Innovations

Social Capital and Sustainability of Family Business in South-East Nigeria

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Abstract: *This study investigated the impact of social capital on the sustainability of family enterprises in South-East Nigeria, using a survey strategy and data from 9,731 small and medium enterprises (SMEs). A sample amount of 518 was finalised using Cochran's formula, and Bowley's proportional allocation technique was used to distribute the questionnaires. Reliability was tested using the test-retest method and Spearman's Rank Order Correlation Coefficient, yielding a reliability coefficient of 0.93. Two hypotheses were tested using Ordinary Least Square Regression at a 0.05 significance level. The findings showed that Interpersonal relationships positively affected innovation ($R = .764$; $p < 0.05$); Internal social networks positively impacted financial performance ($R = .932$; $p < 0.05$). The investigation established that critical factors of social capital, such as interpersonal relationships and internal social networks, are crucial for the sustainability and longevity of family businesses in South-East Nigeria. It recommended that these factors be identified and effectively implemented to ensure a successful trans-generational transition.*

Keywords: Social capital, Sustainability, Family business, internal social networks

Introduction

1.1 Background to the Study

Family businesses have been essential to national economies since ancient times, significantly contributing to Western civilisation's development including Greek and Roman societies (Bird et al., 2020). These firms continue to play a critical role in local economies worldwide, representing a majority of businesses and contributing over 70% of global GDP (Family Firm Institute, 2017; Debellis et al., 2021). They employ around 60% of the global workforce (Arregle et al., 2021) and are crucial in both developed and emerging markets (Ramadani et al., 2020).

Typically, family businesses are owned by single families and involve multiple generations in decision-making, aiming to achieve family-oriented goals (Jain et al., 2022). Despite their economic significance, succession remains a challenge with only a third of family firms surviving to the second generation due to poor planning (Mokhber et al., 2017). Their success is attributed to unique competitive strategies, faster decision-making, and strong cultural values (Daspit, Long, & Pearson, 2019).

Social capital is vital for the sustainability and competitiveness of family businesses as agents in promoting collaboration and knowledge sharing which increases performance and innovation (Pucheta-Martínez & Gallego-Álvarez, 2020). Family business leaders must balance environmental challenges with preserving family values to ensure long-term survivability (Aronoff & Ward, 1995). This study examines the role of social capital in the sustainability of family businesses in South-east Nigeria.

1.2 Statement of the Problem

The problem at hand is the high mortality rate of family firms in Nigeria, which closely parallels the lifespan of their founders. Despite their significant role in creating jobs, building legacies, generating wealth, and contributing to the global economy, family businesses in Nigeria face an alarmingly low survival rate outside the founder's generation. This issue is exacerbated by Nigeria's particularly severe scenario of family business failures. The high mortality of these firms poses a serious problem that demands urgent attention due to its detrimental impact on the national economy. Additionally, the decline in family businesses correlates with a rise in social vices such as drug abuse, human trafficking, robbery, prostitution, kidnapping, ritual killings, cybercrime, banditry, and terrorism, which have become increasingly prevalent in various parts of the country. The lack of longevity in this vital economic sector is a persistent concern, underscoring the need for this research.

1.3 Objectives of the Study

The broad objective of this inquiry is to investigate the impact of social capital on the sustainability of family businesses in South-East Nigeria. However, the specific objectives of this research are to:

i.) Ascertain the level to which interpersonal relationships impact the innovation of family business.

ii.) Assess the extent to which internal social networks affect the financial performance of family businesses.

2.0 Review of Related Literature

2.1.1 Social Capital

Social capital refers to the resources gained through networks based on mutual relationships, providing access to essential resources not directly owned by family businesses. It plays a critical role in entrepreneurial success and organizational survival, especially in the digital age. Social capital, as a key component of human resources (Fukuyama, 1997), includes both real and potential resources available through networks (Schlepphorst et al., 2020). It is not a single entity but a framework that facilitates beneficial actions, influencing outcomes like reduced school dropout rates through family involvement (Bem, 2008; Shabbir et al., 2020). Bridging social capital connects innovation networks to their environments, promoting regional innovation (Espinoza & Presbitero, 2021). Social capital enhances organizational and individual capabilities by optimizing networks for shared benefit, fostering personal and social development (Fafchamps & Minten, 2012; Drakopoulou & Anderson, 2018).

2.2.2 Business Sustainability

Sustainability first emphasized in the Brundtland Report (1987), refers to development that meets present needs without compromising future generations (Stroumpoulis et al., 2021; Negri et al., 2021). Businesses are increasingly expected to integrate ecological, environmental, and socio-political concerns into their strategies, which enhances competitiveness and long-term market survival (Strandhagen et al., 2017). For family businesses, sustainability follows a triple bottom line approach, balancing economic, social, and environmental factors (Mahajan & Montu, 2018). Achieving sustainability in family firms presents unique challenges, including balancing socio-emotional wealth with financial performance (Cennamo et al., 2012a; Gómez-Mejía et al., 2007b).

2.2.3 Interpersonal Relationships and Family Firm Innovation

In family firms, innovation is largely driven by family-level social capital (SC), where strong interpersonal relationships foster trust, communication, and collaboration, creating an environment conducive to innovation. Family SC, built on shared values and goals, helps integrate resources and develop strategies. Non-family SC plays a vital role in bringing new expertise and enhancing the firm's absorptive capacity, contributing to entrepreneurship and innovation. The interaction between family and non-family SC is complementary, as family SC facilitates knowledge transformation, while non-family SC brings diversity and external networks, strengthening innovation. Combining both helps overcome resistance to change and broadens innovation potential.

2.2.4 Internal Social Networks and Firms' Financial Performance

An entrepreneur's internal social network plays a crucial role in financial performance by providing access to resources and reducing operational costs (Stam et al., 2014; Fafchamps & Minten, 2002). Family firms that use social capital for innovation see improved financial outcomes (Agyapong et al., 2017). Internal social capital is key for product development and market expansion, especially in price-sensitive environments like Nigeria (Sanchez-Famoso et al., 2014). Both internal and external networks contribute to social capital, enhancing corporate social responsibility (CSR) and limiting unethical practices (Jin-fang et al., 2020; Gao et al., 2021). Effective use of social capital boosts a firm's corporate value, market dominance, and financial performance, acting as a competitive barrier (Jiang et al., 2021; Shi, 2003).

2.3 Theoretical Review

2.3.1 Principal-Agent Theory

Principal-agent theory (PAT) explores problems stemming from conflicts of interest and information asymmetry between two parties involved in a contractual relationship (Jensen & Meckling, 1976; Ross, 1973). The theory posits that individuals are inclined to act opportunistically, meaning that the agent, one of the parties, might prioritise their interests over those of the principal, the other party. This tendency can give rise to issues such as moral hazard (Holmström, 1979) and adverse selection (Eisenhardt, 1989; Jensen & Meckling, 1976). The charges associated with managing these agency problems, such as implementing control or incentive systems, are known as "agency costs" (Jensen & Meckling, 1976).A key assumption of PAT is that agency costs arise from the separation of ownership and control (Fama & Jensen, 1983). When executives hold an equity stake in the corporation, agency expenses are reduced (Ang, Cole & Lin, 2000; Lubatkin& Dino, 2002). Their investment in the business discourages opportunistic behaviour. However, family businesses may require fewer investments in control mechanisms due to their unique structure.

2.4 Empirical Review

Jorge-Humberto et al. (2020) explored how interpersonal social capital influences innovation in small and medium-sized family firms, concluding that trust and strong relationships enhance collaboration and decision-making crucial for innovation. Olamide et al. (2019) examined social capital's role in business performance in Nigeria's informal sector, finding that internal social capital improved non-financial outcomes, while external social capital had minimal impact. Yao & Meng (2022) studied the link between social capital and financial well-being in China's corporate sector, revealing that strong social networks

improve entrepreneurial financial performance. Each study, though geographically distinct, emphasizes the importance of social capital in enhancing business outcomes.

3.0 Methodology

3.1 Research Design

The study adopted the Survey Research Design. Quantitative and qualitative methods were used to generate data for the study. The qualitative and qualitative methods were used because they were suitable for attracting primary data to elicit responses and for using secondary information from textbooks and academic and professional journals to extract information from previous research.

3.2 Population of the Study

The population of the study is 9,731family-owned businesses (small and medium enterprises) founded in south-eastern Nigeria.

Table 3.1: Family Owned Business (SMEs) by State

State	Small	Medium		Total	
Abia	2, 289	53		2, 342	
Anambra	1,455	49		1,504	
Ebonyi	2, 404	29		2, 433	
Enugu	1, 404	28		1, 432	
Imo	1, 976	44		2, 020	
Total	**9, 528**	203		9,731	

Source: SMEDAN and National Bureau of Statistics Collaborative survey (2018)

3.3 Sample Size Determination

The researcher utilised the Cochran (1963) formula to determine the sample size, as outlined below:

$$n = \frac{Z^2 N_{pq}}{N_e^2 + Z^2_{pq}}$$

Where:

n = the sample size

Z = Normal Distribution (1.96^2)

q = Proportion of the population not likely to be included in the sample (50% or 0.5 is assumed)

p = Proportion of the population likely to be included in the sample (50% or 0.5 is assumed)
N = Total Population (9,731)
e = Margin of error (0.5).

Substituting the above formula determines a sample size of 370 respondents.

The present sample size is apparently inadequate for the scope of the study. Therefore, as suggested by Unyimadu (2005), bigger sample sizes give a better representation of the population, henceprovidinga more reliable and valid outcome. Bearing this in mind, the researcher aligned with Israel's (1992) proposition to enlarge the sample size by 30%, that is, 370*30% (adding 111 participants) to accommodate potential non-responses and 10% (481*10% to take care of incomplete questionnaires.
Initially set at 370 participants, the sample size was increased to 518. This adjustment aimed to achieve the desired confidence, validity, and precision levels. By enlarging the sample size and accounting for potential data gaps, the research strives to enhance the robustness and representativeness of its findings within the study's context.

3.4 Determination of Individual States Sample Size

The formula derived by Bowley (1964), as cited in Onwubiko, Ehikwe, and Onwuka (2013), will be used to determine the individual state samples of the five states within the south-eastern geopolitical region of Nigeria, as shown below:

$$nh = \frac{nNh}{N}$$

Where:
n = Sample size of the entire population.
nh = Size of the respondents required
Nh = Total number of business owners in each organisation
N = Total population size.

Table 3.2: Family Owned Business (SMEs) by State

State	Small	Medium	Total	Each State	
Abia	2, 289	53	2, 342	2,	342*518/9, 125
Anambra	1,455	49	1,504	1,	504*518/9, 80
Ebonyi	2, 404	29	2, 433	2,	433*518/9, 129
Enugu	1, 404	28	1, 432	1,	432*518/9, 76
1mo	1, 976	44	2, 020	2,	020*518/9, 108
Total	**9,528**	**203**	**9,731**		**518**

Source: Researcher computation (2024)

3.5 Model Specification

The model for this study is based on insights from various studies. The functional form of the model is presented below:

INN= f = (IR) - - - - - - - - -1
PER = f = (ISN) - - - - - - - - -2

IR = Interpersonal Relationships
ISN = Internal Social Networks
INN = Innovation
ISN = Internal Social Networks

Equations 1 and 2 represent the functional forms where the innovation of family business is a function of interpersonal relationships. In addition, equation 1 indicates that performance is also a function of internal social networks. Therefore, equations 1 and 2 are specified as follows:

$INN = \beta o + \beta 1\ IR + \mu i$ - - - - -3
$ISN = \alpha o + \alpha 1\ ISN + + \varepsilon i$ - - - - -4

Whereas $\beta 1$ and $\alpha 1$ are the parameters to be anticipated, while the ui and εi are the error terms.

3.6 Validity Reliability of Research Instrument

The content validity was used and achieved through pre-testing, rephrasing for simplicity, and ensuring comprehensive exposure to the research's goals. The process aimed to ensure the instrument's adequacy, appropriateness, inclusiveness, and relevance. To ensure reliability, the test-retest method was used. The questionnaire was administered to 25 respondents from family businesses in South-East Nigeria and then re-administered after two weeks. The dual sets of responses were associated via Spearman's rank-order correlation constant, with the resulting (r) being 0.93. This superior positive relationship suggests that the instrument (questionnaire) in this investigation is dependable.

Decision Rule
Reject alternate hypothesis (Ha) if P-Value < 0.05 and do not reject if otherwise.

4.0 Data Presentation, Analyses and Discussion Of Findings

4.1 Data Presentation

Table 4.1 Demographic Characteristics of the Sample of Respondents (Founders/Successors and Top Management) of Selected Small and Medium Family Businesses

S/N	Characteristics/ Variables	Descriptive Statistics		
		Mean(sd)	Frequency	Percentage
1	**Gender**			
	Male		325	64.7
	Female		177	35.5
2	**Marital status**			
	Single		76	15.1
	Married		328	65.3
	Divorced		23	4.6
	Remarried		19	3.8
	Widowed		56	11.2
3	**Highest Education Level**			
	PhD		23	4.6
	M.Sc/MA/MBA/MPA		67	13.3

Contd.

S/N	Characteristics/ Variables	Descriptive Statistics		
		Mean(sd)	Frequency	Percentage
4	**Highest Education Level**			
	Professional Qualification		34	6.8
	HND/B.Sc/B.A		102	20.3
	ND/NCE and others		276	55.0
5	**Designation/Cadre**			
	Founders		375	71.1
	Successors		123	24.5
	Top Management		22	4.4

Source: Researcher's Survey, 2024.

Table 4.1 presents the descriptive statistics of the demographic factors of the sample data from respondents of family businesses in South-East Nigeria.

i.) Gender: The data revealed that, among the respondents, 325 (64.7%) were male, while 177 (35.3%) were female in the gender distribution of founders, successors, and top management within family businesses in South-East Nigeria.

ii.) Marital Status: The breakdown in table 4.1 showed that 76 respondents (15.1%) were single, 328 (65.3%) were married, 23 (4.6%) were divorced, 19 (3.8%) were remarried, and 56 (11.2%) were widowed. The data indicated that the majority of the research participants were married.

iii.) Highest Education Level: In table 4.1, the sample included 23 (4.6%) respondents with a PhD, 67 (13.3%) with an M.Sc./M.A./MBA/MPA, 34 (6.8%) with professional qualifications, 102 (20.3%) with an HND/B.Sc./BA, and 276 (55.0%) with an ND/NCE and other qualifications. The indicators denoted that family ventures in South-East Nigeria attracted individuals with a wide range of educational qualifications, which might contribute to their longevity.

iv.) Designation/Staff Cadre: In table 4.1, the statistics demonstrated that 357 (71.1%) were founders, 123 (24.5%) were successors, and 22 (4.4%) were top management staff across South-East Nigeria.

Table 4.2 Descriptive analyses of items on interpersonal relationship/innovation of family business dimension of social capital factors for sustainability of family businesses in South -East, Nigeria

S/N Description	SA 5	A 4	U 3	D 2	SD 1	(×)
1 Interpersonal relationship has a positive impact on innovation	123 (24.5)	97 (19.3)	52 (10.4)	141 (28.1)	89 (17.7)	3.0
2 Family members who work in this firm view themselves as partners in charting the firm's direction in innovativeness.	215 (42.8)	203 (40.4)	34 (6.8)	35 (7.0)	15 (3.0)	4.1
3 Influence of predecessors alter the production of innovation by their	165 (32.9)	217 (43.2)	13 (2.6)	40 (8.0)	67 (13.3)	3.7

4 The second generation interns in the company, building connections with partners, cooperators, and government contacts.	112 (22.3)	216 (43.1)	- -	97 (19.3)	77 (15.3)	3.4
5Communication from the incumbents to the successors helps to maintain the innovation level	113 (22.5)	176 (35.1)	14 (2.8)	132 (26.3)	67 (13.3)	3.3

Source: Research Survey, 2023

Table 4.2 reveals how interpersonal relationships and innovation impact the sustainability of family enterprises in South-East Nigeria. These scores, all over the criterion average of 3 on a 5-point Likert scale, indicate strong agreement. Conversely, respondents disagreed that innovation increases over generations (2.8), as shown by the benchmark.

Table 4.3: Descriptive analyses of items on internal social network/financial performance dimension of social capital factors for sustainability of family businesses in South-East Nigeria.

S/N	**Descript**	**SA**	**A**	**U**	**D**	**SD**	**(X)**
1		**5**		**4**	**3**		**2**
14 Internal social networks help entrepreneurs access external information and recognise potential opportunities.		113 (22.5)	215 (42.8)	25 (5.0)	123 (24.5)	26 (5.2)	3.5
15 Firm's network or "connection" beyond their community serves as new sources of knowledge and innovation		227 (45.2)	115 (22.9)	- -	93 (18.5)	67 (13.4)	3.7
16 Entrepreneurs who engaged in more extensive social interactions were found to have superior overall financial well-being and financial		122 (24.3)	169 (53.6)	16 (3.2)	52 (10.4)	43 (8.5)	3.0
17 It improves the firm's potential to acquire and exchange new knowledge and incentivises collaboration for innovation		193 (38.4)	210 (41.8)	19 (3.8)	57 (11.4)	23 (4.6)	4.0

18 Social capital for SMEsthroughincentivisingcollaboration andexternalnetworkingimproved	97 (19.3)	156 (31.	57 (11. 4)	121 (24. 1)	71 (14.1)	3.2
19Social interactions and the personal traits of entrepreneurs and managers impact the performance of their organisations.	86 15.9)	129 (25. 7)	14 (2.8)	182 (36. 3)	97 (19.3)	2.9
20The success of small and medium-sized enterprises (SMEs) is largely influenced by their ability to access financial capital.	49 (9.8)	123 (24. 5)	33 (6.6)	215 (42. 8)	82 (16.3)	2.7
Effects of Linking Social Capital On Financial Performance						
21 Social capital helps entrepreneurs identify opportunities and establish firm legitimacy through their network connections.	129 (25. 7)	147 29.3)	20 (4.0)	153 (30. 5)	53 (10. 5)	3. 3
22Social capital, facilitated by networks, helps mitigate information asymmetry in credit and debit relationships.	49 (9.8)	104 (20. 7)	26 (5.2)	187 (37. 3)	136 (27)	2. 5
Social capital, embedded in entrepreneurs' personal networks, is vital for the performance of small-sized firms.	77 (15. 3)	105 (20. 9)	53 (10. 6)	189 (37.	78 (15. 6)	2. 8
The growth of SMEs is strongly influenced by social capital, especially through connections with other entrepreneurs in their network.	123 (24. 5)	189 (37. 6)	13 (2.6)	119 (23. 7)	58 (11. 6)	3. 4

Source: Research Survey, 2023.

The above scores, all above the criterion mean of 3 on a 5-point Likert scale, indicate strong agreement. Conversely, respondents disagreed that social interaction skills and personal characteristics of entrepreneurs and managers influence organisational performance (2.9), SME success is determined by access to financial capital (2.7), social networks reduce information irregularity in credit and debit relationships (2.5), and personal network resources are critical for small firm performance (2.8). These scores, below the benchmark mean of 3, indicate disagreement with these statements.

4.2 Test of Hypotheses

Research Hypothesis One:

H_a: Interpersonal relationships have a significant positive effect on the innovation of family business.

Table 4.4 Regression Analysis of Variance (F) on the Effect of Interpersonal Relationships on the Innovation of Family Businesses in South-East Nigeria

Table 4.4a: Descriptive Statistics

	Mean	**Std. Deviation**	**N**
Interpersonal relationship	2.9522	1.47152	502
Innovation of family business	2.4104	.88564	502

Source: *SPSS version 25 computation*

Table 4.4b: **Model Summary**

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.764[a]	.684	.683	.95036	.023

Source: *SPSS version 25 computation*

a. Predictors: (Constant) Interpersonal relationship

b. Dependent Variable: Innovation of family business

Table 4.4c: ANOVA[a]

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	633.260	1	633.260	701.142	.000[b]
	Residual	451.592	500	.903		
	Total	1084.853	501			

Source: *SPSS version 25 computation*

a. Dependent Variable: Innovation of family business

b. Predictors: (Constant) Interpersonal relationship

Table 4.4d: Coefficients[a]

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	**Std. Error**	**Beta**		
1	(Constant)	.527	.101		5.222	.000
	Interpersonal relationship	1.269	.048	.764	26.479	.000

Source: *SPSS version 25 computation*

a. Dependent Variable: Innovation of family business

Result Summary

R = .764

R^2 = .684

F = 701.142

T = 26.479

DW = .023

Interpretation of the Result

Table 4.4a presents the descriptive statistics for interpersonal relationships and innovation within family businesses. The results showed that interpersonal relationships had a mean score of 2.95 with a standard deviation (SD) of 1.47, while innovation in family businesses had a mean score of 2.41 with an SD of 0.89. The standard deviation values indicate minimal variation in scores. This suggests that there is a similar level of variability in the data points for both the dependent variable (innovation of family business) and the independent variable (interpersonal relationships).

A linear regression analysis conducted to determine how interpersonal relationships impact the innovation of family businesses (as shown in Table 4.4b) revealed a strong positive relationship between these variables, with an R coefficient of .764. The R-squared value, which represents the coefficient of determination, indicates that 68.4% of the variation in family business innovation can be attributed to interpersonal relationships. The linear regression model shows a low estimate error of approximately .95036. Additionally, the regression sum of squares is 633.260, which exceeds the residual sum of squares of 451.592, suggesting that the observed variation is not due to chance. The F-statistic of 701.142 confirms the model's significance. Given that the P-value is 0.000, which is less than 0.05, we reject the null hypothesis (Ho). This indicates that

interpersonal relationships have a significant positive impact on the innovation of family businesses.

Hypothesis Two

Ho: Internal social networks have a significant positive effect on the financial performance of family businesses.

Table 4.5. Regression Analysis of Variance (F) on the Effect of Internal Social Network on Financial Performanceof Family Business in South-East Nigeria.

Table 4.5a: Descriptive Statistics			
	Mean	**Std. Deviation**	**N**
Internal social network	2.4701	1.22601	502
Financial performance of family business.	2.3187	1.51572	502

Source: *SPSS version 25 computation*

Table 4.5b: Model Summary					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.932[a]	.869	.869	.44453	.075

Source: *SPSS version 25 computation*

a. Predictors: (Constant), Internal social network

b. Dependent Variable: Financial performance of family business.

Table 4.5c: ANOVA[a]						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	654.249	1	654.249	3310.898	.000[b]
	Residual	98.802	500	.198		
	Total	753.052	501			

Source: *SPSS version 25 computation*

a. Dependent Variable: Financial performance of family business.
b. Predictors: (Constant), Internal social network.

Table 4.5d: Coefficients[a]

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.722	.036		19.896	.000
	Internal social network	.754	.013	.932	57.540	.000

Source: *SPSS version 25 computation*

a. Dependent Variable: Financial performance of family business

Result Summary

R = .932

R^2 = .869

F = 3310.898

T = 57.540

DW = .075

Interpretation of the Result

Table 4.5a presents the descriptive statistics for the internal social network and financial performance of family businesses. The results showed that the internal social network had a mean score of 2.47 with a standard deviation (SD) of 1.22, while the financial performance of family businesses had a mean score of 2.32 with an SD of 1.52. The standard deviation values suggest minimal variation in the scores. This indicates that there is a similar level of variability in the data points for both the dependent variable (financial performance of family businesses) and the independent variable (internal social network).

A linear regression analysis, as detailed in Table 4.5b, was conducted to evaluate how internal social networks impact the financial performance of family businesses. The analysis revealed a strong positive relationship between internal social networks and financial performance, with an R coefficient of .932. The R-squared value, representing the coefficient of determination, indicates that 86.9% of the variation in financial performance can be attributed to internal social networks. The linear regression model also showed a low estimate error of approximately .44453. Furthermore, the regression sum of squares is 654.249, which exceeds the residual sum of squares of 98.802, suggesting that the observed variation is not random. The F-statistic of 3310.898 confirms that the model is statistically significant. As the P-value is 0.000, which is less than 0.05, we reject the null hypothesis (Ho). This conclusion indicates a significant positive

impact of internal social networks on the financial performance of family businesses in South-East Nigeria.

5.0 Discussion of Findings

Research Objective One: To ascertain the extent to which interpersonal relationships affect the innovation of family businesses in South-east Nigeria.

The investigation of the first hypothesis in table 4.4, found a strong positive relationship between interpersonal relationships and innovation in family businesses, with a significant R-coefficient of .764. The result on Interpersonal relationships explained a 68.4% of the variation in innovation supported by a low error estimate and significant F-statistics of (701.142). Key factors included family members viewing themselves as partners in innovation and the role of network capital in skill development with high mean scores of 4.1 and 4.3. The findings align with prior research of (Cucculelli & Peruzzi, 2020; Migliori et al., 2020; Röd, 2016; Schumpeter, 1934) that emphasizes the role of social capital in fostering innovation. Furthermore, it supports the view that family influence can both enhance and hinder innovation (Du et al., 2019; Hiebl, 2015). Family firms' unique assets reduced agency costs and emotional investment drives innovation, although excessive conservatism in leadership may limit risk-taking.

Research Objective Two: To assess the extent to which internal social networks affect the financial performance of family businesses in South-East Nigeria.

Test of the second hypothesis as found in table 4.5 explored the influence of internal social networks on the financial performance of family businesses. The findings revealed a strong positive relationship (R-coefficient = .932), with 86.9% of the variation in financial performance explained by internal social networks. A low error estimate and significant F-statistics (3310.898) confirmed the model's robustness. Businesses with well-structured internal social networks reported better profits and long-term sustainability with internal networks accounting for 86.9% of growth variance in family-owned small and medium enterprises in South-East Nigeria. This suggests that a one-unit improvement in internal social networks could lead to an 86.9% increase in business growth. The findings bring into line with studies by Qin et al. (2021) and Yingfei et al. (2021), which highlight the role of internal social networks in enhancing competitive advantage as well as Xie et al. (2021), Sajuria et al. (2014), and Ceci et al. (2020)s who emphasize their importance in accessing external information, identifying opportunities, and fostering trust.

5.1 Summary of Findings

From the analysis of the research questions and hypothesis tests, critical social capital success factors such as interpersonal relationships, internal social networks, social interaction, external social networks, and engagement marketing had a significant positive effect on the sustainability of family businesses in South-East Nigeria. Specifically, the study found that:

i.) Interpersonal relationships had a significant positive impact on the innovation of family ventures in South-east Nigeria (R-coefficient = .764; $p < 0.05$). This implies that interpersonal relationships significantly influence the innovation of family businesses.

ii.) Internal social networks had a significant positive impact on the financial performance of family businesses in South-east Nigeria (R-coefficient = .932; $p < 0.05$). This implies that internal social networks significantly affect the financial performance of family businesses.

5.2 Conclusion

The study concluded that critical social capital factors such as interpersonal relationships, internal social networks, social interactions, external social networks, and engagement marketing are crucial determinants of the sustainability and longevity of family businesses in South-East Nigeria. It was also concluded that family businesses are the most common and widespread type of business organisation worldwide, ranging from large, multinational family-controlled conglomerates to small and medium-sized enterprises (SMEs) that are owned and run by families. These businesses are crucial for the stability and health of the global economy. However, despite their significant contribution to the national economy, the survival rate of family firms beyond the founder's generation is notably low in Nigeria. Many of these businesses tend to dissolve shortly after the founders' deaths.

5.3 Recommendations

Based on the findings of the study, the following recommendations were made:

i.) To ensure successful management innovation, the founders of family businesses should focus heavily on interpersonal relationships.

ii.) To maintain the founders' legacy successfully and ensuring ongoing financial performance, a strong internal social network should be developed across all functions of the organisation.

6.0 *References*

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