing plants in Central, Kenya. The study recommended that founders get more involved in decisions involving the financing, revenue management and innovation as well as seek knowledge and training on the various enterprise risk management techniques for dairy processing plants.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Founders' business decisions encompass the strategic and operational actions taken by entrepreneurs who establish and lead businesses. These choices have a substantial impact on the organization's structure, strategic direction and financial results. In small-scale enterprises, such decisions are especially significant due to constrained resources and a heightened vulnerability to market fluctuations (Dzinotyiwei, 2023). Past studies on founder/Chief Executive Officer (CEO) status and firm performance have had mixed and inconsistent results (Covin, 2000). Abebe and Alvarado (2013) argue that founder-led firms show weaker performance on accounting metrics such as the return on investment and the return on assets. Fonder-led firms present the extreme case of founder involvement where the founder is fully involved but the actual level of involvement in decision-making would vary due to the use of the agency concept. The exact evidence on the impact of the founder/CEO decisions on firm financial performance is marred and differentiated by the global, regional and local business environments.

Evidence from international studies underscores the importance of founders' human capital and decision-making abilities in shaping business outcomes. For instance, research conducted in the United States by Nanda et al. (2020) revealed that a founder's education and prior experience are positively correlated with financial success, as these attributes enable more informed and strategic decision-making. Similarly, Colombelli et al. (2020) discovered that European firms led by founders with diverse professional experiences were more likely to grow and survive, particularly in knowledge-based

industries. In China, firms led by founder-CEOs often outperformed peers in stock performance and profitability, largely due to effective investment decisions (Chen et al., 2020). Key areas in which founders make pivotal decisions include financing, revenue management and marketing, innovation and risk management. These domains collectively shape the long-term viability and competitive position of a business. According to Dzinotyiwei (2023), early-stage decisions such as defining the company's value proposition, selecting skilled personnel and choosing a business model create the framework for future organizational performance.

In the African setting, founder decisions play a crucial role in shaping the trajectory of small-scale ventures. For instance, the Fintech company Monie point in Nigeria achieved unicorn status in 2024, an accomplishment attributed to its founders' strategic emphasis on innovation and marketing (Adeoye, 2024). A continent-wide analysis of over 2,500 investment cases highlighted that founders' expertise and decision-making skills were key drivers in attracting investment and sustaining profitability (Liouane, 2024). Furthermore, start-ups that prioritized innovation through digital adoption or novel business models were more likely to maintain long-term success (von Carlowitz, 2023).

In South Africa, Fintech enterprises led by founders have used technology and niche targeting to maximize returns (Fintech News Africa, 2024). Ethiopian entrepreneurs have embedded cultural elements, such as local design in products, to resonate with consumers and create market differentiation (Founder Africa, 2023). In Uganda, where financial resources are limited, founders often adopt conservative financial strategies to ensure operational stability (Monitor Uganda, 2021). Similarly, in Tanzania, some

businesses have reached successful exits by forming strategic partnerships rooted in founder vision (Briter Bridges, 2023

Kenya presents a dynamic yet complex environment for small-scale businesses. Founders operating in sectors such as Fintech, Agritech and B2B e-commerce have succeeded by targeting underserved populations, generating notable returns (Githui & Njuru, 2024). However, structural issues including regulatory challenges and technological infrastructure gaps demand agile and strategic responses from founders. In the dairy industry, these difficulties are exacerbated by informal market dominance and logistical shortcomings (Mbaya et al., 2021).

Small enterprises, including dairy processors, play a vital role in Kenya's economic growth, employment creation and innovation ecosystem. Nonetheless, these businesses face high failure rates. Data from the Kenya National Bureau of Statistics (KNBS, 2020) indicate that approximately half of small businesses in the country cease operations within three years, often due to challenges such as poor financial oversight, insufficient capital and governance issues. A global perspective from the World Bank (2020) reveals a similar trend, with around 60% of small businesses failing within their first three years.

The failure of these enterprises has wide-reaching consequences, including financial hardship for founders, job losses, diminished local economic activity, shaken investor confidence and disrupted supply chains. This highlights the critical need to understand the core strategic decisions made by founders, particularly in sectors like dairy processing. Despite these challenges, small-scale dairy processing firms continue to be

a cornerstone of Kenya's agricultural economy. The success or failure of these businesses largely hinges on founder-driven choices in areas such as funding, market strategy, innovation and risk mitigation. This study aims to explore how such decisions influence financial performance, focusing specifically on small-scale dairy plants in Central Kenya.

1.1.1 Founders' Decisions

Founders' decisions are not only critical during the establishment and formative stages of a business but remain pivotal throughout the entire lifecycle of the enterprise. These strategic and operational choices ranging from enterprise structure and market entry strategy to capital deployment and innovation shape both the short-term performance and long-term sustainability of a business (Dzinotyiwei, 2023; Lestraundra, 2020). In small-scale enterprises, where resources are often constrained, the quality and timing of founder decisions can significantly influence business resilience, adaptability and growth trajectories over time.

Research indicates that founder characteristics and decision-making approaches directly affect business outcomes. For instance, Nanda et al. (2020) reported that ventures led by founders with higher education levels and prior entrepreneurial experience were 30% more likely to reach profitability within their first three years. Similarly, Colombelli et al. (2020) found that startups led by founders with diverse professional backgrounds had a 25% higher survival rate than those headed by individuals with more uniform career histories. These findings underscore the continuing importance of founder decisions well beyond the initial launch phase.

Founders typically make decisions across four principal areas: financing, revenue, innovation and risk management. These domains form the core of business sustainability and competitive advantage. For example, Lestraundra (2020) reports that 48% of small businesses that failed within their first five years did so due to poor financial planning and cash flow mismanagement. Conversely, founders who developed clear financial strategies and monitored key performance indicators were significantly more likely to succeed (Mbaya, Maina, & Namusonge, 2021).

Innovation is another critical area. A study by Dzinotyiwei (2023) found that small enterprises led by innovation-oriented founders reported 40% higher growth rates over a five-year period than their less innovative counterparts. However, innovation alone is insufficient without strategic alignment and market understanding. In fact, 37% of startups fail because they offer products or services with no market demand, indicating the need for sound market research and customer-focused decisions (Smith et al., 2020).

Risk management is equally vital. According to the World Bank (2020), approximately 60% of small businesses fail within their first three years, with inadequate risk assessment being a key contributor. Founders who proactively identify and mitigate operational and financial risks through contingency planning are more likely to achieve resilience and scalability. The impact of founder decisions extends beyond business metrics to affect employment, investor confidence and community development. Poor decisions can lead to operational inefficiencies, loss of capital and reputational damage. This study focuses on examining how decisions made by founders in areas such as financing, revenue, innovation and risk management affect the financial performance of small-scale dairy processing businesses.

1.1.2 Small-Scale Dairy Processing Plants in Central Kenya

Central Kenya is a major hub for small-scale dairy processing, with an estimated 600,000 smallholder dairy farmers producing over 2 billion litres of milk annually in the region (JKUAT et al., 2023). These farmers supply numerous processing units many licensed by the Kenya Dairy Board operating on modest daily intakes and serving local markets predominantly. The region's dairy value chain incorporates feed sourcing, milk collection, pasteurization, packaging and distribution, reflecting a vertically integrated yet decentralized industry (JKUAT et al., 2023). As primary nodes in rural agricultural economies, these processors play a vital role in enhancing food security and providing employment in counties such as Kiambu, Nyeri, Murang'a, Nyandarua and Kirinyaga (FAO, 2021; Smith et al., 2020).

Despite their critical roles, small-scale processors in Central Kenya face significant performance constraints. Only 30% of installed national processing capacity equivalent to about 3 million litres per day is currently utilized, leading to inefficiencies and post-harvest losses (Scribd, 4.6; JKUAT et al., 2023). Competition from informal milk markets, which account for approximately 56% of milk sales in Kenya, further drains revenue from formal processors (Mbaya et al., 2021). Additionally, a standard capacity utilization rate of 39% among Central Kenya processors has been reported, constrained by inconsistent milk supply, limited cold-chain infrastructure and restricted market access (Saberah, 2018; Mbaya et al., 2021). These challenges are compounded by rising input costs and stagnant milk prices, which are adversely impacting profit margins (Mbichi & Maina, 2023).

Nevertheless, there are promising signs of resilience and innovation. National trends show a growth trajectory in formal milk intake, averaging 12% annually over the last decade, with formal processing rising to approximately 1.5 million litres per day of the country's 5.2 billion litres produced annually about 15% formally processed (Masinde, 2024). Technology adoption such as milk coolers and solar-powered pasteurization along with donor-sponsored capacity-building programs (e.g., ASDSP), have boosted efficiencies for select processors (Ministry of Agriculture, 2020). Notably, processors that implemented strategic financial and marketing frameworks reported 15–20% increases in revenue over two years (Mbichi & Maina, 2023). Strengthening infrastructure, reducing informal trade and supporting innovation therefore remain essential for unlocking the full potential of small-scale dairy processors in Central Kenya.

1.1.3 Financial Performance of Small-Scale Dairy Processing Plants

Small-scale dairy processing plants are businesses involved in the localized production and distribution of dairy products such as milk, butter, cheese and yogurt. These enterprises typically operate with limited capital and infrastructure, relying on smallholder supply chains for milk collection, basic processing, packaging and regional distribution (Kumar & Staal, 2019). Despite their modest scale, they play an essential role in enhancing rural livelihoods, promoting food security and supporting local economies through employment and value addition (FAO, 2021; Smith et al., 2020). The financial outcomes of these enterprises are influenced by several factors, including input costs, consumer preferences, operational efficiency and the broader regulatory and economic environment. Studies show that changes in input prices and consumer demand can directly impact revenue stability. For instance, RaboResearch (2023)

reported that revenue growth in the global dairy sector slowed to just 0.3% in 2023, compared to 8.1% the previous year, citing cost inflation and shifting market dynamics as major contributors.

In low- and middle-income settings, small-scale dairy processors frequently encounter challenges such as high production costs, limited cold-chain infrastructure and difficulty accessing capital. These constraints can limit profitability and hinder scalability. In Kenya, for example, dairy businesses contribute approximately 4.5% to the national GDP and 14% to agricultural GDP, yet many operate under financial stress due to rising operational costs and unstable milk prices (Kenya Dairy Board, n.d.; Mbichi & Maina, 2023). Data from Mbichi and Maina (2023) revealed that dairy firms in Central Kenya experienced a 6.7% drop in performance during 2019, attributed to inefficiencies in logistics, underutilized capacity and weak supply chain coordination. Furthermore, financial audits have pointed to recurring governance and expenditure issues in public dairy institutions, reflecting a broader need for improved financial oversight (Office of the Auditor-General, 2020). A recurring issue among small-scale processors is the lack of formal financial planning. Gawali and Gadekar (2017), in a study of dairy processors, found that 83.33% lacked structured financial management systems, limiting their ability to plan, budget, or invest for long-term growth. This deficiency often results in cash flow problems, poor credit access and business vulnerability. The sector has also become increasingly competitive. As of 2020, Kenya had over 30 licensed dairy processors, a shift from earlier market concentration under a single dominant firm (Kamau, 2020). In such an environment, the decisions made by founders especially regarding pricing, market positioning and investment in innovation become crucial to securing market share and achieving financial sustainability.

This review on financial management literature of small-scale dairy processing firms focussed more on indirect measures of financial performance such as revenue stability (RaboResearch, 2023), focussed more on rising operational costs and unstable milk prices as factors that affected financial performance (Mbichi & Maina, 2023) and a poor financial performance measurement attributable to a lack of financial management systems (Gawali and Gadekar, 2017). In the construction of the research items this study used, return on investment (ROI) which is a direct measure of financial performance. ROI is hailed as one of the best measures of financial performance (Nwude, 2012).

1.2 Statement of the Problem

The optimal performance of the dairy industry in Kenya is crucial to the country's economic growth, contributing over 4% to the national GDP, 12% to agricultural GDP and providing livelihoods to approximately 1.7 million Kenyans (KIPPRA, 2021). Despite this, small-scale dairy processing enterprises continue to face major setbacks including financial instability, infrastructure limitations and volatile milk prices, which have led to business closures (Kenya Dairy Board, 2020). According to the World Bank (2020), 60% of small enterprises fail within their first three years, resulting in both financial loss and emotional strain for founders.

A key contributor to these challenges is the limited involvement of founders in daily operations and strategic decision-making. In many cases, founders fail to implement sound financial planning, innovative applications, revenue maximiztion, risk mitigation and adaptive strategies which are crucial for business resilience and growth (Mbaya et

al., 2021; Mburu, 2013; Kamau, 2022). Prior studies have touched on related aspects such as service delivery and innovation but have not directly addressed how founders' decisions influence financial performance, nor have they comprehensively covered the Central Kenya region (Kiprop & Rono, 2021; Muiruri & Mutswenje, 2023) - creating both conceptual and methodological gaps. Additionally, a number of studies have been done outside central Kenya with some of them being outside Kenya hence creating contextual gaps. This study aims to fill these gaps by exploring the relationship between founders' business decisions and the financial performance of small-scale dairy processing plants in Central Kenya.

1.3 Research Objectives

1.3.1 General Objective

The general objective of this study was to assess the effect of founder business decisions on the financial performance of small-scale dairy processing businesses in Central, Kenya.

1.3.2 Specific Objectives

This study was guided by the following specific objectives:

i. To assess the effects of founders' financing decisions on the financial performance of small-scale dairy processing businesses in Central, Kenya.
ii. To examine the effect of founders' revenue management decisions on the financial performance of small-scale dairy processing businesses in Central, Kenya.
iii. To establish the effect of founders' financial risk management decisions on the financial performance of small-scale dairy processing plants in Central, Kenya.

iv. To determine the effects of founders' financial innovation decisions on the financial performance of small-scale dairy processing plants in Central, Kenya.

1.4 Research Hypothesis

H_{01}: There is no statistically significant relationship between founders' financing decisions and financial performance of small-scale dairy processing plants in Central, Kenya.

H_{02}: There is no statistically significant relationship between founders' revenue management decisions and the financial performance of small-scale dairy processing plants in Central, Kenya.

H_{03}: There is no statistically significant relationship between founders' financial risk management decisions and the financial performance of small-scale dairy processing plants in Central, Kenya.

H_{04}: There is no statistically significant relationship between founders' financial innovation decisions and the financial performance of small-scale dairy processing plants in Central, Kenya.

1.5 Significance of the Study

This study offers important insights into how entrepreneurship develops within Kenya's agricultural context, with a focus on the dairy sector. Dairy farming remains a vital contributor to the country's economy, supporting livelihoods, providing employment and enhancing food and nutrition security (Africa-Milk, 2019). Maina and Namusonga (2021) indicate that about 70% of Kenya's milk output enters the commercial market, with over half of this distributed through informal channels. Nonetheless, many small-scale dairy processing businesses struggle to maintain consistent financial performance

due to challenges such as weak strategy implementation, inefficiencies in operations and poor management of resources. The financial outcomes of these enterprises are largely influenced by key founder decisions related to financing, pricing, innovation and risk management. When these decisions are ineffective or misaligned, they can negatively impact cash flow, profitability and long-term business sustainability.

Poor financial performance can result in serious consequences for small-scale dairy enterprises. These may include failure to cover operating costs, loss of distribution networks, difficulties in repaying loans, workforce downsizing, or even business closure. Such outcomes do not only affect the individual firms but also disrupt the entire dairy value chain, threaten food supply continuity and hinder rural economic growth. In regions like Central Kenya, where dairy farming is a major economic activity, the closure of several processors could lead to unstable milk prices, reduced incomes for farmers and increased levels of poverty. It is therefore essential to investigate the strategic choices made by founders that influence financial stability and business growth.

The study's findings will benefit various stakeholders. For enterprise owners, it will provide actionable insights into which decision-making patterns lead to improved financial outcomes or setbacks. This can enable entrepreneurs to make informed decisions regarding budgeting, innovation, pricing and financing especially those seeking to expand or professionalize their dairy operations in a competitive marketplace. Smallholder farmers and new entrants in the dairy value chain will also find the results practical and applicable. Additionally, policy makers and development agencies working in the agricultural sector will benefit from the research through

evidence-based recommendations. These can inform the development of targeted support programs, financing schemes and regulatory frameworks that address the unique needs of small-scale dairy processors. Interventions that improve access to capital, promote technology use and build capacity in risk management could significantly boost resilience and productivity within the sector. At the community level, well-managed and financially sustainable dairy enterprises have the potential to generate broader socio-economic benefits, including increased rural employment, enhanced household nutrition and empowerment of marginalized groups. The wider economic and social benefits highlight the importance of effective decision-making by enterprise founders.

This study will also contribute to the academic body of knowledge on entrepreneurship and financial performance in small agricultural enterprises in developing countries. It will serve as a foundation for further research on related areas such as technology adoption, market accessibility and founder characteristics and may help researchers conduct comparative studies across sectors and regions. Through this, the study provides both practical and theoretical contributions to the discourse on sustainable agribusiness development.

1.6 Scope and Delimitation of the Study

This research investigates how founder-level business decisions influence the financial performance of small-scale dairy processing enterprises in Central Kenya. It specifically concentrates on four major categories of decision-making: financing, revenue management strategies with financial consequences, risk management and business innovation. These areas have been selected due to their direct and measurable

effects on key financial indicators such as profitability, revenue growth and business sustainability.

The study was geographically confined to Central Kenya, targeting dairy processors located in the counties of Nyeri, Kiambu, Murang'a, Kirinyaga and Nyandarua. This region was selected due to its strategic role in Kenya's dairy sector, contributing over 2.3 billion litres annually, which accounts for more than 40% of the country's total milk production estimated at 5.7 billion litres as of 2023 (Kenya National Bureau of Statistics [KNBS], 2023; Kenya Dairy Board, 2024). According to official records from the Kenya Dairy Board and county government registries, there are 66 licensed small-scale dairy processing enterprises currently operating in Central Kenya, making it an ideal setting for examining the relationship between founder decisions and financial performance in the dairy industry.

To maintain a focused analysis, the study excludes large-scale dairy processors and informal milk vendors. The emphasis is solely on formally registered small-scale processors, who, despite their economic significance, often receive limited attention in academic and policy research. By narrowing the focus to a specific business category and region, the study aims to offer detailed insights that could guide policy formulation, entrepreneurial training and financial planning frameworks for similar enterprises within Kenya and other comparable settings.

1.7 Theoretical Framework

The Resource-Based View (RBV) serves as an ideal theory to analyse founder business decisions and their effects on financial performance of small-scale dairy processing

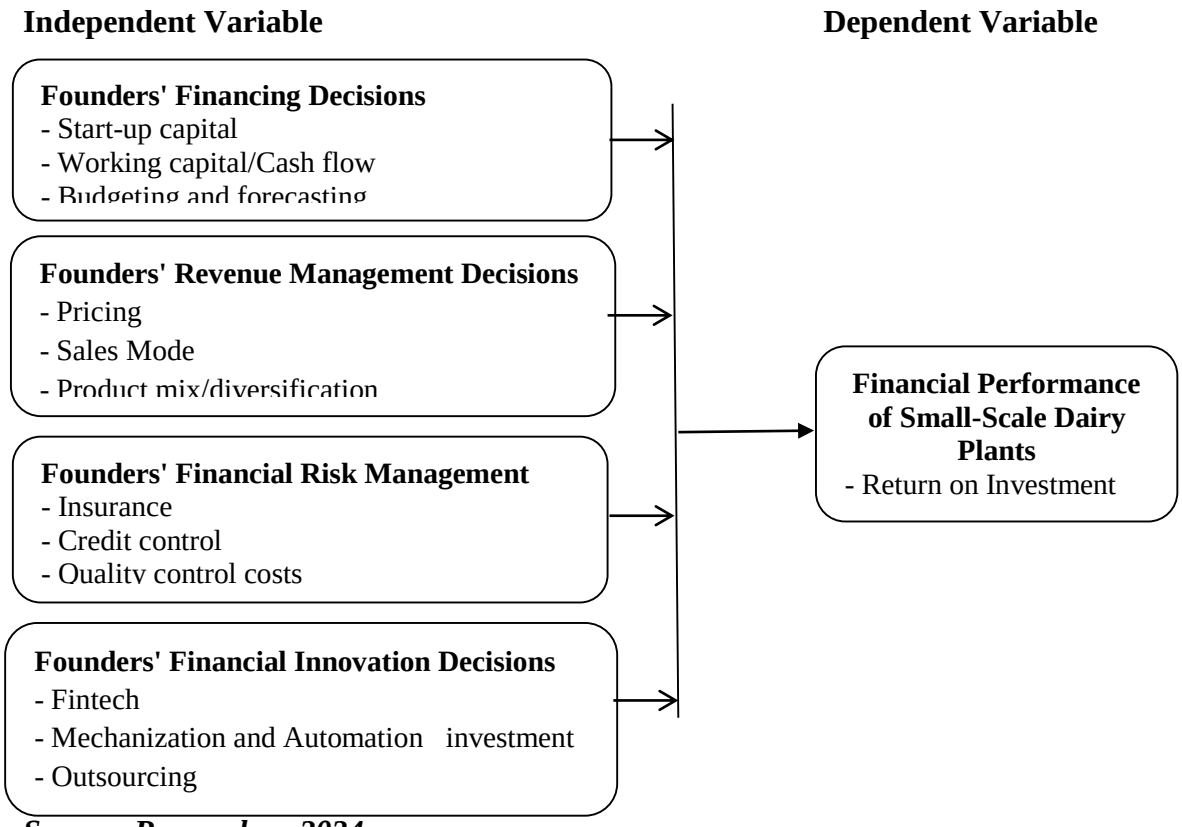
businesses. The Resource-Based View shows that internal capabilities and resources establish both competitive advantages and performance definitions (Barney, 1991). Founders who allocate resources towards premium animal feed combined with innovative machines along with well-trained workers fulfil principles of the Resource-Based View framework. The deployment of distinctive valuable and hard-to-replicate resources enables small-scale dairy processing plants to boost business operations along with product excellence which leads to superior market positioning thus driving better financial results. The theory gives an extensive structure to examine the role of strategic resources in generating enduring profitability throughout dairy businesses. The research evaluates different variables using three additional theories in addition to the RBV theory: the pecking order theory, Prospect theory and Schumpeter's innovation theory.

Stating that firms always choose internal funding methods first because debt and equity financing contains costs and risks (Myers & Majluf, 1984). The theory assists researchers to connect financing methods through retained earnings and loans and venture capital to their outcomes regarding financial performance. A business that uses disciplined financial choice management tends to hold low-cost capital which drives better profitability and expansion. The decision-making process under uncertain situations gets explained in Prospect Theory which Kahneman and Tversky (1979) first introduced. Knowledge of founder risk attitudes facilitates research about how founders' decisions influence firm performance results. Founders who avoid risk tend to shun profitable but challenging opportunities while founders who accept risk seize these prospects to obtain substantial returns. The economic development and business success according to Schumpeter's Innovation Theory directly stems from entrepreneurial innovation (Schumpeter, 1942). A small-scale business competitive

standing and revenue generation power depend directly on the business choices it makes regarding technological adoption and product uniqueness as well as process enhancement.

1.8 Conceptual Framework

This study examined how founder-led business decisions influenced the performance of small-scale dairy processing enterprises. In this context, business performance is treated as the dependent variable, while the independent variable is represented by the decisions made by the enterprise founder. These decisions are categorized into four core areas: financing, marketing, innovation and risk management. Together, these categories reflect the strategic direction set by the founder, which in turn affects the operational and financial outcomes of the business. The interplay between these components is visually outlined in Figure 1



Source: Researcher, 2024

Operationalisation of the variables

Founders' Financing Decisions: The effect of founders' financing decision was gauged through sources, financing mix and amounts of the start-up capital, working capital/cash flow and budgeting and forecasting

Founders' Revenue Management Decisions: The revenue management decision was gauged through the pricing efforts, sales modes and product mix/diversification decisions

Founders' Financial Risk Management: The risk-management decisions were approximated by the levels of insurance coverage, credit control and quality control costs.

Founders' Financial Innovation Decisions: These decisions were gauged by the level of fintech, mechanization and automation investment and outsourcing

Financial Performance: To measure this, construct the research items were framed in terms of return on investment

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents a comprehensive review of relevant literature focusing on business owners' management decisions and their financial outcomes. It evaluates key theoretical frameworks that support the study variables and analyses previous empirical findings related to the research objectives. The literature review is organized into four main sections: a review of relevant theories, criticism of these theories, an empirical review of past studies and an identification of knowledge gaps that the current study seeks to address. The study adopted the The Resource-Based View (RBV) Theory, Pecking Order Theory, Prospect theory and Schumpeter's innovation theory. The research analysed the core assumptions of each theory followed by an analysis of its strengths along with their weaknesses as they related to the current study. Further the study reviewed a number of empirical studies related to the study.

2.1 Theoretical Literature Review

2.1.1 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) Theory is a strategic management theory developed by Jay Barney in 1991. It proposes that a firm's internal resources rather than external market conditions are the primary sources of sustained competitive advantage. Unlike market-based approaches that emphasize positioning within an industry, RBV suggests that firms should focus on identifying, developing and protecting internal assets that are unique, valuable and difficult for competitors to replicate or replace (Barney, 1991). These assets may include technological know-how, proprietary processes, skilled personnel, or strong organizational culture. According to RBV, firms can achieve and

maintain superior performance by possessing resources that meet the criteria of being Valuable, Rare, Inimitable and Non-substitutable (VRIN). These characteristics enable a firm to implement strategies that enhance operational efficiency and strategic effectiveness (Barney, 1991). The theory argues that sustainable success does not come from reacting to market shifts alone, but from building internal strengths that competitors cannot easily copy.

RBV is based on two core assumptions. The first is resource heterogeneity, which acknowledges that no two firms have exactly the same mix of resources, even within the same industry. This variation explains performance differences among competitors. The second is resource immobility, which implies that some resources cannot be easily transferred or acquired by others, giving the owning firm a long-term strategic edge (Barney, 1991). These assumptions underscore the importance of internal capability development over generic market responses.

Over time, RBV has been expanded through complementary concepts such as the Dynamic Capabilities framework, introduced by Teece, Pisano and Shuen (1997). This evolution highlights the need for firms to not only possess valuable resources but also continuously adapt them to a changing environment. Other developments have included knowledge-based views of the firm and integration of organizational learning into strategic resource management (Grant, 1996). These refinements address earlier criticisms of RBV's static nature and expand its relevance in fast-moving industries.

Despite its usefulness, RBV has faced criticism. One key issue is the challenge of identifying what qualifies as a VRIN resource in practice. Critics such as Priem and

Butler (2001) argue that the theory can be tautological defining valuable resources as those that lead to success and then using success to justify their value. Furthermore, RBV tends to downplay the role of external forces such as competition, regulation and market volatility, which are crucial in many industries. This inward-looking focus may limit its predictive power in highly dynamic or disrupted markets.

Nonetheless, RBV remains a valuable theoretical tool for understanding firm performance from an internal perspective. In the context of this study, it provides a strong foundation for analyzing how founder decisions particularly regarding financial strategy are influenced by a firm's internal capabilities. For instance, small-scale dairy processors in Kenya may rely on specialized knowledge, supply chain relationships, or local branding as key resources when deciding how to allocate capital or pursue investment. Applying RBV allows this study to explore how the strategic use of internal assets can enhance financial performance and competitive positioning, even in resource-constrained settings.

2.1.2 Pecking Order Theory (Financing Decisions)

Pecking Order Theory (POT) offers a framework for understanding how businesses prioritize various financing options. Originally conceptualized by Donaldson in the early 1960s and further refined by Myers and Majluf in 1984, the theory proposes a hierarchy in financing preferences based on the principle of minimizing costs and maintaining control (Myers & Majluf, 1984). According to this theory, firms typically opt to use retained earnings or other internal funds first. When these are insufficient, they turn to debt and only as a last resort do they issue new equity. This preference

stems from concerns about information asymmetry, where managers possess more accurate knowledge of a firm's value than external investors.

The model relies on several key assumptions. One is that managers are better informed about the firm's actual condition than outside stakeholders. Another is that issuing new equity can be interpreted negatively by investors, potentially suggesting that management believes the firm is overvalued. This perceived risk discourages equity financing unless absolutely necessary. In contrast, internal funds are seen as both more cost-effective and more flexible, making them the preferred source of financing (Myers & Majluf, 1984).

Over time, researchers have expanded upon POT, applying it across diverse industries and firm sizes. Frank and Goyal (2003), for example, found that while the theory holds in many large corporations, small and emerging enterprises often deviate from this hierarchy due to factors like market imperfections, institutional barriers, or limited access to credit. These deviations highlight the need to consider contextual variables when applying the theory to real-world scenarios. Despite its usefulness, the theory has been criticized for simplifying the complex nature of financial decision-making. It overlooks instances where equity issuance might be advantageous, such as when stock prices are favorable or during strategic business transformations. It also assumes that internal capital is always available and ignores the financial constraints that smaller businesses frequently encounter (Frank & Goyal, 2003).

Nevertheless, POT remains a valuable analytical tool, especially for understanding how small enterprises structure their financing choices. In the case of Kenyan dairy

processors, the theory helps explain their preference for using internal resources before seeking external funds. This approach allows business owners to preserve ownership control, minimize financial risk and adapt more flexibly to changing economic conditions (Serrasqueiro & Nunes, 2012). By applying this model, the study aims to assess how financing decisions reflect the priorities and limitations of small-scale enterprises.

2.1.3 Prospect Theory (Risk-Taking Behavior)

Prospect Theory, introduced by Kahneman and Tversky in 1979, provides insights into how individuals make decisions under uncertainty and risk. Departing from classical economic models that assume rational behavior, the theory suggests that people evaluate outcomes based on gains or losses relative to a reference point, rather than absolute values (Kahneman & Tversky, 1979). One of the core ideas is loss aversion the notion that the pain of losing is psychologically more significant than the satisfaction of an equivalent gain.

This theory is built on several psychological assumptions. First, people judge results in relation to a personal benchmark, which can vary widely among individuals and contexts. Second, losses generally provoke stronger emotional reactions than gains of equal size. Third, individuals display diminishing sensitivity, meaning that the perceived impact of changes diminishes as their magnitude increases. Additionally, Prospect Theory holds that people are prone to overestimating unlikely events and underestimating more probable ones, leading to biased risk evaluations (Kahneman & Tversky, 1979).

Since its introduction, Prospect Theory has gained broad relevance across disciplines, including behavioral economics, psychology and finance. It has been used to explain various types of decision-making, from stock market behavior to consumer choices and entrepreneurial risk-taking. Scholars such as Barberis (2013) have expanded on the theory by incorporating emotional responses, regret aversion and framing effects, making it a more robust framework for analyzing human behavior in uncertain conditions.

However, the theory is not without flaws. A major critique concerns its vagueness in defining how individuals set their reference points, which undermines its predictive accuracy. Additionally, while the theory is descriptive in nature, it lacks prescriptive power; it can explain how decisions are made but offers little in terms of guiding better decision-making (Barberis, 2013).

Despite these drawbacks, Prospect Theory is particularly relevant for analyzing the financial behavior of entrepreneurs operating under pressure. For example, dairy business owners facing financial strain may take substantial risks, such as adopting unfamiliar technologies or entering new markets, in an effort to avoid potential losses. Conversely, during more prosperous periods, the same entrepreneurs might avoid risks that could facilitate further growth, reflecting a shift toward risk aversion (Shrader, Simon, & Tamaschke, 2020). Applying this theory provides a deeper understanding of how emotional and psychological factors influence financial decisions in volatile environments.

2.1.4 Schumpeter’s Innovation Theory (Innovation and Entrepreneurship)

Joseph Schumpeter's Innovation Theory, first proposed in 1911, highlights the transformative role of entrepreneurs in driving economic development. Rather than viewing growth as a slow, incremental process, Schumpeter argued that progress is spurred by radical innovations that disrupt existing market systems (Schumpeter, 1911). Entrepreneurs, by introducing new products, refining processes, or discovering new markets, are seen as agents of change who reshape economic landscapes through what he famously termed "creative destruction" (Schumpeter, 1942).

Central to the theory is the assumption that economic evolution is not linear but occurs through disruptive bursts of innovation. Entrepreneurs are portrayed as visionary individuals who take risks, seize opportunities and mobilize resources in new ways. In this process, financial institutions are also crucial, as they provide the capital necessary to fund these pioneering ventures. The theory has been extended by later scholars who introduced the neo-Schumpeterian perspective, emphasizing the roles of knowledge, learning and institutional frameworks in sustaining innovation. These developments have broadened the theory’s application to include national innovation systems, policy development and the growth of entrepreneurial ecosystems in both developed and emerging economies.

Nonetheless, the theory has its critics. It tends to idealize the lone entrepreneur while overlooking the collaborative and institutional aspects of innovation. Furthermore, it underrepresents the importance of incremental improvements, which, although less dramatic, can also contribute meaningfully to economic growth (Suman, n.d.). Despite these critiques, Schumpeter’s model remains pertinent to this study, particularly in

understanding how innovation affects financial outcomes in small-scale dairy processing enterprises. Innovations such as the introduction of value-added dairy products, improved packaging techniques, or targeting specialized markets enable these firms to enhance competitiveness and profitability. Schumpeter's emphasis on entrepreneurial initiative aligns well with the observed behavior of such businesses in dynamic environments (Wan, Wang, & Xu, 2024). Thus, applying this theory helps explain how innovation-driven strategies can foster long-term growth and investment readiness in the dairy sector.

2.2 Empirical Review of Literature

2.2.1 Founders' Financing Decisions and Financial Performance

Gitau (2019) explored how financial literacy and cost control practices impact returns on investment among smallholder entrepreneurs. The study sought to determine the extent to which knowledge of borrowing and disciplined cost management contribute to profitability. Using a descriptive cross-sectional survey, the research gathered data through structured questionnaires targeting smallholder agribusiness owners. A sample of 1,245 entrepreneurs was drawn from this population. Analysis showed a strong positive link between financial knowledge, effective cost control and higher returns. The results highlighted that limited understanding of borrowing practices frequently led to poor working capital decisions and cash flow issues. Gitau recommended the introduction of targeted financial education programs to help small-scale entrepreneurs in resource-limited settings strengthen their borrowing and cost management capabilities.

Jepleting, Tarus and Shitote (2024) examined how the adoption of digital finance tools combined with structured budgeting practices influenced financial performance in SMEs in Uasin Gishu County. Their study aimed to assess whether technology-enabled budgeting and systematic planning improved capital allocation and profitability. A mixed-methods approach was used, blending quantitative survey data with qualitative interviews. The cross-sectional design covered a sample of 186 agribusiness SMEs. Hierarchical regression analysis revealed that firms using digital budgeting platforms achieved better working capital management and stronger cash flow monitoring, which translated into improved profitability. The authors recommended broader adoption of digital budgeting systems and targeted training initiatives to build founders' financial management skills.

Muiruri and Mutswenje (2022) conducted a qualitative case study on financial management practices among small dairy processors in Kiambu County. The objective was to explore how budgeting, credit policies and asset financing affect financial outcomes. An exploratory design involving in-depth interviews and analysis of financial documents was employed. Seventeen registered dairy processing firms were purposively selected for the study. Findings indicated that consistent budgeting, a mix of funding sources including startup capital from cooperatives and SACCOs and well-defined credit policies contributed to more stable cash flows and enhanced profitability. The authors advised dairy enterprise founders to focus on formal budgeting practices and diversify funding to avoid overreliance on short-term debt.

Thu-Trang (2020) analyzed how capital structure choices influence the performance of manufacturing firms listed on the HOSE stock exchange in in Vietnam. The study

aimed to understand the impact of heavy reliance on short-term debt on return on assets. A quantitative approach using longitudinal data and the Generalized Method of Moments (GMM) was applied to a sample of 102 companies over several years. Results showed that firms depending heavily on short-term borrowing experienced lower returns and greater earnings volatility. Although the context differed, the study offered valuable insights about the importance of aligning financing structures with long-term performance goals. Thu-Trang recommended maintaining a balanced mix of short- and long-term funding to reduce cash flow pressures and support growth.

Karanja and Muthoni (2021) investigated how working capital management practices affect financial outcomes among agro-processing SMEs in Embu County. The study aimed to assess the influence of inventory management, receivables control and liquidity monitoring on profitability and cash flow stability. A descriptive survey design was used to collect data through structured questionnaires. From a target group of 150 SMEs, 120 were selected using stratified random sampling. Regression analysis demonstrated that effective working capital management explained over 60% of profitability variations and helped mitigate cash shortages during seasonal demand swings. The authors recommended that SMEs develop formal cash flow forecasting processes and train founders in working capital optimization.

Chepkorir, Cheruiyot and Kiptoo (2023) studied the role of budgeting practices in improving performance among small manufacturing businesses in Eldoret Town. The research aimed to explore whether systematic budgeting and forecasting practices help guide financial decisions and operational efficiency. Using a descriptive cross-sectional design, the study collected data via structured questionnaires and follow-up interviews.

From a target population of 95 registered enterprises, 78 were purposively sampled. Findings revealed that firms preparing regular budgets, tracking variances and adjusting plans in response to market changes reported higher profitability and better access to credit. The authors encouraged the adoption of digital budgeting tools and capacity-building programs to enhance financial planning skills among business owners.

Nguyen and Le (2022) investigated how the structure of debt maturity affects the financial stability of export-focused small and medium-sized enterprises (SMEs) in Vietnam's Mekong Delta. Their analysis involved five years of data from 85 SMEs, using a fixed-effects model to examine the comparative effects of short-term versus long-term borrowing on earnings consistency. The findings suggested that firms heavily reliant on short-term loans were more susceptible to financial instability due to market and interest rate fluctuations. In contrast, businesses with a higher share of long-term debt enjoyed greater income stability and stronger relationships with their suppliers. The researchers advised financial institutions to develop longer-term lending options that align with the cyclical nature of export-oriented industries, thereby enhancing the financial resilience of these firms.

The reviewed literature highlights the positive impact between financial literacy, budgeting and capital structure decisions on profitability and stability among SMEs and agribusiness. Most research emphasizes firm-level practises without deeply examining the role of individual founders' decision – making behaviour or cognitive biases in financial management. While most finance tools are acknowledged there is limited exploration of how digital adaption varies by founder demographics or business maturity. Additionally, comparative insights across industries and regions are scarce,

especially regarding how external factors like market volatility or institutional support influence financial resilience. Finally, few studies integrate qualitative and behavioural dimensions to explain why certain financial strategies succeed or fail, suggesting a need for holistic founder-focussed research frameworks

2.2.2 Founders' Revenue Management Decisions and Financial Performance

Pula, Qerimi and Qerimi (2022) carried out research in Kosovo examining how dynamic pricing approaches influence profitability in dairy enterprises compared to traditional cost-plus pricing. The study aimed to understand whether adjusting prices in line with competitors' actions could yield better financial results and broader market access. Using regression analysis of survey responses from dairy producers across the country, the researchers analyzed pricing practices and their outcomes. Although the abstract did not detail the exact sample size, the study drew on a diverse group of firms with varying production capacities. Results indicated that dynamic pricing models led to stronger profitability and wider customer reach than fixed markup strategies. The authors suggested that dairy businesses adopt pricing frameworks that incorporate competitor trends and customer perceptions to enhance their market standing.

Rebiazina, Sharko and Berezka (2024) explored how adaptive pricing practices affect asset returns across different industries in Russia. Their study set out to evaluate whether businesses that frequently reviewed and updated prices in line with market and competitor movements achieved better financial performance. Employing a quantitative approach, the researchers gathered structured survey data and conducted statistical analyses. The study targeted 229 firms from diverse sectors. Findings demonstrated that companies applying flexible pricing strategies consistently reported

higher returns on assets and stronger financial stability. The authors advocated for routine pricing reviews and adaptive policies to support long-term growth.

Mbichi and Maina (2024) investigated how pricing strategies tied to product quality and brand positioning affected profitability among dairy firms in Central Kenya. Their objective was to establish whether adopting premium or market-focused pricing approaches led to stronger margins. Using a correlational research design, they collected data through structured questionnaires from all 26 dairy firms operating in the area. The study found a strong positive correlation ($R = 0.765$) between strategic pricing and improved profitability. Based on these insights, the researchers advised firms to periodically review pricing in line with production costs, demand fluctuations and consumer preferences.

Mwangi and Kamau (2021) examined pricing practices among agro-processing SMEs in Nakuru County. The study aimed to assess whether market-oriented and value-driven pricing strategies contributed to steadier financial performance compared to rigid cost-plus approaches. Using a cross-sectional survey design, the researchers collected data from 150 SMEs, all of which participated. Results revealed that firms applying adaptive pricing methods achieved more stable profits and better overall financial outcomes. The authors recommended that SMEs regularly update prices to reflect changing cost structures and evolving customer needs.

Achieng and Otieno (2020) looked into how sales modes specifically cash versus credit sales impacted cash flow management in manufacturing SMEs in Kisumu County. Their research aimed to determine whether an overdependence on credit transactions

caused liquidity challenges. A descriptive survey design was used to collect quantitative data via structured questionnaires from 85 firms, all of which participated. Findings showed that businesses heavily reliant on credit sales often experienced cash flow constraints and payment delays, while those emphasizing cash transactions maintained stronger liquidity and reinvestment capacity. The authors recommended developing balanced sales policies that combined immediate cash inflows with longer-term customer relationship management.

Otiso (2022) conducted a case study to assess how pricing and credit policies influenced liquidity and profitability at Equator Bottlers Ltd in Kisumu. The research aimed to understand the combined effects of differentiated pricing and credit practices on financial health. A qualitative design was employed, involving interviews and document reviews with management and finance staff. The study revealed that although differentiated pricing reduced price-based competition, persistent reliance on credit sales strained cash reserves. The author concluded that integrating pricing and credit policies is critical to ensuring that revenue growth does not come at the expense of cash flow stability.

Wanjiru and Mwangi (2023) explored how diversifying product offerings impacted financial stability among SMEs in Murang'a County. The study set out to determine whether serving multiple market segments and offering a broader range of products helped minimize revenue fluctuations. A cross-sectional survey design was used, gathering data via structured questionnaires from 108 SMEs across different industries. Regression analysis showed that firms with diverse products and customer bases maintained more consistent income even during market disruptions. The researchers

recommended expanding product lines and leveraging digital and alternative sales channels to strengthen revenue streams.

Ayuma and Omondi (2023) examined diversification practices among agribusinesses in Western Kenya. Their research aimed to evaluate whether operating in multiple markets and adopting varied sales approaches contributed to income stability. The study applied a descriptive design, collecting survey data from 68 agribusiness SMEs. Findings revealed that businesses selling to urban retailers, institutional clients and bulk buyers reported fewer revenue fluctuations. Use of e-commerce and direct-to-consumer channels further stabilized earnings. The authors recommended that firms invest in customer segmentation and adopt flexible pricing and packaging strategies to maximize diversification benefits.

Ogohi (2018) carried out a case study on Nigeria Bottling Company to explore how pricing, sales and distribution strategies interact under economic volatility. The research objective was to assess whether rigid pricing and credit policies increased financial risk during unstable periods. Using a qualitative approach based on interviews and document analysis, the study focused on insights from senior managers and financial staff. Results showed that while pricing decisions significantly influenced profitability, their effectiveness depended on integration with sales and distribution planning. The author cautioned against inflexible credit terms and pricing in inflationary settings, recommending adaptive strategies that could improve resilience and performance.

The exact link between revenue management and financial performance is complex and indirect as there is an interplay of many external shocks and organisational behaviour. The studies reviewed focus on organisational level revenue management rather on founders' specific decisions. The reviewed literature empirical highlights the positive impact of dynamic and adaptive pricing strategies on profitability and financial stability across various sectors. However, there exists literature gaps in that most studies focus on firm-level outcomes without isolating the role of founders in shaping pricing strategies. There is limited exploration of behavioural or cognitive factors influencing revenue management decisions. Additionally, integration between pricing, credit and distribution policies is underexplored despite evidence suggesting their combined influence on liquidity and performance. Finally, the impact of digital pricing tools and real - time data analytics on founder-led pricing decisions remain largely unexamined.

2.2.3 Founders' Risk Management Decisions and Financial Performance

Ndegwa and Njuguna (2024) investigated how adopting comprehensive insurance policies affects the financial stability of SMEs in Nairobi County. Their main aim was to evaluate whether coverage spanning physical assets, operational risks and business interruption could help reduce financial losses during disruptions. A descriptive cross-sectional research approach was applied to capture practices across various enterprises at a single time. To ensure all sectors were represented, stratified sampling was used, targeting a total of 112 SMEs operating in high-risk industries. All firms were included in the final sample. The study revealed that enterprises with full insurance protection faced fewer financial setbacks and reported revenue stability improvements of about 18% during adverse events. The authors recommended expanding insurance awareness campaigns and offering premium subsidies to assist SMEs in vulnerable sectors.

Otieno and Wekesa (2023) explored credit management practices and their role in enhancing cash flow among small enterprises in Kisumu County. The study aimed to find out if structured credit screening, clear payment enforcement and debt collection strategies could reduce defaults and improve liquidity. A mixed-methods research design that combined surveys with detailed interviews provided both numerical data and deeper insights. A descriptive approach helped document current credit management practices. The research targeted 75 SMEs across diverse industries in the county and all participated. Results showed that businesses using structured credit controls such as set payment ceilings and active debt follow-up saw lower default rates and a 20% rise in liquidity levels. Based on these outcomes, the study suggested offering credit management training to business owners to strengthen cash flow reliability and minimize bad debts.

Nyaga and Ngweyi (2021) assessed risk management strategies in dairy cooperatives, focusing particularly on credit control and insurance coverage. The goal was to understand how robust credit checks and adequate insurance policies influenced financial performance in agricultural enterprises. The researchers used a descriptive survey design to gather detailed data on prevailing practices. The study targeted all 72 registered dairy cooperatives in Meru County, all of which took part. Findings showed that effective credit assessments and insurance accounted for nearly 68% of the differences in financial performance across cooperatives, underscoring their importance for financial resilience. The authors recommended that cooperative leaders be directly involved in developing credit policies and supplier agreements, considering the perishability and price volatility of dairy products.

Chege and Bula (2021) explored the impact of credit management systems on repayment rates and liquidity among micro and small enterprises in Nakuru County. Their study aimed to establish whether formal credit checks, payment terms and debt recovery practices reduced defaults and improved financial stability. A cross-sectional survey approach was used to collect data from all 90 targeted businesses. Findings showed that firms applying structured credit assessments, clear terms and outsourced debt collection saw improved repayment performance and fewer defaults relative to those using informal practices. The authors recommended designing simplified credit assessment tools to make structured credit management more accessible to small business operators.

The research by Kibiego and Muturi (2019) examined the effectiveness of structured risk preparedness measures particularly insurance and operational controls among SMEs in Nairobi. The study aimed to find out whether formal policies, including fidelity insurance and workers' compensation, improved firms' capacity to recover from disruptions and maintain profitability. A mixed-methods approach combining surveys and interviews provided a comprehensive view. The descriptive design enabled documentation of risk management practices across sectors. All 160 targeted SMEs participated. The results indicated that businesses with formal risk frameworks were better able to withstand shocks and achieved more consistent profits. The authors advocated for integrating risk management into daily operations and embedding insurance advisory services in SME development initiatives.

Omedo and Wanjala (2023) analyzed how logistics firms in Kenya's Coastal Region used financial and operational risk strategies to improve efficiency and reduce losses.

The study focused on whether credit controls, insurance and investments in quality management could together enhance performance. A quantitative research approach relying on regression analysis was used to explore relationships among variables. The study encompassed 82 logistics companies, all of which contributed data. Findings indicated that firms combining credit limits, insurance of transport assets and professional debt recovery experienced fewer losses and greater operational efficiency. The researchers recommended adopting integrated risk frameworks suited to high-risk industries to protect against disruptions and defaults.

Mwangi (2020) conducted a quantitative assessment of the influence of credit control practices and liquidity management on the financial performance of publicly listed agricultural firms. The aim was to evaluate whether structured receivables management and careful liquidity planning led to stronger profits and income stability. The study analyzed secondary data drawn from annual reports of agricultural companies listed on the Nairobi Securities Exchange. Using a descriptive quantitative design, the researcher reviewed information across multiple firms. The analysis showed that organizations with robust credit and liquidity policies achieved higher returns on equity and more consistent revenues. Mwangi emphasized that these same principles can be applied effectively in smaller enterprises to enhance resilience.

Dlamini and Mokoena (2023) looked into how investments in quality control influence both efficiency and profitability in small-scale food production businesses based in KwaZulu-Natal, South Africa. The study was designed to measure the effects of allocating resources to preventive and inspection-related quality activities, such as employee skill development and routine product checks. A causal-comparative

framework was applied, using data gathered from 85 enterprises through structured questionnaires and financial statements. The analysis showed that companies devoting at least 10% of their operational budgets to quality control experienced 25% fewer production errors and saw their profit margins rise by 13%. The researchers concluded that such investments not only improve product quality but also lower long-term operating costs, making them strategically beneficial for small businesses.

Owusu, Afriyie, Ababio and Owusu (2024) examined how various categories of quality-related spending impact the financial performance of small and medium-sized enterprises (SMEs) in Ghana. The objective was to assess the effects of investing in preventive practices, inspection processes and handling product failures on business profitability. Data were collected through a standardized questionnaire grounded in the Prevention-Appraisal-Failure (PAF) model, with 246 SME representatives participating across multiple sectors. The study employed Partial Least Squares–Structural Equation Modelling (PLS-SEM) to analyse the data. Findings indicated that increased expenditure on preventive and appraisal-related activities correlated positively with stronger financial performance, while higher failure-related costs had a detrimental impact. The researchers emphasized the importance of allocating resources toward pre-emptive quality management strategies, advising SME owners to focus on prevention and monitoring rather than corrective actions to achieve long-term cost efficiency and profitability.

This study aims to explore how founders' financial risk management strategies such as the use of insurance, implementation of credit control mechanisms and handling of quality-related expenses impact the financial performance of small-scale dairy

processing businesses in Central Kenya. Employing a descriptive research approach, the study utilised structured questionnaires to collect quantitative data and apply statistical methods to analyse the linkages between the selected variables. By concentrating on key milk-producing counties in the region, the research intends to offer practical insights that can support founders in building financial stability and enhancing business outcomes.

2.2.4 Founders' Financial Innovation Decisions and Financial Performance

Wambua and Chege (2024) examined how mobile financial technologies influence financial efficiency among food processing SMEs in Nairobi. Their core objective was to determine whether tools like M-Pesa and automated payment alerts could improve cash flow management. Employing a descriptive cross-sectional approach, they gathered quantitative data from a population of 154 food processing enterprises registered in Nairobi County. A stratified random sampling method yielded a sample of 120 firms. The results indicated that businesses using digital payment systems experienced a 27% boost in cash flow efficiency compared to those using manual systems. Consequently, the researchers advocated for the enhancement of SME founders' digital finance competencies and the fostering of government–private sector collaborations to expand fintech access.

Kiiru, Mukulu and Ngatia (2023) analyzed how enterprise resource planning (ERP) tools and mobile banking adoption relate to revenue generation among animal feed SMEs. The aim was to explore whether digital financial technologies positively affect business income. A correlational research design was used to assess relationships between variables. The target population consisted of 145 SMEs in Nairobi and Kiambu

counties, with 104 firms sampled through proportionate techniques. The study found a statistically significant positive correlation ($r = 0.68$, $p < 0.01$) between digital finance adoption and improved revenue. The researchers suggested introducing policy incentives such as tax reliefs and subsidies to promote wider digital uptake among SMEs in this field.

Odhiambo and Muturi (2023) investigated how digital tools and mechanized systems impact budgetary control in dairy cooperatives. The study aimed to assess the role of automated tracking, inventory systems and fleet management tools in enhancing cost control and budget adherence. A mixed-method design combining surveys and interviews was used, targeting all 38 registered dairy cooperatives in Nakuru County constituting a full census. Findings revealed that cooperatives utilizing digital technologies recorded a 22% improvement in budget compliance and a 17% drop in budget overruns. The authors recommended further investment in mechanized tools like milk cooling and handling equipment to improve both cost efficiency and product quality.

Mogashoa and Kalitanyi (2023) examined the influence of digital inventory and finance tracking systems on profitability among retail SMEs. The objective was to determine how automation and fintech adoption affect inventory turnover and financial outcomes. Using a descriptive research framework, the study surveyed 210 SME managers from a total population of 320 in Tshwane Municipality, South Africa, selected via systematic sampling. Results showed that digital adopters experienced an 18% increase in monthly profits and improved inventory turnover. The researchers advised the

creation of innovation hubs and founder training programs to accelerate adoption of digital tools and automation in retail.

Mwakera, Musiega and Oduor (2023) explored the effects of cost-saving interventions like mechanization and bulk purchasing on SME financial performance. The main goal was to assess how adopting solar-powered systems, automated equipment and group procurement impacts expenses and profitability. A causal-comparative design was employed, comparing SMEs using these strategies with those that were not. From a pool of 432 SMEs in Kilifi County, cluster sampling identified 216 for analysis. The study revealed that participating firms reduced operational costs by 19% and saw up to a 15% improvement in profit margins. Based on these insights, the authors recommended establishing peer learning networks and enhancing supplier partnerships to encourage resource-sharing and mechanization.

Kamau and Muturi (2021) investigated how outsourcing and energy-efficient technology adoption influence performance among manufacturing SMEs in Thika. Their objective was to evaluate the effects of externalizing non-core functions and incorporating sustainable energy practices on gross margins and asset returns. A descriptive survey was used to gather data from 95 SMEs selected purposively from a population of 150 that had implemented at least one of these strategies. Results indicated that outsourcing logistics and maintenance, paired with energy-saving technologies, significantly boosted profitability and returns on assets. The researchers advised continuous assessment of cost structures and emphasized the importance of mechanization in enhancing operational efficiency.

Makanyeza and Dzuke (2015) evaluated the influence of internal innovation such as the use of digital budgeting tools and organizational restructuring on SME performance in Zimbabwe. The aim was to determine how leadership-led innovation strategies contribute to profitability and efficiency. A descriptive cross-sectional method was employed, with 200 SMEs selected via convenience sampling from Harare. The findings highlighted that combining digital budgeting with internal structural reforms positively impacted productivity and profitability, even in the absence of full digital financial system adoption. The authors recommended an integrated approach to innovation, focusing on both process upgrades and organizational change.

Muiruri and Mutswenje (2022) analyzed the effect of digital financial tools and mechanization on performance in dairy enterprises across Central Kenya. The study focused on evaluating the influence of mobile banking, accounting platforms and automated milk-handling systems on financial outcomes and product reliability. Data were collected through qualitative interviews and document reviews from a purposive sample of 17 registered dairy firms. The analysis showed that firms adopting these technologies experienced better financial performance and improved product consistency. The researchers recommended upskilling dairy entrepreneurs in digital finance and mechanization to maximize these benefits.

Mburu and Kamau (2022) conducted a study focusing on how the use of insurance affects the financial durability of small and medium-sized manufacturing firms in the towns of Nakuru and Eldoret. Their research aimed to determine whether securing insurance coverage specifically for business assets, employees and liability helps firms recover more quickly following financial disruptions. They applied a cross-sectional

design, gathering data from a stratified sample of 120 SMEs. The results demonstrated that businesses with active insurance were 2.3 times more likely to restart operations within a month of experiencing a financial setback compared to those without coverage. The authors recommended targeted awareness efforts around SME insurance products and suggested policy support such as subsidized premiums for sectors facing elevated risk.

Nkatha and Waweru (2021) investigated how credit control methods influence the financial outcomes of wholesale enterprises located in the Eastleigh area of Nairobi. The purpose of their study was to evaluate whether practices like setting credit policies, screening clients and monitoring receivables contributed to more predictable cash flows. They used a descriptive approach and surveyed 150 businesses, achieving 112 valid responses. The findings indicated that enterprises implementing well-defined credit procedures experienced 19% fewer defaults and a 14% rise in net monthly earnings. The researchers recommended that business owners receive training in credit risk evaluation and that consistent credit policies be introduced to enhance financial performance.

All the above studies point towards a positive relationship between the level of innovation and financial performance. However, a study by Hai et al (2022) points towards a U-shaped relationship between innovation output and financial performance, moderated by financial constraints. The study by Hai et al (2022) was contextually based in China and consisted of panel data collected from 142, 972 manufacturing firms over the period 1999 -2009 - pointing a longitudinal study design. This study points to

a situation whereby innovation output initially eats into profits, reaches a minimum level before the firms eventually starting to benefit from innovation output.

2.3 Knowledge Gap

An in-depth analysis of recent scholarly work exposes critical shortcomings in the exploration of the financial decision-making at the founder level. These gaps are particularly evident in areas related to conceptual cohesion, sector-specific research, regional representation and methodological depth. Numerous studies have concentrated on isolated aspects of financial strategy—such as access to financing (Thu-Trang, 2020), risk response strategies (Sitienei, Korir, & Koske, 2023), pricing and sales planning (Pula, Qerimi, & Qerimi, 2022; Mbichi & Maina, 2024), credit policy enforcement (Chege & Bula, 2021; Nkatha & Waweru, 2021), insurance utilization (Mburu & Kamau, 2022) and investment in quality assurance (Dlamini & Mokoena, 2023; Owusu et al., 2024). Although each of these investigations yields useful insights, they tend to approach financial decisions as distinct and unrelated, thus failing to consider how these decisions interact within the broader financial architecture of small businesses.

This research takes a different approach by addressing this conceptual disconnect, proposing a unified framework that considers how financial resource acquisition, revenue strategy, risk safeguards and innovation efforts collectively shape financial success in small-scale dairy processing firms. By recognizing the interplay among these factors, this study is better positioned to offer practical guidance that reflects the complex realities founders face.

In terms of sector coverage, the emphasis in existing literature has largely been on more prominent industries such as finance (Olaifa, 2018; Sitienei et al., 2023), transportation and logistics (Omedo & Wanjala, 2023) and broad SME categories (Kariuki & Kihara, 2020; Alhawamdeh et al., 2024). While agriculture has been addressed in part (Mwangi & Kamau, 2021; Gitau, 2019), research specific to small dairy processing businesses—a sub-sector gaining significant traction in Kenya's agroeconomy—remains insufficient. Available studies in this domain often concentrate on collective models (Nyaga & Ngweyi, 2021) or administrative tasks like bookkeeping (Muiruri & Mutswenje, 2022), leaving a noticeable sectoral gap in founder-driven strategy exploration, which this study intends to fill.

When considering geographic distribution, the majority of investigations into SME or dairy-related financial issues are localized in counties such as Meru (Nyaga & Ngweyi, 2021), Kilifi (Mwakera et al., 2023) and Kisumu (Otieno & Wekesa, 2023), or provide a generalized outlook for Central Kenya. However, even in studies covering Central Kenya (e.g., Muiruri & Mutswenje, 2022), the analysis tends to focus on operational routines rather than founder-level strategic decisions. By focusing explicitly on privately-owned dairy processing firms in Central Kenya, this study closes a regional knowledge gap with more contextualized findings.

On the methodological front, many prior studies rely predominantly on secondary data sources (Thu-Trang, 2020; Gitau, 2019) or adopt limited qualitative designs, which may overlook real-time strategic decisions taken by enterprise founders. Some researchers have employed more structured approaches, such as cross-sectional surveys (Mburu & Kamau, 2022; Dlamini & Mokoena, 2023) or causal-comparative models (Owusu et

al., 2024), but these rarely combine direct input from founders with measurable financial results. To overcome this methodological limitation, this research applies a descriptive-correlational design that merges structured primary data collection with verified secondary performance indicators, offering a more complete view of how financial strategies influence business outcomes.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the research design and methodology adopted for the study. It presents the overall research approach, identifies the target population and describes the instruments used for data collection. It also explains the sampling procedures; the process of data collection and the methods applied for analysing the collected data. The chapter is structured into six key sections: research design, target population, description of research instruments, sample and sampling procedures, data collection procedures and data analysis techniques.

3.1 Research Design

The selected research design for this study consisted of a cross-sectional survey research design. The research process gathers information from entire populations or sample groups which represents the population at one particular time point for pattern evaluation Creswell & Creswell, 2023). The identified research design worked effectively for four specific research objectives which included variable association studies and characteristic assessments and prevalence measurements. Social sciences together with health and business research fields use cross-sectional surveys because they provide efficient results at reasonable costs (Creswell & Creswell, 2023). The design enables researchers to gain valuable knowledge about phenomenon status in the present time while offering a convenient solution for observing variable distributions or population characteristics. The research design brings forth the most appropriate approach when studying the financial outcomes of small-scale dairy processing plants in Central, Kenya that are influenced by founders' business choices.

3.2 Target Population

The target population comprises all individuals or entities that exhibit characteristics relevant to the objectives of a study and from which data can be meaningfully drawn to address the research problem (Mugenda & Mugenda, 2003). In the context of this study, the target population included all small-scale dairy processing businesses licensed by the Kenya Dairy Board (KDB) within Central Kenya as of 2025. These enterprises represented the critical units through which financial decisions were made and executed, making them highly relevant to the study's aim of assessing the impact of founders' financial decisions on business performance.

The study focused on five counties in Central Kenya Nyandarua, Murang'a, Kiambu, Nyeri and Kirinyaga identified as hosting all the licensed small-scale dairy processors in the region during the study period. These counties collectively encompass 66 such businesses, distributed as follows: Nyandarua (6), Murang'a (12), Kiambu (17), Nyeri (17) and Kirinyaga (14). The census-like approach ensures that the entire target population is included, offering a comprehensive and representative sample that captures the structural and operational diversity within the sector (Kothari, 2004).

Each licensed business formed a unit of analysis, while key personnel including founders, chief executive officers (CEOs), finance managers, milk distributors/retailers, extension officers and cooperative chief officers serve as units of observation. This inclusive approach ensured that the perspectives of all major financial and operational decision-makers are captured (Kombo & Tromp, 2006). A total of 166 respondents were drawn from this population, allowing for a robust evaluation of strategic decisions and their outcomes.

3.3 Description of Research Instruments

This study utilised one main data collection tool: A Structured Questionnaire. This instrument was designed to effectively gather both numerical and descriptive information from individuals involved in small-scale dairy enterprises across five counties in Central Kenya. A five-point Likert scale was used to assess the level of agreement with various statements related to the founders' financial decision-making processes and the financial performance of their enterprises (Cooper & Schindler, 2014). The key respondents for this tool included founders, marketing managers, finance managers, operations managers, milk distributors/retailers and extension officers who were involved in day-to-day management and decision-making. By employing this method, the study aimed to obtain consistent, quantifiable responses alongside rich, context-specific insights that deepen the overall analysis.

The structured questionnaire was distributed both in-person and via online platforms to maximize outreach and ensure inclusivity. It consisted of five parts, beginning with Section A, which collected demographic and enterprise background information, particularly about the founders. Sections B to E focused on the central variables of the research, namely founder financing choices, revenue management strategies, financial risk controls and the adoption of innovative financial practices. These sections were crafted to capture detailed, measurable data related to each of the study's main themes. The questionnaire targeted at individuals directly engaged in the operational and financial management of the enterprises, specifically founders, finance managers, milk distributors/retailers and extension officers.

Prior to data collection, all participants received an introductory brief explaining the study's intent, ensuring confidentiality and emphasizing the voluntary nature of their participation. This step is essential for maintaining ethical standards and building trust with respondents, ultimately contributing to the integrity and dependability of the research findings.

3.4 Description of the Sample and Sampling Procedures

The study employed a census approach to include all 66 licensed small-scale dairy processing businesses across the five counties in Central Kenya. The census approach is justified by the manageable size of the population and the importance of capturing diverse perspectives across different geographic and operational contexts. Each enterprise contributed one founder to the study, accounting for 66 respondents.

To ensure a holistic understanding of strategic financial decision-making within these enterprises, an additional 100 respondents were drawn from key personnel including CEOs, finance managers, milk distributors/retailers, extension officers and cooperative chief officers. These individuals were proportionately selected based on the number of businesses in each county. This proportional sampling ensured that all categories of decision-makers were fairly represented across the counties, thereby improving the generalizability of the study findings (Orodho, 2005). Table 1 below illustrates the sample distribution by county and role.

Table 1: Sample Distribution by County and Role.

County	No. of Businesses	Founders	CEOs	Finance Managers	Milk Distributors/retailers	Extension Officers	Coop Officers	Total Respondents
Nyandarua	6	6	2	2	2	2	1	15
Murang'a	12	12	4	4	3	4	3	30
Kiambu	17	17	5	5	5	6	5	43
Nyeri	17	17	5	5	5	6	5	43
Kirinyaga	14	14	4	4	3	4	4	35
Total	**66**	**66**	**20**	**20**	**18**	**22**	**20**	**166**

3.5 Description of the Data Collection Procedures

The data collection process was carried out in an ethical and systematic manner. Upon approval of the research thesis by the university, the researcher obtained an official introduction letter, which was used to apply for a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). Once the permit was granted, the researcher-initiated contact with small-scale dairy processors in the five target counties.

Participants were briefed on the objectives, procedures and ethical standards of the study. Those who consented to participate received the questionnaires either in hard copy or through online platforms. A response window of one to two weeks was allowed, followed by follow-up visits or calls to ensure timely collection. Prior to the main data collection phase, a pilot test was conducted in Laikipia County to assess the clarity and reliability of the research instrument. The feedback from the pilot study was used to make necessary adjustments.

3.6 Description of Data Analysis Procedures

The collected data was analysed using both descriptive and inferential statistical methods, with the help of SPSS version 26. Descriptive statistics such as means, standard deviations, frequencies and percentages were used to summarize demographic characteristics and variables related to founders' financial decisions. The findings were presented using tables for ease of interpretation.

The study's inferential analysis included both correlation and multiple linear regression techniques to examine the relationships between founder decisions (independent variables) and financial performance (the dependent variable). Correlation analysis assessed the strength and direction of these relationships, while multiple linear regression determined the extent to which each decision category financing, revenue management, risk handling and financial innovation individually and collectively predicts financial performance. The regression results were presented using model summaries, ANOVA tables and standardized beta coefficients. These analytical tests, along with descriptive statistics, formed the foundation for drawing conclusions and making recommendations. The regression analysis was guided by the following model:

$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_{2+} \beta_3 x_3 + \beta_4 x_4 + \epsilon$

Where;

Y = Financial Performance,

β_0 = Constant (Y=intercept)

x_1 = Founders' Financing Decisions,

x_2 = Founders' Revenue Management Decisions,

x_3 = Founders' Risk Management Decisions

x_4 = Founders' Financial Innovation Decisions

ϵ = error term (noise term)

$\beta_1, \beta_{1,} \beta_{2,} \beta_3, \beta_4$ are regression coefficients representing the condition of the independent variables to the dependent variables.

3.7 Operationalization and Measurement of Variables

To ensure accurate and consistent measurement of the key constructs in this study, the core variables were operationalized as shown in Table 3.2 below. Each variable was measured using indicators drawn from literature and evaluated through a five-point Likert scale ranging from "strongly disagree (1) to strongly agree (5).

Table 2: Operationalization and Measurement of Variables

Variable	Type	Indicators	Measurement Scale	Scale Type	Source
Founders' Financing Decisions	Independent	Percentage of startup capital from personal savings	5-point Likert Scale	Ordinal	Gitau (2019); Jepleting et al. (2024); Muiruri & Mutswenje (2022)
		Working capital adequacy			
		Use of budgeting and forecasting tools			
Revenue Management Decisions	Independent	Pricing model used (cost-plus, value-based, competitor-based)	5-point Likert Scale	Ordinal	Achieng & Otieno (2020); Mbichi & Maina (2024)
		Ratio of credit vs. cash sales			
		Breadth of product mix (e.g., fresh milk, yogurt, cheese)			
Financial Risk Management	Independent	Extent of insurance coverage (assets, operations, interruptions)	5-point Likert Scale	Ordinal	Sitienei et al. (2023); Nyaga & Ngweyi (2021)
		Credit control practices (screening, limits, penalties)			
		Quality control management			

Financial Innovation Decisions	Independent	Use of fintech tools (mobile banking, digital payments)	5-point Likert Scale	Ordinal	Kariuki & Kihara (2020); Mwakera et al. (2023); Otieno et al. (2023)
		Level of mechanization and automation			
		Extent of outsourcing of non-core processes			
Financial Performance	Dependent	Return on investment	Likert scale + financial data	Ordinal/ Nominal	Mugenda & Mugenda (2003); Karanja et al. (2019)

3.8 Ethical Considerations

This study adhered to high ethical standards throughout the research process. Informed consent was obtained from all participants prior to data collection, ensuring that they were aware of the study's purpose, their right to withdraw at any time and how the data would be used.

The confidentiality and anonymity of participants was strictly maintained. No identifying information was included in any reports or publications. Data was stored securely and only accessible to the researcher. Furthermore, the study sought ethical approval from the relevant university ethics review board before commencing fieldwork. The researcher also ensured that all engagements with participants were conducted in a respectful, non-coercive and voluntary manner in line with ethical guidelines for social research.

CHAPTER FOUR

PRESENTATION, DISCUSSION AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter discusses the presentation, discussion and interpretation of results. The chapter starts with the discussion of measurement of internal consistency of research instrument and response rate, response demographics, research findings, descriptive statistics, multicollinearity test, test of autocorrelation, the regression output and discussion findings in that order.

4.1 Consistency of Research Instrument and Response Rate

The research instrument was tested for internal consistency (validity and reliability) before being used in data collection. The consistency and response rate are discussed in the following sections.

4.1.1 Internal consistency of the Research Instrument

The instrument internal consistency was tested using Cronbach's Alpha. The results or all the Likert Scale items are shown in Table 3 below.

Table 3: Internal Consistency of the Research Instrument

Cronbach's Alpha	Cronbach's Alpha on Standardized Items	N of Items
0.820	0.810	132

Source: Author 2025

The Cronbach Alpha statistic of 40 statements had a value of 0.810 and according to Tavakol and Dennick (2011) a Cronbach Alpha of 0.70 to 0.95 or more is acceptable. Thus, the Alpha value of 0.810 in this study was acceptable.

4.1.2 Instrument Response Rate

A total of 166 questionnaires were issued and 132 were dully filled and returned. This corresponded to a response rate of 79.5%. This rate was much higher than the minimum acceptable response rate of 50 – 60% for social science and survey research (Holtom, 2022).

4.2 Response Demographics

4.2.1 County of Operation

The demographics on County of operation showed the following summary; Kiambu County accounted for 33% of the respondents, Muranga – 18%, Nyeri-17%, Kirinyaga – 17% and Nyandatrua-15% respectively. Thus, Kiambu County had the highest percentage of dairy processing plants in the sample while Nyandaura had the lowest. This information is summarised in Table 4.

Table 4: County of Operation

		Frequency	Percent	Percent Valid	Cumulative Percent
Valid	Kiambu	43	33.0	33.0	33.0
	Muranga	24	18.0	18.0	51.0
	Nyeri	22	17.0	17.0	68.0
	Nyandarua	23	17.0	17.0	85.0
	Kirinyaga	20	15.0	15.0	100.0
	Total	132	100.0	100.0	

Source: Author (2025)

4.2.2 Number of Years of Operation

On the number of years in operation 37% of the respondents showed that the business had been in operation for less than two years, 48% had been in operation for 1 -3 years, 12% had been in operation for 4 -6 years, 2% had been in operation for 7 – 10 years and 1% had been in operation for more than 10 years. Thus, of the dairy processing

plants had been in operation for either less than 2 years or between 1 and 3 years. The results are summarised in Table 5.

Table 5: Number of Years in Operation

		Frequency	Percent	Percent Valid	Cumulative Percent
Valid	Less than 1 year	49	37.0	37.0	37.0
	1 -3 years	63	48.0	48.0	85.0
	4 – 6 years	16	12.0	12.0	97.0
	7 – 10 years	3	2.0	2.0	99.0
	Over 10 years	1	1.0	1.0	100.0
	Total	132	100.0	100.0	

Source: Author (2025)

4.2.3 Average Daily Milk Processing Capacity

Collected data showed an average processing capacity of less than 500 litres at 1%, 500 – 1000 litres at 2%, 1001 – 3000 litres at 12%, 3001 – 5000 litres at 48% and above 5000 litres at 37%. Thus, majority of the processing plants under the study had operated at a capacity of up to 1000 litres. The results are showed in Table 6.

Table 6: Average Daily Milk Processing Capacity

		Frequency	Percent	Percent Valid	Cumulative Percent
Valid	Less than 500L	1	1.0	1.0	1.0
	500 – 1000L	3	2.0	2.0	3.0
	1001 – 3000L	16	12.0	12.0	15.0
	3001– 5000L	63	48.0	48.0	63.0
	Above 5000L	49	37.0	37.0	100.0
	Total	132	100.0	100.0	

Source: Author (2025)

4.2.4 Current Role of Respondent

Data on the role of founders was collected from the founders themselves and from the various people to whom they had delegated responsibility. Concerning the current role of the responded 8% were found to be founders/owners, 9% were CEOs/MDs/GMs,

12% were finance managers, 27% were operations managers, 23% were, marketing managers, 5% were milk suppliers /milk cooperatives, 4% were distributors of finished products, 5% were industry experts/consultants, 6% were County/local distributors/administrators and 1 percentage were in the category of others. Thus, majority of respondents for the surveyed firms were either finance managers or marketing managers indicating that founders/owners have majorly delegated their roles. The results are shown in Table 7.

Table 7: Current Role of Respondent

		Frequency	Percent	Percent Valid	Cumulative Percent
Valid	Founder/Owner	10	8.0	8.0	8.0
	CEO/MD/GM	12	9.0	9.0	17.0
	Finance Manager	16	12.0	12.0	29.0
	Operations Manager	36	27.0	27.0	56.0
	Marketing Manager	30	23.0	23.0	79.0
	Milk supplier/Co-op	7	5.0	5.0	84.0
	Distr. of Fin. Products	5	4.0	4.0	88.0
	Industry Expert/Consult.	7	5.0	5.0	93.0
	County Regulator/Admin	8	6.0	6.0	99.0
	Other	1	1.0	1.0	100.0
	Total	132	100.0	100.0	

Source: Author (2025)

4.2.5 Founder's Level of Involvement

Data on the founder's level of involved showed that 13% were fully involved in all major decisions, 33% were mainly involved in financial and strategic decisions only, 57% were consulted occasionally but not fully involved and 11 % were not involved in daily or strategic decisions. Thus, the level of founder's full involvement was low at and instead preferring to be involved ether in financial and strategic decisions or to be occasionally consulted. The results are summarised in Table 8.

Table 8: Founder's Level of Involvement

		Frequency	Percent	Percent Valid	Cumulative Percent
Valid	Fully involved in all major decisions	17	13.0	13.0	13.0
	Mainly involved in financial and Strategic decisions only	43	33.0	33.0	46.0
	Consulted occasionally but not fully involved	57	43.0	43.0	89.0
	Not involved in daily or strategic decisions	15	11.0	11.0	100.0
	Total	132	100.0	100.0	

Source: Author (2025)

4.2.6 Frequency of Founder's Physical Presence

Results showed that 0 % of the founders had a daily physical presence at the dairy plants, 1% visited several times a week, 3% visited once a week, 8% were present a few times in a month, 15% rarely visited,33% visited on need basis and 44% never were present. The results showed majority of the founders were not physically present at dairy either daily nor visited several times a week. Table 9 shows a summary of these results.

Table 9: Frequency of Founder's Physical Presence

		Frequency	Percent	Percent Valid	Cumulative Percent
Valid	Daily	0	0.0	0.0	0.0
	Several times a week	1	1.0	1.0	1.0
	Once a week	2	2.0	2.0	3.0
	A few times in a month	7	5.0	5.0	8.0
	Rarely	20	15.0	15.0	23.0
	On need basis	44	33.0	33.0	56.0
	Never	58	44.0	44.0	100.0
	Total	132	100.0	100.0	

Source: Author (2025)

4.2.7 Founder's Primary Mode of Participation in Decision Making

Founder's primary mode of participation in decision making showed that 1% physically attended decision-making meetings, 2% participates via video conferencing (e.g. through zoom, google meet), 8% participated via phone calls, 5% participated by

engaging in WhatsApp Messages/groups, 15% communicated through emails, 43% participated through delegation to a representative /team member and 26% did not participate in decision-making. Results showed that majority of the founders did not physically attend decision-making meetings nor did they participate via video conferencing. Summary of these findings are shown in Table 10.

Table 10: Founder's Primary Mode in Decision Making

		Frequency	Percent	Percent Valid	Cumulative Percent
Valid	Physically attends decision-making meetings	1	1.0	1.0	1.0
	Participates via video conferencing	3	2.0	2.0	3.0
	Participates via phone calls	10	8.0	8.0	11.0
	Engages through WhatsApp Messages/groups	7	5.0	5.0	16.0
	Communicates through email	20	15.0	15.0	31.0
	Delegates participation to a rep/team member	57	43.0	43.0	74.0
	Does not participate in these decisions	34	26.0	26.0	100.0
	Total	132	100.0	100.0	

Source: Author (2025)

4.2.8 Responsibility on Final Say on Financial Matters

Concerning who had the final say when it came to matters of financial decision -making the founder was found to have 1% preference, CEO/Managing director(not founder) hand a 4%, founder in collaboration with other stakeholders was at 8% preference, department manager/Supervisor had a 56% preference, board of directors/committee was at 14 preference, finance department/management stood at 15% preference and external consultants /experts had a 2% chance of having a final say on financial matters. Thus, the results showed that the final say on financial matters did not mostly come from the founders but from department manager/Supervisor. Table 11 shows a summary of the results.

Table 11: Responsibility on Final Say on Financial Matters

		Frequency	Percent	Percent Valid	Cumulative Percent
Valid	Founder	1	1.0	1.0	1.0
	CEO/Managing director (not founder)	5	4.0	4.0	5.0
	Founder in collaboration with other stakeholders	11	8.0	8.0	13.0
	Department manager/Supervisor	74	56.0	56.0	69.0
	Board of directors/committee	18	14.0	14.0	83.0
	Finance department/management	20	15.0	15.0	98.0
	External consultants /experts	3	2.0	2.0	100.0
	Total	132	100.0	100.0	

Source: Author (2025)

4.3 Research Findings

The collected data was analysed by the use of both descriptive and inferential statistics. Since the main method of inferential statistics was the regression model, the data had to be tested and treated of the problems of multiple regression analysis. The results are discussed in the following sections.

4.3.1 Descriptive Statistics

Table 12 shows that the minimum and maximum values for each variable were respectively 1 and 5 and in line with the Likert scale measures. The mean response for the independent variables was 3.00, 3.50, 4.10 and 3.80 implying that on average the respondents were “neutral” on whether founders financing decisions affected performance while they respectively “agreed” that revenue management decisions, risk management decisions and financial innovation decisions affected financial performance. The mean was 3.80 for financial performance indicating that the respondents generally agreed with the items under financial performance section. The median values respectively showed that the typical central values were 3.20, 4.30, 3.90, 3.60, 4.90 for financing decisions, revenue management decisions, risk management decisions, financial innovation decisions and financial performance. The values of the

modes implied that majority of the respondents agreed to the effects of financing decisions (3.50), revenue management decisions (4.00), and innovation decisions while they strongly agreed to risk management decisions (4.60) on financial performance. Majority strongly agreed (4.60) to the items on financial performance.

Further, Table 12 shows that although all the data suffered from minor issues of non-normality as indicated by values of kurtosis and skewness. For the purposes of this study the data would was assumed to be approximately normal since all the values of Kurtosis and skewness were respectively less than |3| and |10| (Ooko et al, 2018). The data therefore was suitable for use in regression model as the assumption of normality was not violated.

Table 12: Descriptive Statistics

	Variable				
Statistics	Financing Decisions	Revenue Management Decisions	Risk Management Decisions	Financial Innovation Decisions	Financial Performance
Mean	3.00	3.50	4.10	3.80	3.80
Median	3.20	4.30	3.90	3.60	4.90
Mode	3.50	4.00	4.60	4.20	4.60
Skewness	-0.224	0.310	-0.559	0.721	-1.023
Std. Error of skewness	0.481	0.721	0.527	0.111	0.005
Kurtosis	0.667	0.415	-0.871	0.192	-0.341
Std. Error of Kurtosis	0.500	0.321	0.497	0.227	0.118
Minimum	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00

Source: Author (2025)

4.3.2 Multicollinearity Test

The multicollinearity Test was performed by using the correlations matrix. Table 13 gives the results of the correlation matrix which shows that the data have low values of correlation suggesting that the data didn't suffer from the problem of multicollinearity and therefore suitable for use in regression model.

Table 13: Multicollinearity Test

		Financial Performance	Financing Decision	Revenue Mgt Decision	Risk Mgt Decision	Financial Innovation
Financial Performance	Pearson Correlation	1				
	Sig.(2-tailed)					
Financing Decision	Pearson Correlation	0.002	1			
	Sig.(2-tailed)					
Revenue Mgt Decision	Pearson Correlation	0.005	0.0029	1		
	Sig.(2-tailed)					
Risk Mgt Decision	Pearson Correlation	0.008	0.0049	0.000	1	
	Sig.(2-tailed)					
Financial Innovation	Pearson Correlation	0.004	0.0011	0.020	0.003	1
	Sig.(2-tailed)					

** Correlations Significance: $p < 0.01$ (two- tail)

Source: Author (2025)

4.3.3 Test of Normality and Heteroscedasticity

The test of normality was superseded by that of the Kurtosis and skewness in the descriptive statistics section where the data was found to be approximately normal. On the other heteroscedasticity wasn't a big issue because the was ordinal with fixed categories with a limited range thus reducing variance fluctuation in the data, a position supported by (Norman, 2010).

4.3.4 Test of Autocorrelation

Autocorrelation test was part of the output diagnostics of the regression model. The study used the Durbin -Watson (DW) test to carry out autocorrelation test. Tuner (2020) argues that a DW value of 2.00 indicates no correlation while lower and higher values indicate positive and negative correlations respectively. A value of 2.18 was obtained for the model in this study implying that the data had negligible negative ($2.00 < 2.18$) correlation.

4.3.5 The Regression Output

The following model was used to obtain the regression output

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_{2+} \beta_3 x_3 + \beta_4 x_4 + \epsilon$$

Where;

Y = Financial Performance,

β_0 = Constant (Y=intercept)

x_1 = Founders' Financing Decisions,

x_2 = Founders' Revenue Management Decisions,

x_3 = Founders' Risk Management Decisions

x_4 = Founders' Financial Innovation Decisions

ϵ = error term (noise term)

Table 14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error	Durbin – Watson
1	0.842[a]	0.709	0.696	0.421	2.18

a. Predictors: (Constant), Financing Decisions, Revenue Management Decisions, Financial Innovation Decisions, Financial Innovation Decisions
b. Dependent variable: Financial Performance

Source: Author (2025)

Table 15: ANOVA

Model	R	Sum of Squares	df	Mean square	F	Sig.
	Regression	69.234	4	17.309	76.233	000[b]
1	Residual	28.522	128	0.223		
	Total	97.756	132			

a. Dependent variable: Financial Performance
b. Predictors: (Constant), Financing Decisions, Revenue Management Decisions, Financial Innovation Decisions, Financial Innovation Decisions

Source: Author (2025)

Table 16: Significance of the Model Coefficients

Model	Unstandardized coefficients		Standardized coefficients	Sig.
	B	Std. Error	Beta	
(Constant)	0.421	0.198		0.035
Financing Decisions	0.287	0.065	0.312	0.000
Revenue Management	0.341	0.059	0.378	0.000
Risk Management	0.189	0.071	0.192	0.253
Innovation Decisions	0.234	0.063	0.256	0.016

Source: Author (2025)

4.4 Discussion and Interpretation of Findings

4.4.1 The Overall Model

The results of the overall model are shown in Tables 14 and 15. From Table 14 the model had an adjusted R-squared of 0.696 indicating that 69.6% of the variation in the dependent variable (financial performance) would be explained by the variation in the independent variables. That means that only 30.4% of the variation in financial performance would be caused by factors other than those under study. This shows that the model had a strong predictive power. From the ANOVA output in Table 15 it can be seen that the F-statistic was 76.233 with a p-value of zero implying that the F -static was significant at all levels of significance meaning that the model was a good fit for the data. From the outputs in Tables 14, 15 and 16 the overall regression model can be expressed as;

Financial Performance = 0.421 + 0.287(Financing Decision) + 0.341(Revenue Management Decision) + 0.189(Risk Management Decision)

+ 0.234(Innovation Decision)

Interpretation of the coefficients is discussed in the next sections.

4.4.2 The Constant

The value of the constant in the regression output in Table 14 was 0.421. This means that if all the independent variables had a value of zero then the financial performance would have a value of 0.421. This value was significant at 0.05 since it had a p-value of 0.035.

4.4.3 Founder's Financing Decisions and Financial Performance

Table 16 shows that the founder's financing decision had a beta (β) of 0.287 which was significant at all levels of significance (p-value of 0 < all α-values). This meant that the founder's financing decision had a significant positive effect on the financial performance of dairy processing plants in Central Kenya for the period under study. Thus, the researcher failed to gather enough evidence in support of the null (H_{01}) hypothesis of there being no statistically significant relationship between founders' financing decisions and financial performance of small-scale dairy processing plants in Central, Kenya and hence the null was rejected. These findings, apart from the context and variable gaps agree with those of agree Gitau (2019), Jepleting, Tarus and Shitote (2024), Muiruri and Mutswenje (2022). Thu-Trang (2020), Karanja and Muthoni (2021) and Chepkorir, Cheruiyot and Kiptoo (2023

4.4.4 Founder's Revenue Management Decisions and Financial Performance

From the output in Table 16 revenue management decision had a beta value of 0.341 which was significant at all levels (p-value of 0 < all α-values) of significance. Thus, the finding by this study was that founder's revenue management decision had a significant positive effect on the financial performance of dairy processing plants in Central Kenya for the period under study. Thus, the researcher failed to gather enough evidence in support of the null (H_{01}) hypothesis of there being no statistically significant relationship between founders' revenue management decisions and financial performance of small-scale dairy processing plants in Central, Kenya and hence the null was rejected. These results agree with those of Pula, Qerimi and Qerimi (2022); Rebiazina, Sharko and Berezka (2024); Mbichi and Maina (2024); Mwangi and Kamau (2021); Achieng and Otieno (2020); Otiso (2022); Wanjiru and Mwangi (2023). Ayuma and Omondi (2023), and Ogohi (2018) but for contextual and methodological gaps.

4.4.5 Founder's Risk Management and Financial Performance

The founder's risk management decision had a beta value of 0.189 with a p-value of 0.253 which was more than all the significance levels (p-value of 0.253 > α-0.05). This meant that the founder's risk management decision had no significant effect on the financial performance of dairy processing plants in Central Kenya for the period under study. The researcher failed to gather enough evidence against the null (H_{03}) of there being no statistically significant relationship between founders' financial risk management decisions and the financial performance of small-scale dairy processing plants in Central, Kenya and hence failed to reject the null. This finding contrasted with those of Ndegwa and Njuguna (2024); Otieno and Wekesa (2023); Nyaga and Ngweyi (2021); Chege and Bula (2021); The research by Kibiego and Muturi (2019); Omedo

and Wanjala (2023); Mwangi (2020); Dlamini and Mokoena (2023); and Owusu et al (2024) who found a positive relationship between risk management and financial performance. The differences in results can be attributed to firm size and sectoral differences coupled with the research methodology employed.

4.4.6 Founder's Innovation Decisions and Financial Performance

Table 16 shows that the founder's innovation decision had a beta (β) of 0.234 which was significant at 0.05 significance level) (p-value of 0.016 < α- value of 0.05). This meant that the founder's innovation decision had a significant positive effect on the financial performance of dairy processing plants in Central Kenya for the period under study. Thus, the research failed to gather enough evidence in support of the null (H_{04}) of there no being a statistically significant relationship between founders' financial innovation decisions and the financial performance of small-scale dairy processing plants in Central, Kenya and this led to the rejection of the null. This finding agrees with the results of Wambua and Chege (2024), Kiiru et al (2023), Odhiambo and Muturi (2023), Mogashoa and Kalitanyi (2023), Mwakera et al (2023) and Kamau and Muturi (202), Makanyeza and Dzuke (2015), Muiruri and Mutswenje (2022), Mburu and Kamau (2022) and Nkatha and Waweru (2021). The findings further partially deviate from those of Hai et al (2022) that suggested a U-shaped relationship and hence implying that innovation may not immediately lead to improved financial performance but a while.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter gives the summary of the findings on each of the four objectives of the study, the conclusions drawn from those findings, the recommendations based on the convulsions and the suggested areas of further research.

5.1 Summary of Findings

Preliminary observation on the operation of dairy processing plants revealed the following: The demographics on County of operation showed that Kiambu County had the highest percentage of dairy processing plants in the sample while Kirinyaga had the lowest. On the number of years of operation majority of business were found to have been in existence for less than three years and with a daily average processing capacity of 3001 – 5000 litres**.**

Founder's level of involvement on the running of the dairy processing plants was found to be low and instead preferring to be involved either in financial and strategic decisions or to be occasionally consulted, founder's physical presence was scarce and dominant mode of founder's participation was through delegation to a representative /team member. Rarely did founders have a final say on financial matters preferring to instead leave it to the department manager/Supervisor.

Concerning the findings on the objectives the study the study found the following: on the first objective which was to investigate the influence of founder's financing

decisions on Financial Performance the study found a significant positive effect of founder's financing decisions on the financial performance of dairy processing plants in central Kenya for the period under study. the second objective sought to determine the effect of the founder's revenue management decisions on financial performance and the study found that the founder's revenue management decisions had a significant positive effect on the financial performance of dairy processing plants in Central Kenya for the period under study.

The third objective sought to investigate the effect of founder's risk management on financial performance and the study found that founder's risk management decision had no significant effect on the financial performance of dairy processing plants in Central Kenya for the period under study. The last objective of the study was to determine the influence of the founder's innovation decisions on financial performance and the study found that the founder's Innovation decision had a significant positive effect on the financial performance of dairy processing plants in Central Kenya for the period under study.

5.2 Conclusions

The conclusions were made based on both the preliminary observations and the study findings. Since majority off the businesses had been in operation for a period of three years it would be concluded that most of the dairy processing plants in in Central Kenya do not survive beyond the third year of operation for the period under study. This conclusion is supported by the preliminary finding that the founder's level of involvement on the running of the dairy processing plants was low, the founder's physical presence at the processing plant was scarce, and rarely did founders have a

final say on financial matters affecting the dairy processing plants. The conclusions on the on the test of hypothesis were as follows:

Concerning the first objective, the null hypothesis was rejected and given a positive beta value the study thus concluded that there was enough evidence to suggest that the founder's financing decisions had a statistically significant positive effect on the financial performance of small-scale dairy processing plants in Central, Kenya. On the second objective, the null hypothesis was rejected and given a positive beta value the study thus concluded that there was enough evidence to suggest that the founder's revenue management decisions had a statistically significant positive effect on the financial performance of small-scale dairy processing plants in Central, Kenya

The third objective sought to determine the effect of founders' risk management decisions on firm performance. The study failed to reject the null hypothesis of there no being a significant relationship between founders' risk management and financial performance. The study thus concluded that there was not enough evidence to suggest that the founder's financial risk management decisions had a statistically significant positive effect on the financial performance of small-scale dairy processing plants in Central, Kenya. On the fourth objective, the null hypothesis was rejected and given a positive beta value the study thus concluded that there was enough evidence to suggest that the founder's founders' financial innovation decisions had a statistically significant positive effect on the financial performance of small-scale dairy processing plants in Central, Kenya

5.3 Recommendations

The findings of the study have implications on strategy and policy for the founders of the dairy processing plants in Central, Kenya. The study makes the following recommendations; the founder's financing decisions were significant and this study recommends founders get more involved in decisions involving the financing of the dairy processing plants in Central, Kenya. The founders should actively participate in identifying and in the making financing arrangements with the potential creditors; the founder's revenue management decisions were significant and this study recommends founders should be a part of the team involved in revenue management decisions of the dairy processing plants in Central, Kenya. Founders should help in identifying/creating revenue streams and prudently managing them; the founder's risk management decisions were insignificant in determining financial performance. This study recommends that the founders seek training on the various enterprise risk management techniques for dairy processing plants and practice the same in managing their firms; and the founder's innovation management decisions were significant and this study recommends that founders should encourage and strengthen innovation pillars in order to increase productivity and to survive in a highly competitive environment.

5.4 Limitations of the Study

While conducting this study a number of factors or aspects that would have a potential impact on the findings of the study were outside the control of the researcher. This included both the target and study population as the number of registered dairy processing plants in central Kenya and the number of various employees and other stakeholders in the dairy processing plants. Further the researcher did not have control on the locations and sizes of the dairy processing SMEs. The researcher also had no

means of ensuring honest and sincerity in the responses provided on the questionnaire items. The study mainly targeted the decisions of the founders and responses from people other than the founders would be based on their own perceptions which would be correct or incorrect thus casting a limitation on the accuracy of the data corrected. Finally, as much the research to tried to improve the response rate, there was absolutely no way of ensuring 100% response rate.

5.5 Suggested Areas of Further Research

Based on the findings and the limitations of the researcher recommendations the following areas for further research; A study of the major causes of the failure of dairy processing plant start-ups in Central Kenya; Founder business attitudes and dairy processing plat survival rates in in Central Kenya; and a Cross-county comparative study of the effect of entrepreneurial mind on the performance of milk processing plants.

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APPENDICES

Appendix I: Data Collection Letter

THE CATHOLIC UNIVERSITY OF EASTERN AFRICA
A.M.E.C.E.A

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Our Ref: CUEA/SoBE/GBS/JM/mba.rec/394/2025

29th July 2025

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: SOPHIA N. NJUGUNA– REG NO: 1048954

The above named is a student at The Catholic University of Eastern Africa, Nairobi—Kenya, in the School of Business & Economics, Department of Graduate Business Studies. She is pursuing a Master of Business Administration degree (Finance Option).

As part of the MBA degree requirements, the University expects the student to write a research thesis. Sophia requires your assistance in carrying out her research study by providing her with a research permit and/or the necessary information. Her thesis is entitled; ***"Founders' Business Decisions and Financial Performance of Small-Scale Dairy Processing Plants in Central, Kenya."***

Any assistance accorded to Sophia will be highly appreciated. All the information provided will be used purely for academic purposes and will be treated with utmost confidentiality.

Thank you.

Yours faithfully,

29 JUL 2025

Dr. Joseph Macheru, PhD., CPA-K
HEAD OF DEPARTMENT – GRADUATE BUSINESS STUDIES

Appendix II: Questionnaire

ACADEMIC RESEARCH QUESTIONNAIRE.

RESEARCH TOPIC:

FOUNDERS' BUSINESS DECISIONS AND FINANCIAL PERFORMANCE OF SMALL-SCALE DAIRY PROCESSING PLANTS IN CENTRAL, KENYA

Dear Respondent,

My name is Sophie N Njuguna. I am conducting this academic research as part of the requirements for the award of a Master's degree in Finance, and also to make contributions beneficial to Business operations as a Financial Practitioner.

This study investigates how Founders' business decisions influence the financial performance of small-scale dairy processing plants in Central Kenya. The findings are expected to generate practical insights that will inform strategic decision-making, support policy development, and enhance financial sustainability not only in the dairy sector but across similar small and medium-sized enterprises (SMEs).

Research Authorization & Ethical Considerations

This research has been officially approved by the relevant academic and ethical review bodies at the University. All ethical standards have been strictly observed to ensure the voluntary participation, confidentiality, and privacy of every respondent. Your responses will be used solely for academic purposes and will be reported in a way that ensures you cannot be personally identified.

Instructions for Completing the Questionnaire

- → The questionnaire consists of short, structured sections and will take approximately 10–12 minutes to complete.
- → Please answer each question honestly and based on your experience or knowledge.
- → For scaled questions, tick (✓) only one box per statement using the scale provided.
- → If unsure, select the most appropriate option
- → Your participation is voluntary, but your contribution is of great value.
- → By taking part in this study, you are supporting research that seeks to improve the financial performance and sustainability of dairy enterprises and other similar businesses in Kenya and beyond.
- → Kindly complete and submit the questionnaire within the next 2 days and submit for the timely bound exercise.

Thank you so much for your contributions.

Sincerely,
Sophie Njuguna

Email; Sophien.sherryl@gmail.com Phone; 0721499302

PART ONE: BACKGROUND INFORMATION

1) **County of Operation**

Nyeri { } Kiambu { } Murang'a { } Kirinyaga { } Nyandarua { }

2) **How long has this business been operational?**

Less than 1 year { } 1–3 years { } 4–6 years { } 7-10 years { } Over 10 years { }

3) **What is the average daily milk processing capacity in Liters for this plant or business unit?**

500 L { } 500 – 1,000 L{ } 1,001 – 3,000 L{ } 3,001 – 5,000 L{ } Above 5,000 L{ }

4) **What is your current role in this dairy processing business?**

A. Founder / Owner { }
B. CEO/Managing Director / General Manager { }
C. Finance Manager { }
D. Operations Manager { }
E. Marketing Manager { }
F. Milk suppliers / Milk Co-operatives { }
G. Distributor of Finished Products { }
H. Industry Experts/ Consultants { }
I. County / Local / Administrators /Regulators { }
J. Any Other Role [Please Specify] -

5) **What is the founder's level of involvement in key business decisions?**

A. Fully involved in all major decisions { }
B. Mainly involved in financial and strategic decisions only { }
C. Consulted occasionally, but not fully involved { }
D. Not involved in daily or strategic decisions { }

6) **How frequently is the founder of the dairy plant physically present at the plant?**

A. Daily { }
B. Several times a week { }
C. Once a week { }
D. A few times in a month { }
E. Rarely { }
F. On need basis { }
G. Never { }

7) **What is the primary mode through which the Founder participates in management decisions, meetings, or crisis related to Finance, Marketing, Technology, and Risk (Select one only)**

A. Physically attends decision-making meetings { }
B. Participates via video conferencing (e.g., Zoom, Google Meet) { }
C. Participates via phone calls { }
D. Engages through WhatsApp messages/groups { }
E. Communicates through emails { }
F. Delegates participation to a representative or team member { }
G. Does not participate in these decisions { }

8) **Who currently makes the final decision regarding financial matters such as capital, Marketing, Technology, and risk management?**

i. The Founder { }
ii. CEO/Managing Director (not the founder) { }
iii. The Founder in collaboration with Other Stakeholders { }
iv. Departmental Manager/ Supervisor { }
v. Board of Directors / Committee { }
vi. Finance department Management { }
vii. External consultants or various Experts { }

PART TWO: STUDY VARIABLES

Section A: Founders' Financing Decisions

Please indicate your agreement with the statements regarding the Founder's Financing Decision. Tick (✓) only one box per statement using the scale: 1 =Strongly Disagree, 2 = Disagree, 3 = Moderate agreement, 4 =Agree, 5= Strongly Agree.

Statements	1	2	3	4	5
The Founders Capability to provide the start-up capital at the early stages of the business significantly shaped its financial growth trajectory.					
Limited Founder's input in mobilizing start -up capital has previously constrained expansions, acquisition or opportunities.					
Regular founder-led reviews and solutions of cash flow status contribute to better working capital stability and operational clarity.					
Cash flow disruptions are more frequent in businesses where founders are detached from day-to-day financial operations.					
Founder participation in financial planning processes has helped align budgeting with actual business needs.					
Inadequate involvement of the founder in budgeting often leads to unrealistic or misaligned financial projections.					
When the founder collaborates closely with the finance team, forecasting accuracy tends to improve.					
The lack of clear oversight from the founder has occasionally resulted in poor working capital allocation.					
Founders who actively monitor capital usage support faster response to financial shocks, financial disruptions or failure.					
The founder's visibility in financial forecasting, allocation and reporting has attracted potential investors, partners confidence and financing options.					

Section B: Founders' Revenue Management Decisions

Kindly indicate the extent to which you agree with each of the statements. Tick (✓) only one box per statement using the scale: 1 =Strongly Disagree, 2 = Disagree, 3 = Moderate agreement, 4 =Agree, 5= Strongly Agree.

Statements	1	2	3	4	5
The Founder's approach and involvement in setting product prices have ensured profitability and market competitiveness.					

Founder is least engaged in factors that contribute the Cost of Raw Materials, Production, Distribution and miscellaneous costs					
The Sales volumes, Revenue and Cashflows improve when the founder carefully evaluates and adopts the sales or payments options such as cash or credit.					
When the founder is not actively involved in sales and marketing decisions, the revenue earned at a given period goes down.					
The sales method adopted without the founder's participations makes it hard to attract new customers and retain					
The Founder has established a Credit Control Systems that have guarantee Cashflows, Minimize bad debts and attract customers.					
The founder's developments in adding diverse varieties and different types and varieties of products has helped the business earn more income.					
When the founder is not closely involved in adding new products, the business incurs low sales and sometimes lost money.					
The business has grown steadily when the founder introduced new and creative product ideas.					
When the founder is not involved in setting prices, making sales decisions, and choice of products the revenue or profitability declines.					
The Management entirely relies on the Founder to advise or make alignments on Marketing Decisions when Sales, Revenue or Profitability drops.					

Section C: Financial Risk Management

Please indicate the extent to which you agree with each of the following statements regarding the financial risk management. Tick (✓) only one box per statement using the scale: 1 =Strongly Disagree, 2 = Disagree, 3 = Moderate agreement, 4 =Agree, 5= Strongly Agree.

Statements	1	2	3	4	5
The founder has taken adequate steps in setting up processes that protect the business from losing money, and customers in the event of unexpected problems.					
The Business has in the past suffered significant Financial Losses or Disruption from unforeseen incidences					
The founder regularly reviews customer payment behavior and adjusts credit limits accordingly					
Weak enforcement of customer payment terms and Collection efforts have often exposed the business to cash flow shortages and overdue debts					
The founder regularly invests in systems that prevent costly quality issues such as spoilage and contaminations.					
There is little knowledge, attention paid or efforts in matters affecting Product quality control and guarantee.					
Product quality issues have led to financial losses, Reworks customer complaints or loss of market in the past few years.					
The founder actively establishes and reviews financial implications to safeguards to minimize losses during crises or disruptions.					
The Founder engages experts to analyze, participate and advice on various matters that affect the industry					

Risk identification, mitigation and turn around measures are treated as essential to financial health at the decision-making level.					

Section D: Financial Innovations Decisions

Please indicate your agreement with each of the following statements. Tick (✓) only one box per statement using the scale: 1 =Strongly Disagree, 2 = Disagree, 3 = Moderate agreement, 4 =Agree, 5= Strongly Agree.

Statements	1	2	3	4	5
The Founder has significantly invested and continues to advance in Innovations and Technology adoptions					
The Dairy Plant utilizes various Software solutions for Bookkeeping, Stock Control, sales and customer tracking to support strategic decisions					
The Founder is Tech Savy and enhances digital Literacy, utilization and applications in the various operation elements of the Processing plant.					
The utilization of Financial digital platforms in wiring and receiving payments has enhanced Internal controls and minimized operational losses.					
The Plant has adopted mechanization for all the applicable functions at the Processing plant to enhance efficiency.					
The founder is keen to allocate Finances for acquisition of new machinery, update existing machinery and servicing existing machinery.					
Product quality, customer feedback and revenue is not affected whether the plant utilizes manual or the mechanized processes in production and packaging.					
The Founder prefers to outsource technical personnel and services as a cost saving tool instead of engaging in fulltime employment.					
Outsourcing specialized functions does not have any impact on operations, overall costs implications. Product quality, Revenue and customer perceptions.					
There are enhanced product quality and guarantee, Revenue and positive customer feedback when the founder engages external experts for solutions.					
Experts in various departments of Finance, Milk production, Supplies and marketing have successfully identified, reported or rectified on detrimental factors that were previously difficult to handle internally					

Section E: Financial performance

Please indicate the extent to which you agree with each of the following statements regarding the financial performance of your business based on Return on Investment (ROI).

Tick (✓) only one box per statement using the scale: 1 =Strongly Disagree, 2 = Disagree, 3 = Moderate agreement, 4 =Agree, 5= Strongly Agree.

Statements	1	2	3	4	5
The business consistently generates adequate returns from its investments.					
The Investments made have contributed positively to the business's financial growth.					

Profit margins have steadily improved over the last 3 financial years.					
The Business did not achieve the Break Even Point in the First 12 Months of operation.					
The business has achieved favorable and significant earnings in proportion to the capital invested.					
Reinvestment of profits has led to sustainable business expansion and improved performance.					
Suppliers, Service providers and employees' payments are always paid in time and as per the contract terms.					
Operational expenses have exceeded the Revenue generated at any given month in the last 15 Months					
The Dairy Plant has remitted Loan instalments later than the due date in the last one year.					
The business recovers its investment costs within a reasonable or expected timeframe.					
Financial returns from business operations have remained stable or improved over time.					
Employees have left the organization citing delays in disbursements of salaries or low scale rate as compared to the market.					
Capital invested in the business has not led to measurable and tangible financial growth					
Capital employed in the business has been justified by the resulting financial outcomes.					
Investments in key operational areas have generated returns that support overall growth.					
There are no adequate Retained earnings available to finance the next phase of Business expansion.					
The business Loan book and borrowings increased in the current financial year as compared to the last period.					

PART THREE: FINAL REMARKS

Based on your observations please rate how Founder's involvement and leadership impacted the overall performance of this dairy plant in the following Departments

Tick (✓) only one box per statement using the scale: 1 = Very Unsatisfied, 2 = Unsatisfied, 3 = Neutral, 4 =Satisfied, 5= Very Satisfied.

Finance Department					
Operations Department					
Marketing Department					

In your opinion, what are the most important business decisions that a founder can make to improve the financial performance of a small-scale dairy processing plant?

From your perspective, what key roles should a founder play to ensure the long-term success of any small or medium-sized enterprise (SME), regardless of the industry?

********** THE END**********