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# Knowledge Management Practices and Family Business Profitability: Evidence from Lagos State, Nigeria

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**Keywords:** family business, knowledge management, lagos state, profitability, resources.

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# Knowledge Management Practices and Family Business Profitability: Evidence from Lagos State, Nigeria

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## 1. INTRODUCTION

Modern-day businesses operate in a turbulent and dynamic environment, where a strong competition prevails. Knowledge is increasingly becoming a valuable asset for most businesses and the quest to manage this asset is gaining popularity among scholars and policy makers. Furthermore, context observations have indicated that family businesses are common worldwide and their profitability and performance has generated academic debate and public discourse even in Nigeria. Nevertheless, in recent years knowledge management is emerging in the business world not only as an important aspect of doing business but also as a strategic source that increases potential in organizations to achieve competitive advantage factors orchestrating their profitability are divergent and geographically diverse. Some identified

reasons are poor technical know-how, poor knowledge sharing, non-availability of suitable technology, marketing problems, lack of skilled manpower, weak transfer of competitive intelligence, and inadequate knowledge to carry on the business, due to sudden death, incapacitation, and unplanned resignations or retirements of major business leader (Aruna, 2015; Morris, Williams, Allen, & Avila, 1997; Paul, Parthasarathy & Gupta, 2017).

In addition, the structure and size of family-owned firms vary depending on resource utilization and industry, even though they are often perceived as small businesses. Related studies have also shown that less than one-third of family businesses continue to the second generation and less than half of second-generation family enterprises make it to the third generation when the founder/manager retires or dies (Ogbechie & Anetor, 2015). One of the major issues to which this can be attributed to is the rarity in proper knowledge management practices. With emphasis, a lack of adequate knowledge management (KM) deters the creation, accumulation, organization, reuse, retrieval, sharing, and transfer of knowledge in organizations (Alavi & Leidner, 2001) for the competitive advantage needed. Family business research has been gaining impetus in recent years (Chrisman, Kellermanns, Chan, & Liano, 2010; Xi, Kraus, Filser, & Kellermanns, 2015), since they possess great potentials for employment generation, improvement of local technology and development of indigenous entrepreneurship within large scale industries as demonstrated by the Central Bank of Nigeria (CBN). CBN, (2011) further articulated that SMEs or family businesses can reduce poverty, inequality disparity, and social vices and are catalysts of innovations, inventions, and creativity; family businesses equally stimulate indigenous entrepreneurship. However research on the important role of tacit knowledge and technical expertise, which are intangible source of competitive advantage to family businesses, has only been sparingly dealt with in developing country like Nigeria. Therefore, the inability of family business-owners to leverage on knowledge management practices frequently lead to business discontinuity, disruptions and lack of profitability.

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## II. OVERVIEW OF KNOWLEDGE AND KNOWLEDGE MANAGEMENT

Knowledge comes from the experiences and skills of employees. Knowledge has become an area of rising interest in organisations and a source of competitive advantage which is acknowledged by many authors such as Bosua and Venkitachalam, (2013); Gu, Jitpaipoon, and Yang, (2017); Noruzy et al., 2013; Torres, Ferraz, and Santos-Rodrigues, (2018). According to Raja pathirana and Hui (2018) knowledge is an asset, which enables an organization to be innovative and remain competitive in the market. Researchers identify knowledge as a mixture of concepts, ideas, rules, and procedures that guide actions and decisions (Emadzade, Mashayekhi, & Abdar, 2012). Family business exposure to internal and external knowledge promotes the level of learning necessary for generating value and profitability (Palacios-Marqués, Peris-Ortiz, Merigó, 2013). In recent years knowledge management is emerging in the business world not only as important aspect of doing business but also as a strategic source that increases potential in organizations to achieve competitive advantage. Consistent knowledge management (KM) intensify the possibilities of the family business to become the long-term and successful organizations. The knowledge that organizations possess is one of the most important assets that help them in attaining competitive advantage, even in some cases, it becomes more important than the financial resources and all other tangible assets (Chawla & Joshi, 2011).

Knowledge management is a key factor in generating innovation, and it serves as an enabler to achieve profitability and performance (Harris, McAdam, McCausland, & Reid, 2013; Kostopoulos, Papalexandris, Papachroni, & Ioannou, 2011). Knowledge management is a process through which organizations can identify, select, organize, publish and transmit vital information and skills that are part of the history of the organization and can be found in an unstructured form in the organization (Turban, 2006). The purpose of creating a knowledge management (KM) capability or functionality in organization is to manage the intellectual properties of that organization. This includes the creation, transfer, sharing and utilization of knowledge itself to achieve organization strategic and business objectives. In a similar vein, knowledge management is the discipline that focuses on capturing, organizing, filtering, sharing, and retaining key corporate knowledge as an asset (Centobelli, Cerchione & Esposito, 2017). Knowledge management involves any systematic activity related to the capture and sharing of knowledge by the organization. (Aziz, Lotfi, & Dahlan, 2015). This view recognizes that knowledge is a critical organizational asset and the ability to deploy knowledge distributed across an

organization is an important source of organizational sustainability.

Knowledge in the family business is defined as the wisdom and skill that family members have acquired and developed through education and experience both inside and outside the business (Chirico, 2008). According to Salami and Mercy (2015) and Chirico (2008) knowledge in the family business is defined as explicit and tacit knowledge, which family members have gained and developed through education and experience within and outside the organization. According to Lombardi (2019), knowledge enables organizations to be innovative and remain competitive in the market. However, individual knowledge and the knowledge not transferred to another colleague of the organization will never become collective or organizational knowledge. Such knowledge may over time be lost (in case of employee's demise or resignation). Therefore, family business profitability in today's competitive and dynamic environment depends essentially on the ability of the owner-managers to use knowledge management practice to advantage (Lai, Hsu, Lin, Chen, & Lin, 2014; Mangiarotti & Mention, 2015). Shahzad, Bajwa, Siddiqi, Ahmed, and Sultani, (2016) purported that a firm's competitive advantage lies in the ability to collect, accumulate, integrate, disseminate, and exploit knowledge which corroborates the knowledge-based view (KBV). Al Ahbabi, Singh, Balasubramanian, Gaur, (2019) summarized this as follows: the simple aim of knowledge management is to leverage knowledge to the organization's advantage. Some of management's motives are obvious: the loss of skilled people through turnover, pressure to avoid reinventing the wheel, pressure for organization-wide innovations in processes as well as products, managing risk, and the accelerating rate with which new knowledge is being created.

Resources can consist of human, social, physical, and organizational resources, among others. Knowledge-based resources suggest that a firm's ability to create and utilize knowledge is one of the most important sources of sustainable competitive advantage according to Davenport, (2013). The first stage of knowledge management practice is knowledge acquisition, follow by knowledge creation, knowledge capture, knowledge sharing, knowledge transfer, and knowledge application and training (Cohen & Olsen, 2015). Therefore, knowledge should be employed to solve problems facing organizations and knowledge application should aim at achieving the family business goals. According to Allameh and Abbas, (2010) knowledge is categorized into three levels: 1) Core Knowledge: which required a minimum amount of knowledge that is necessary for the completion of learning process. 2) Advanced Knowledge: entails knowledge that helps the family business to be competitive for having its own knowledge. 3) Innovative

Knowledge: knowledge that enables the family business to govern its industry and competitors.

a) *Knowledge Creation*

Knowledge creation is the generation of new ideas, the recognition of previously unseen patterns, the synthesis of separate disciplines, and the development of new processes (Bhatt 2001; Davenport & Prusak, 2000). Knowledge creation can be well developed in family firms due to the high level of emotional involvement of family members and the socially intense interactions fueled by trust between family members and with external parties (Cabrera-Suarez et al., 2001; Chirico, 2008).

b) *Knowledge Capture*

Technology will be the platform to support the capture, storage and access of the knowledge; social elements will deal with the human factor and what affect knowledge sharing within individuals in an organization. According to Martin and Matlay, (2003) the entire knowledge of an organization is usually stored in four main forms that are employees' brains, paper documents, electronic documents and electronic knowledge bases. According to Tseng and Lee, (2014) knowledge is the most important intangible asset. Therefore business managers strive in many ways to capture and use this asset to create the highest value.

c) *Knowledge Sharing*

This can be attributed to exchange of knowledge among individuals, and within and among teams, organizational units, and organizations. Knowledge sharing in the context of family business involves a situation where the knowledge of the older generation, learned often during a long time of work, is to be shared with the younger generation (Nonaka & Takeuchi, 1995). A fundamental part in knowledge management practice is to spread and make knowledge accessible and usable within or between chosen organizations like holding regular meetings for the exchange of information among employees. New technologies such as teamwork, office automation, internet, intranet and other technologies can also contribute to the dissemination of knowledge (Yaghoubi, Karimi, Javadi, & Nikbakht, 2011). Therefore, it is important for founder/predecessor to share adequate key knowledge and skills with the successor's in order to sustain succession and family business performance and continuity.

d) *Knowledge Transfer*

Knowledge transfer is the transmission of knowledge from a person/possession to another person/possession (De Luca, & Cano Rubio, 2019). According to Jo-Rhodes, Lok, Ya-Hui, Chi-Min, (2008) knowledge transfer is critical to the performance of knowledge creation and in leveraging knowledge for greater family business performance. The purpose of

knowledge transfer is to pass information from the more experienced to the less-experienced employees so that the less experienced employees can build the capabilities needed to assume future roles in the organization (De Long, 2004). According to Jones and Mahon (2018), the process of knowledge transfer between business units is an essential aspect of knowledge management the transfer of knowledge, capabilities, responsibility and power, are linked to each other the free and unlimited exchange of knowledge could be regarded as a virtue by itself.

e) *Knowledge Application*

Knowledge application amongst family business owners and employees is crucial for the family business profitability, performance and continuity. In literature innovation is the result of knowledge dissemination and application. Therefore, organizational knowledge should be applied in line with the organization's products, services, and processes. Consequently, knowledge should be employed to solve problems facing the organization and knowledge application should aim at achieving the organization's goal. Knowledge application would be improved by taking a proactive approach in converting knowledge into practical actions, developing new ideas and methods, and regularly reviewing and challenging existing information. (Nonaka & Takeuchi, 1995). Brainstorming, discussion groups, or external advisors could be specifically tasked to assess how knowledge is being used and how it could be better applied (Juan, Bou-Llusar, & Segarra-Ciprés, 2006). Operational indicators of knowledge application include: the application of information, skills and abilities of employees in doing things like ICDL, the use of Internet networks, extranet, office automation, and the reduction of the referral of citizens by using new information systems or services such as websites (Anvari-erostami & Shahabi, 2009).

f) *Knowledge Training*

What is training? Training is the systematic development of knowledge, skills and attitudes (KSA) required working effectively (Nilesh & Yadav, 2018). Training aims to change behaviour and it is an agent of change. For example, water-supply operators with limited skills and knowledge in water treatment can, through training, be made aware of the importance of variations in raw-water quality, and become motivated and skilled to act to ensure the supply of safe drinking-water. In the training process knowledge and skill on their own will not lead to changed behaviour unless accompanied by motivation and a supportive environment. Moreover, training programmes should be designed to cater for the different needs. Further still, the training programme, content and the trainees' chosen depend on the objectives of the training programme (Mojca & Marina, 2013).



### III. PROFITABILITY AND FAMILY BUSINESSES

A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities. Profit can vary due to the different family values and goals placed on the firm but the longevity of the business is dependent on profitability. Profitability is the ability of a business to earn a profit and profitability is also known as the financial performance. According to Venkatraman and Vasudevan (1986) profitability primarily reflects current performance. Similarly, profitability is considered by Hunt and Morgan (1995) as the ultimate organizational outcome and is commonly used in strategic management studies.

The profitability of a family business attracts new investors for future projects and production financing. According to Tagiuri and Davis (1996) family firms are "organizations where two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights". Family relations influence how the family business is governed and managed (Hoffman et al. 2006). Family businesses are the dominant form of business and the most important contributor of economic growth in almost all countries (Neubauer & Lank, 1998). Family businesses constitute a major portion of our economy (Heck & Stafford, 2001; Olson, Zuiker, Danes, Stafford, Heck, & Duncan, (2003); Rowe, Haynes, & Stafford, 1999; Shanker & Astrachan, 1996). Family businesses are the most popular form of business organization in the world and several of the world's most influential and successful businesses are family-owned and operated, many of them becoming household names (Lu, Liang, Shan, & Liang, 2015). Family business is equally prevalent in Nigeria as in other parts of the world, and it is perceived as key to Nigeria's economic growth, poverty alleviation and employment generation. In Nigeria, ample size of the family businesses belongs to small and medium-sized enterprises and most of the family businesses are actively involved in manufacturing, retailing and service industries. The discourse on family business continuity will not be complete without looking at the possibility of the impact of the knowledge management as well as succession planning practices.

Families make a substantial contribution to the family businesses. Family business and firm profitability is a popular topic in international business literature. Researchers have focused on the relationship between family business and its profitability and found various effects. For example, the positive effect has been recognized by (Darvish, Mohammadi, & Afsharpour, 2012; Darvish & Nazari, 2013; Francis, (1999). Noruzy et al., 2013; Rajneesh & Kaur, 2014), or no effect at all

(e.g., Brewer, 1981; Morck & Yeung, 1991). Research has also reported that is adopted mainly by large corporations (Cohen & Olsen, 2015; Delen, Zaim, Kuzey, & Zaim, 2013). These conflicting results suggest the complexity of the relationship between family business and profitability. Besides the possible choices of focusing on small, medium, or large sized family business and the choice of paying attention to management, control, ownership or a combination of those, scholar must also select performance measures for his research, when comparing family businesses to nonfamily businesses.

Several studies on family business performance have focused on firm profitability. Because firm performance is a multidimensional construct, any individual strategy can have differential effects on different dimensions of firm performance (Lu, Liang, Shan, & Liang, 2015). In literature family business researchers may use multiple financial and non-financial measures to assess performance in a study, examples of non-financial measures according to Williams (2018) are adapting to client needs, staff development, environmental protection, customer satisfaction, service quality, quality of life at work, time to be with the family, family loyalty and support, family unity, respected name in society, customer loyalty to family name, good reputation in the business community, family interest in the enterprise, development of children's skills, and generate possibilities for the children (Basco & Rodríguez, 2009).

Furthermore, prior studies have focused almost exclusively on profitability as financial dimension of performance, either by accounting-based measures, such as return on assets, or by market-based measures, such as Tobin's q. Return on assets (ROA) percentage shows how profitable a company's assets are in generating revenue. ROA is often computed using - earnings before interest, tax and amortization (i.e. net income) divided by the book value of total assets -. Many papers which samples cover more than five years find superior performance of family firms by this measure (Anderson & Reeb, 2003; Gholami et al., 2013; Seleim & Khalil, 2007; Shahbakhsh, 2013; Shehu, Bello, Rogo, & Mahmood, 2015; Zack, McKeen, & Singh, 2009).

#### a) *The Resource-Based View (RBV)*

The resource-based view (RBV) provided part of the framework for the theoretical and empirical approach for this study. The resource-based view (RBV) perceives the family as a resource contributing to the success and continuity of the business. According to the resource-based view the competitive advantage of the firm depends on all of its resources and its capability to take advantage and leverage on them (Teece, Pisano, & Shuen, 1997). The resource-based view has been one of the dominant theories used to explain strategy in

family businesses (Chrisman, Kellermans, Chan, & Liano, 2010). Firm resources can be tangible or intangible. Furthermore, from the point of view of long-term survival and family business continuity, the family is a resource in the business (Habbershon & Williams, 1999). According to Dyer 2006 to gain competitive advantage family businesses combine their family specific resources with other productive resources (staff, technology, customer relations, supplier chains, financing) in a way competitors cannot imitate.

#### IV. METHODOLOGY

This paper employed the survey research design method. The adoption of this design is consistent with the study of Abd Rahman, Sambasivan and Wong (2013) and Asikhia (2010) which engenders detailed and reliable explanation of the relationship among variables. It was also influenced by the research problem and its corresponding research questions. The target population and focus of this study is family businesses that are small and medium enterprises (SME's) in other words; family-owned SME with a single-family having over 50% of the shareholding. The population of the study consists of owners, family members, and management workers of Small and Medium Scale Enterprises (SMEs) in selected Local Government Areas of Lagos State. For this paper, the researcher identified family-businesses operating in

Apapa, Ibeju-Lekki, Ikeja, Lagos-Island and Lagos Mainland in Lagos State. These are five (5) Local Government Areas where activities of SMEs and family businesses are pronounced and prominent in Lagos State. The design of the questionnaire was based on the family business definition of Sindhuja, (2009) adopted for this research with a particular focus on the ownership structure.

#### V. RESULTS AND DISCUSSION

The number of copies of questionnaire administered to all the respondents was 503. After coding and checking for accuracy in the data, 469 copies of the questionnaire were found useful for the study. This gave a response rate of 93.2% and 34 copies were not received which represented 6.8% of the total copies of the questionnaire distributed. Therefore, information from all the copies of the questionnaire were used for the analysis. The regression weights were then compared when organizational factors are controlled and when they are present. The difference was attributed to the moderating effect of organizational factors. In the regression model, family business continuity was the dependent variable; knowledge management and lengths of time in existence were the predictor variables. The regression results for the test are presented in Tables 2.1, 2.2 and 2.3

**Table 2.1:** Results of Multiple Regression Analysis on the effect of knowledge management practices on profitability of family business owners in Lagos State, Nigeria

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.787 <sup>a</sup>	0.619	0.614	2.67673
a. Predictors: (Constant), Knowledge Training, Knowledge Creation, Knowledge Capture, Knowledge Sharing, Knowledge Transfer, Knowledge Application				

Source: Field Survey, December 2018

Table 2.1 presents a summary of regression model containing the value of R, R<sup>2</sup> and Adjusted R<sup>2</sup> equal to 0.787, 0.619, and 0.614 respectively. The results reveal the six dimensions of knowledge management practices (i.e., knowledge training, knowledge creation, knowledge capture, knowledge sharing, knowledge transfer, and knowledge application) when combined together to determine their effect on the profitability of family business owners in Lagos State yielded a coefficient of multiple correlation (R) = 0.787 and adjusted coefficient of multiple determination (Adj. R<sup>2</sup>) of 0.614 which is significant at 0.05 level.

The adjusted coefficient of multiple determinations (Adj. R<sup>2</sup>) of 0.614 suggests that the six independent variables (knowledge training, knowledge creation, knowledge capture, knowledge sharing, knowledge transfer, and knowledge application) of knowledge management practices that were studied

jointly accounted for 61.4 percent of the variance in profitability of family business owners in Lagos State, Nigeria. The remaining unexplained 38.6 percent could be due to other factors that were not considered in this model. With this value (61.4%), there is an indication that the stated knowledge management practices affect the profitability of family business owners in Lagos State, Nigeria.

**Table 2.2:** Summary showing the analysis of variance of effect of knowledge management practices on profitability of family business owners in Lagos State, Nigeria

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5373.919	6	895.653	125.006	0.000 <sup>b</sup>
	Residual	3303.004	461	7.165		
	Total	8676.923	467			
a. Dependent Variable: Profitability						
b. Predictors: (Constant), Knowledge Training, Knowledge Creation, Knowledge Capture, Knowledge Sharing, Knowledge Transfer, Knowledge Application						

Source: Field Survey, December 2018

From the ANOVA analysis results Table 2.2 knowledge training, knowledge creation, knowledge capture, knowledge sharing, knowledge transfer, and knowledge application have a combined significant effect on the profitability of family businesses in Lagos State, Nigeria given that their overall p value is equal to 0.000 in this paper. The regression analysis results in the ANOVA output table indicates that the overall regression model predicts the profitability of family businesses in Lagos State, Nigeria well at 95% confidence level which indicates that statistically, the model applied can significantly predict the changes in the profitability of family businesses in Lagos State,

Nigeria. To test the hypothesis, the F value (125.006) is compared against the F table at 6 and 461 degree of freedom and 5% level of significance, which is at 2.02. Therefore, since F value (78.821) is greater than F Table (2.2) we reject the null hypothesis three ( $H_{03}$ ) which states that there is no significant effect of knowledge management practices on profitability of family businesses in Lagos State, Nigeria. This conclusion can be confirmed by the correlation coefficient R at 0.787 or 78.7% (see table 2.2). Therefore, it is hereby concluded that there is a significant effect of knowledge management practices on profitability of family business owners in Lagos State, Nigeria.

**Table 2.3:** Multiple regression coefficients of effect of knowledge management practices on profitability of family businesses in Lagos State, Nigeria

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.517	0.663		-2.287	0.023
	Knowledge Creation	0.233	0.043	0.261	5.356	0.000
	Knowledge Capture	0.403	0.066	0.319	6.089	0.000
	Knowledge Sharing	0.700	0.075	0.684	9.353	0.000
	Knowledge Transfer	-0.224	0.099	-0.199	-2.271	0.024
	Knowledge Application	0.105	0.118	0.092	0.889	0.375
	Knowledge Training	-0.287	0.065	-0.272	-4.435	0.000

a. Dependent Variable: Profitability

Source: Field Survey, December 2018

The results in Table 2.3 shows that holding independent variables that is, knowledge training, knowledge creation, knowledge capture, knowledge sharing, knowledge transfer, and knowledge application to a constant zero, profitability of family businesses in Lagos State was -1.517. The column labeled "Unstandardized Coefficients" revealed unstandardized regression coefficients for knowledge creation, knowledge capture, knowledge sharing, knowledge transfer, knowledge application, and knowledge training to be 0.233 ( $t = 5.356$ ,  $p = 0.000$ ), 0.403 ( $t = 6.089$ ,  $p = 0.000$ ), 0.700 ( $t = 9.353$ ,  $p = 0.000$ ), -0.224 ( $t = -2.271$ ,  $p = 0.024$ ), .105 ( $t = .889$ ,  $p = 0.375$ ), and -.287 ( $t = -4.435$ ,  $p = 0.000$ ) respectively.

The results revealed knowledge training, knowledge creation, knowledge capture, knowledge sharing, and knowledge transfer, have significant effect

on profitability of family business owners in Lagos State, because their p-values are greater than 0.05 overall significance level. However, the coefficient of and knowledge application is positive and not statistically significant ( $p\text{-value} > 0.05$ ). An evaluation of the coefficients of knowledge transfer and knowledge training in Table 2.3 revealed that both knowledge transfer and knowledge training have negative and significant coefficients of -0.224 and -0.287 respectively, indicating that profitability of family businesses in Lagos State moves in the opposite direction with the changes in knowledge transfer and knowledge training and that a 1 unit change in knowledge transfer and knowledge training respectively causes -0.224 and -0.287 respectively units changes in profitability of family businesses in Lagos State.

Further check on coefficients of knowledge creation, knowledge capture, and knowledge sharing reveal that knowledge creation, knowledge capture, and knowledge sharing have positive and significant coefficient equals to 0.233, 0.403 and 0.700 respectively implying that knowledge creation, knowledge capture, and knowledge sharing and profitability of family businesses in Lagos State moves in the same direction and that a 1 unit change in knowledge creation, knowledge capture, and knowledge sharing results to positive 0.233, 0.403 and 0.700 units change in profitability of family business owners in Lagos State respectively.

The t-statistic for the independent variables shows that coefficients of knowledge creation, knowledge capture, knowledge sharing, knowledge transfer, and knowledge training are statistically significant while the coefficient of knowledge application is not. From the regression analysis, the regression equation established was:

$$Y = -1.517 + 0.233KC + 0.403KCA + 0.700KS - 0.224KTRN + 0.456KAPP - 0.287KTRA$$

Where:

Y = Profitability of family business owners

KC = Knowledge creation

KCA = Knowledge capture

KS = Knowledge sharing

KTRN = Knowledge transfer

KAPP = Knowledge application

KTRA = Knowledge training

The regression equation above ascertains that knowledge management practices like knowledge creation, knowledge capture, knowledge sharing, knowledge transfer, and knowledge training significantly affect the profitability of family business owners in Lagos State. As regards the relative contribution of each of the independent variables to the family business continuity of owners, the standardized coefficients (beta weights) of the independent variables indicates that Knowledge Sharing made the highest contribution (beta weight = 0.684 or 68.4%). This is followed by Knowledge Capture (beta weight = 0.319 or 31.9%), Knowledge Creation (beta weight = 0.261 or 26.1%), Knowledge Transfer (beta weight = -0.199 or 19.9%), Knowledge Training (beta weight = -0.272 or 27.2%), and Knowledge Application (beta weight = 0.092 or 9.2%).

## VI. DISCUSSION

The objective of this paper sought to ascertain the effect of knowledge management practices on profitability of family businesses in Lagos state Nigeria. The finding reveals that knowledge management practices significantly affect the profitability of family business owners in Lagos State, Nigeria. This finding is consistent with Adediran, Josiah, Bosun-Fakunle &

Imuzeze, (2012) who found a good financial management system helps the owner to be a better micro-entrepreneur by enabling them to avoid investing too much money in fixed assets, maintain short-term working capital needs to support accounts receivable and inventory more efficiently, set sales goals; they need to be growth-oriented, not just an "order taker." improve gross profit margin by pricing their services more effectively or by reducing supplier prices, direct labor, etc, that affect cost of goods sold.

The findings also concur with the findings in a study Senaji and Nyaboga (2011) who studied knowledge management process capability: operations strategy perspective in Kenya and found that there is a positive relationship between knowledge management practices and profitability of family-owned businesses in Kenya. They concluded that knowledge management process operations positively impact performance. Similarly, the findings of this paper agreed with the findings of Alias, Mansor, Rahman, Ahmad, and Samsudin, (2018); Gholami, Asli, Shirkouhi, and Noruzy (2013) that knowledge acquisition, knowledge storage, knowledge creation, knowledge sharing, and knowledge implementation have significant on performance of SMEs.

Findings from this paper and extant literature show that knowledge management practices can affect profitability. Hence, management of family owned businesses should undertake in-house training on knowledge management among management and staff, entrench good practices of knowledge management in organizations to strengthen information sharing among staffs and employees.

## VII. CONCLUSION AND RECOMMENDATIONS

Following the data analysis and findings of this paper, it can be concluded that knowledge management practices(knowledge creation, knowledge capture, knowledge sharing, knowledge transfer, knowledge application and knowledge training) influence is pertinent to enhance family business profitability. Furthermore, knowledge management practices remain fundamental factor for family business profitability and continuity. Knowledge resources determine the capacity to innovate, grow and made higher profitability. It is clear from the study that family businesses needs knowledge management practices to ensure profitability and continuity of the enterprise. In order to boost organizational profitability, knowledge management should play a key role through the creation, sharing, application and retention of knowledge.

Furthermore, the paper further concluded that knowledge sharing and knowledge capturing should be encouraged by experienced workers to share their knowledge to new or less experienced workers. Since



innovation is adjudged as the result of knowledge dissemination and application it is therefore necessary to introduce knowledge management principles and practices in family businesses to create radical or incremental innovations. Based on the findings, this current study proposes some recommendations for action by the family business owners in Lagos State. For better employees' performance and profitability in family business, and for family business to take competitive advantage in the ever-challenging business environment, leaders and managers of family businesses in Lagos State should adopt the mentoring of their employees, through career support, knowledge transfer and psychosocial support of employees, that have strong positive effects on employees' performance in achieving the organization objectives. Knowledge sharing culture in the family businesses needs to be encouraged as a policy for staff to work together more effectively, to collaborate and to share - ultimately to make organizational knowledge highly functional and more productive.

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