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# The Triple Helix of Family, Governance and Innovation: A Study on Financial Performance in Nigerian Family Businesses

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## ABSTRACT

This study examined the influence of corporate governance on the financial performance of Nigerian family-owned businesses, with entrepreneurial innovation serving as a mediating variable. Specifically, the study investigated the effects of board composition, ownership structure, and CEO duality on financial performance among family businesses operating in Kogi State, Benue State, and the Federal Capital Territory (FCT), Abuja. The study adopted an explanatory survey research design. The target population comprised 15,842 registered family-owned businesses identified through records from the Corporate Affairs Commission (CAC), chambers of commerce, and business associations within the study area. Using Yamane's (1967) finite population formula, a sample size of 429 respondents was determined. A total of 380 questionnaires were administered, out of which 302 valid responses representing a 79.34% effective response rate were utilized for analysis. Data were collected through a structured questionnaire measured on a five-point Likert scale. Descriptive statistics, Pearson Product Moment Correlation, multiple regression analysis, and mediation analysis using Hayes PROCESS Macro Model 4 were employed for data analysis at a 5% significance level. The findings revealed that board composition and ownership structure exerted significant positive effects on financial performance, whereas CEO duality had a significant negative effect. The study further established that entrepreneurial innovation significantly and partially mediated the relationship between corporate governance and financial performance. The study concluded that effective governance structures and innovation capability jointly enhanced the sustainability, competitiveness, and profitability of Nigerian family businesses. It recommended improved board professionalism, separation of CEO and board chair roles, ownership diversification, and increased investment in innovation-driven strategies to strengthen the long-term performance of family-owned enterprises in Nigeria.

**Keywords:** Corporate Governance, Entrepreneurial Innovation, Financial Performance, Family-Owned Businesses, Board Composition, Ownership Structure, CEO Duality, Nigeria.

## INTRODUCTION

Corporate governance has emerged as a critical determinant of firm survival, strategic direction, and competitiveness in both developed and developing economies. It encompasses the system of structures, processes, and relationships by which organizations are controlled and directed to achieve accountability, transparency, and sustainable performance. Within the context of family-owned businesses, corporate governance assumes heightened importance because of the overlap between family interests and business operations, which often blurs the separation of ownership and management roles. This peculiarity underscores the need to examine how governance mechanisms particularly board composition, ownership structure, and chief executive officer (CEO) duality shape entrepreneurial innovation and financial performance outcomes in Nigerian family enterprises.

In recent years, scholars have argued that effective governance mechanisms enhance managerial accountability, stimulate innovative culture, and align the strategic interests of owners and managers toward long-term performance (Li *et al*., 2020; Ahmad, Omar, & Quoquab, 2021). However, the extent to which these governance practices influence innovation and performance remains inconclusive, especially in family-owned settings characterized by concentrated ownership and limited external oversight. Prior research indicates that governance structures can shape innovation and performance, although the direction and magnitude of these effects depend on family involvement, board configuration, ownership arrangements, and institutional context (Dinh & Calabrò, 2019; Li et al., 2020; Matzler et al., 2015). This inconsistency underscores the contextual need to investigate how specific governance dimensions operate within the unique structure of Nigerian family businesses.

Board composition represents the diversity, size, and independence of the board of directors, which determine the effectiveness of monitoring and strategic decision-making functions. In family firms, the dominance of family members on the board may limit independent oversight and risk-taking necessary for innovation. Conversely, the inclusion of independent and non-family directors can broaden expertise, strengthen monitoring, and improve the board's strategic contribution to innovation and performance (Bammens et al., 2011; Goh et al., 2014). Ownership structure, referring to the distribution of equity among family members and outsiders, also shapes decision authority and risk orientation. Concentrated family ownership may promote long-term commitment and patient investment, but it may also constrain openness to external knowledge and risk-taking when family control becomes excessively dominant (Duran et al., 2016; Matzler et al., 2015; Villalonga & Amit, 2006). CEO duality, in which one individual simultaneously serves as chief executive officer and board chair, may improve decision-making speed but can reduce independent oversight and create risks of managerial entrenchment in family firms (Goh et al., 2014; Kraiczy et al., 2022).

Amid these dynamics, entrepreneurial innovation the ability of family businesses to generate new products, processes, and business models emerges as a critical mechanism linking governance practices to financial outcomes. Governance arrangements that support professional management, knowledge sharing, and disciplined strategic oversight can strengthen innovation capability, which in turn supports firm performance (De Massis et al., 2013; Duran et al., 2016; Matzler et al., 2015). Conversely, weak governance or excessive family dominance may restrict knowledge sharing and inhibit innovative behaviour. Therefore, exploring the mediating role of entrepreneurial innovation offers a deeper understanding of how and why governance mechanisms translate (or fail to translate) into improved financial results.

Nigerian family businesses constitute a major component of the nation's private sector, contributing substantially to employment, regional development, and economic diversification. Nevertheless, family businesses may face challenges relating to succession, governance formalization, professionalization, and innovation renewal, particularly where family and business systems overlap closely (Baltazar et al., 2023; Dinh & Calabrò, 2019; Nwuke et al., 2020).. As a result, their long-term sustainability and competitiveness remain uncertain. Investigating how governance structures through innovation affect financial performance is thus essential for developing robust policy and managerial frameworks that enhance the survival of these enterprises in a volatile business environment.

This study is motivated by the need to provide empirical evidence on how board composition, ownership structure, and CEO duality influence entrepreneurial innovation and financial performance in Nigerian family businesses. By integrating governance and innovation perspectives, the study aims to deepen understanding of how effective governance systems can drive innovation-led performance and long-term continuity in family enterprises.

## Problem Statement/Justification

Corporate governance is essential for ensuring transparency, accountability, and improved organizational performance, yet in family-owned businesses it often has a dual effect strengthening trust and commitment while also creating risks of power concentration and weak oversight. In Nigerian family enterprises, which dominate the private sector, there is still limited empirical clarity on how key governance mechanisms such as board composition, ownership structure, and CEO duality influence both innovation capability and financial performance. Existing research presents mixed findings: governance may improve performance through enhanced monitoring, access to expertise, and strategic discipline, but family control and leadership concentration can also generate entrenchment and principal–principal conflicts (Dinh & Calabrò, 2019; Goh et al., 2014; Sadiq & Gebba, 2022; Villalonga & Amit, 2006). Likewise, the effect of board composition remains contingent on board independence, director expertise, and the balance between family influence and external professional input (Bammens et al., 2011; Goh et al., 2014; Li et al., 2020). These contradictions highlight the need for further empirical investigation in developing economies like Nigeria.

A major limitation of prior research is its frequent emphasis on direct governance–performance relationships, with less attention to innovation capability as a mechanism through which governance may influence financial outcomes in family firms (De Massis et al., 2013; Duran et al., 2016; Li et al., 2020). In the Nigerian family business context, there is limited evidence on how governance structures shape innovation processes that ultimately drive financial performance, creating a significant theoretical and practical gap. This study therefore examines the effects of board composition, ownership structure, and CEO duality on financial performance, with entrepreneurial innovation as a mediating variable. The justification lies in its contribution to corporate governance theory and its practical value in strengthening governance systems, fostering innovation, and improving competitiveness and sustainability of family businesses in Nigeria's dynamic business environment.

### Objective of the Study

The broad objective of this study is to examine the influence of corporate governance on entrepreneurial innovation and financial performance in Nigerian family businesses.

The specific objectives of the study are to:

i. assess the effect of board composition on the financial performance of Nigerian family businesses.
ii. determine the influence of ownership structure on the financial performance of Nigerian family businesses.
iii. evaluate the effect of chief executive officer (CEO) duality on the financial performance of Nigerian family businesses.
iv. investigate the mediating role of entrepreneurial innovation in the relationship between corporate governance and financial performance of Nigerian family businesses.

### Research Hypotheses

The following null hypotheses were formulated to guide the study:

**$HO_1$**: Board composition has no significant effect on the financial performance of family-owned businesses in Nigeria.

**$HO_2$:** Ownership structure has no significant effect on the financial performance of family-owned businesses in Nigeria.

**$HO_3$:** CEO duality has no significant effect on the financial performance of family-owned businesses in Nigeria.

**$HO_4$:** Entrepreneurial innovation does not significantly mediate the relationship between corporate governance and the financial performance of family-owned businesses in Nigeria.

## LITERATURE REVIEW

### Concept of Corporate Governance

Corporate governance refers to the framework of rules, practices, and processes through which organizations are directed and controlled to ensure accountability, fairness, and transparency in relationships with stakeholders. It determines how objectives are set, achieved, and monitored (Li, *et al.*, 2020). In family businesses, governance extends beyond formal structures to include informal norms shaped by family ties, traditions, and values. Sound governance helps family firms balance family influence with professional management, strategic oversight, and long-term continuity (Bammens et al., 2011; Gersick & Feliu, 2014).

Corporate governance mechanisms typically include the board of directors, ownership structure, and leadership configuration each influencing how decisions are made and how effectively innovation is promoted. Good governance ensures strategic control, risk oversight, and management accountability, thereby improving firm performance and investor confidence (Mensah & Bein, 2023).

**Board Composition**

Board composition describes the structure, size, diversity, and independence of a company's board of directors. It influences decision-making quality, strategic direction, and innovation propensity. A well-constituted board combines relevant expertise, independence, and familiarity with the family firm's long-term objectives. Such a balance can improve monitoring and strategic advice, whereas excessive family dominance may restrict constructive challenge and external knowledge flows (Bammens et al., 2011; Goh et al., 2014; Li et al., 2020). In family-owned firms, achieving the right mix between control and professional expertise is central to governance effectiveness.

**Ownership Structure**

Ownership structure refers to the distribution of equity among family members, institutional investors, and other stakeholders. It determines the degree of control, influence, and risk tolerance of the firm. Concentrated ownership in family firms allows for long-term vision and quick decision-making but can result in limited transparency and reduced openness to innovation (Li *et al*., 2020). Conversely, more diversified ownership can introduce external oversight and professional management that enhances innovation and financial discipline (Nasrallah & El Khoury, 2022). Thus, ownership structure plays a dual role promoting continuity while potentially constraining growth and creativity.

**Chief Executive Officer (CEO) Duality**

CEO duality occurs when the same individual serves as both the Chief Executive Officer and the Chairperson of the Board. This structure can improve decision speed and strategic alignment but may weaken internal controls and limit oversight (Ahmad *et al.,* 2021). In family firms, CEO duality often consolidates power in a family leader, creating challenges for independent board function and succession planning. Although CEO duality may facilitate unified leadership and faster decisions, it can weaken board independence and may reduce innovation investment under certain family-firm conditions (Goh et al., 2014; Kraiczy et al., 2022).

**Entrepreneurial Innovation**

Entrepreneurial innovation refers to the firm's ability to develop and implement new ideas, products, services, or processes that enhance competitiveness. Innovation enables firms to adapt to market changes, improve efficiency, and create customer value. Innovation in family firms is shaped by the availability of resources, the willingness to accept strategic risk, management openness to external knowledge, and governance arrangements that support experimentation. While family firms may invest less intensively in innovation, they can convert innovation inputs into outputs effectively when governance and managerial capabilities support long-term value creation (De Massis et al., 2013; Duran et al., 2016; Matzler et al., 2015).

**Financial Performance**

Financial performance represents the extent to which a firm achieves its economic objectives, often measured through profitability, return on assets, and growth indicators. Strong financial performance reflects the success of strategic decisions, innovation, and governance effectiveness (Mensah & Bein, 2023). In family firms, financial outcomes are influenced not only by market dynamics but also by governance quality, leadership succession, and family control mechanisms.

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## THEORETICAL FRAMEWORK

This study is underpinned by three main theories: the Agency Theory, Stewardship Theory, and the Resource-Based View (RBV).

### Agency Theory

Agency Theory (Jensen & Meckling, 1976) explains the relationship between owners (principals) and managers (agents), highlighting potential conflicts arising when interests diverge. Corporate governance mechanisms such as board oversight, ownership structure, and CEO role separation are designed to align managerial actions with owners' goals. In family businesses, agency problems may be less pronounced due to shared ownership, yet conflicts often arise between family and non-family stakeholders. Effective board composition and transparent ownership structures can reduce agency costs and foster innovation-driven performance.

### Stewardship Theory

Stewardship Theory posits that managers and leaders, particularly in family-owned firms, act as stewards whose interests align with those of the owners. It emphasizes trust, commitment, and intrinsic motivation rather than control. Under this theory, CEO duality may enhance leadership effectiveness by centralizing authority and streamlining decision-making (Ahmad et al., 2021). However, excessive concentration of power may hinder innovative thinking and accountability, suggesting that balanced governance is necessary for optimal performance.

### Resource-Based View (RBV)

The RBV (Barney, 1991) argues that competitive advantage stems from valuable, rare, inimitable, and non-substitutable internal resources, including human capital, knowledge, and innovation capability. In family firms, entrepreneurial innovation represents a strategic resource enhanced by effective governance. When governance mechanisms encourage access to expertise, knowledge sharing, and disciplined strategic risk-taking, they can help family firms develop innovation capabilities that contribute to superior performance (De Massis et al., 2013; Duran et al., 2016; Li et al., 2020). The RBV therefore supports the study's proposition that corporate governance indirectly enhances performance through innovation.

### Empirical Review

Empirical research suggests that the relationship between governance and innovation is contingent rather than uniform. Corporate governance can improve strategic monitoring, decision quality, and access to external expertise, thereby creating conditions that support innovation; however, the effects depend on the firm's ownership structure, board composition, and institutional environment (Dinh & Calabrò, 2019; Li et al., 2020). In family firms, family participation in management and governance may reduce innovation inputs while improving the efficiency with which innovation inputs are converted into outputs (Matzler et al., 2015).

Further evidence from other developing economies corroborates these findings. Nasrallah and El Khoury (2022), in their study of Lebanese SMEs, observed that ownership diversification and the presence of independent directors positively affected financial performance by fostering transparency and creative decision-making. Similarly, Mensah and Bein (2023) examined firms in South Africa, Nigeria, and Ghana, revealing that sound corporate governance improves firm value and profitability, though the strength of this relationship depends on board composition and managerial accountability. Evidence from family firms suggests that CEO duality may weaken independent monitoring, and longitudinal evidence further indicates that family CEO duality can reduce research-and-development intensity under particular temporal conditions (Goh et al., 2014; Kraiczy et al., 2022). Koji, Adhikary, and Tram (2020) also noted that, in Japan, non-family directors enhanced innovation and performance more effectively than family-dominated boards, implying that balanced governance promotes creativity and competitiveness across contexts.

In family businesses, governance structures can facilitate or constrain innovation depending on the degree of board professionalization, the openness of family owners to outside expertise, and the firm's capacity to combine long-term orientation with strategic renewal. Reviews of family-firm governance emphasize the importance of boards and formal governance mechanisms, while innovation studies show that family influence has both advantages and disadvantages for innovation investment and outcomes (Bammens et al., 2011; De Massis et al., 2013; Matzler et al., 2015).

Empirical evidence on Nigerian family businesses remains comparatively limited, particularly regarding an integrated model linking board composition, ownership structure, CEO duality, entrepreneurial innovation, and financial performance. Existing scholarship on African and emerging-market family firms has largely emphasized governance systems, succession, continuity, or general performance outcomes rather than testing innovation as an explanatory mechanism in the governance–performance relationship (Dinh & Calabrò, 2019; Nwuke et al., 2020; Sadiq & Gebba, 2022). This limitation creates a clear rationale for examining entrepreneurial innovation as a mediator in Nigerian family businesses.

**Summary and Gap in the Literature**

The literature reveals that corporate governance is an essential determinant of organizational innovation and financial performance, particularly in family businesses where ownership and management are intertwined. Prior studies have focused primarily on general governance performance relationships, yet evidence remains inconsistent, especially concerning the roles of board composition, ownership structure, and CEO duality. Moreover, limited attention has been given to the mediating influence of entrepreneurial innovation, which may explain variations in observed outcomes.

In Nigeria and comparable emerging-market settings, available family-business research has more commonly addressed continuity, governance, or broad performance outcomes than the specific pathway through which governance stimulates innovation and, subsequently, financial performance (Dinh & Calabrò, 2019; Nwuke et al., 2020; Sadiq & Gebba, 2022). The contextual uniqueness of Nigerian family enterprises characterized by concentrated ownership, informality, and weak regulatory oversight further amplifies this research gap.

This study therefore addresses these gaps by integrating corporate governance variables (board composition, ownership structure, and CEO duality) with entrepreneurial innovation to assess their joint impact on financial performance. The study also contributes theoretically by combining the Agency, Stewardship, and Resource-Based perspectives to explain how governance mechanisms stimulate innovation that enhances firm performance and sustainability in Nigerian family businesses.

## METHODOLOGY

This study adopted a quantitative survey approach to obtain standardized data suitable for statistical analyses, including correlation, regression, and mediation analyses. This approach enhanced the objectivity, reliability, and generalizability of findings within the context of Nigerian family-owned enterprises. The study was conducted in North Central Nigeria, specifically Kogi State, Benue State, and the Federal Capital Territory (FCT), Abuja. These locations were selected because they host a substantial concentration of family-owned businesses across manufacturing, hospitality, retail, agro-allied, transportation, and service sectors.

The target population comprised 15,842 owners, chief executive officers, directors, and senior managers registered family owned businesses across the selected states (SMEDAN, 2023) of registered family-owned businesses operating within the selected study areas. These respondents were considered appropriate as they are directly involved in governance processes, innovation activities, and strategic financial decisions. The sample size was determined using Yamane's (1967) formula for finite populations:

$$n = \frac{N}{1+N(e)^2}$$

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Where:

- $n$ = required sample size
- $N$ = population size (15,842)
- $e$ = margin of error or level of precision (0.05)

Substituting the study population:

$$n = \frac{15842}{1+15842(0.05)^2}$$

$$n = \frac{15842}{1+15842(0.0025)}$$

$$n = \frac{15842}{1+39.605}$$

$$n = \frac{15842}{40.605}$$

n = 390.14

Thus, the required sample size was approximately 390 respondents. To account for non-response and improperly completed questionnaires, a 10% buffer was added:

390 + 0.10(390) = 429

Accordingly, 429 questionnaires were administered across the study area.

A multi-stage sampling technique was employed:

- Stage 1: Purposive sampling to select Kogi State, Benue State, and the FCT because of their high concentration of family-owned enterprises.
- Stage 2: Identification of registered family businesses using CAC records, chambers of commerce, SMEDAN directories, and business associations.
- Stage 3: Stratified random sampling to ensure proportional representation across sectors and firm sizes.
- Final stage: Simple random sampling to select owners, directors, CEOs, and senior managers from the identified firms.

Primary data were collected using a structured. Responses used a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Questionnaire items were adapted from previously validated instruments in related studies to ensure content validity and comparability.

Content and construct validity were ensured through expert review by specialists in business administration, entrepreneurship, and corporate governance. Their feedback was incorporated into the final instrument. A pilot study was conducted among selected family businesses outside the main study area to test reliability. Internal consistency was assessed using Cronbach's alpha, with 0.70 set as the minimum acceptable threshold.

Data collection combined physical administration of questionnaires and electronic distribution (Google Forms and email) to improve accessibility and response rates. Secondary data, including firm reports and CAC records, were consulted to complement primary data and strengthen the study's robustness.

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Data were coded and analyzed using SPSS version 27 and Hayes' PROCESS Macro (Model 4). Analyses included:

- Descriptive statistics: frequencies, percentages, means, and standard deviations.
- Inferential statistics: Pearson Product–Moment Correlation for associations among variables; multiple regression analysis to assess direct effects of corporate governance on financial performance.
- Mediation analysis was conducted using Hayes' PROCESS Macro Model 4 with 5,000 bootstrap resamples and bias-corrected confidence intervals for the indirect effect (Hayes, 2022).
- Diagnostic tests: multicollinearity, normality, and reliability checks. All hypotheses were tested at the 5% significance level ($p < 0.05$).

**Model Specification**

Two regression models were specified to test direct and mediating relationships.

Model I — Direct effect of corporate governance on financial performance:

FP = $\beta_0 + \beta_1 BC + \beta_2 OS + \beta_3 CEOD + \varepsilon$

Model II — Mediating effect of entrepreneurial innovation:

EI = $\alpha_0 + \alpha_1 BC + \alpha_2 OS + \alpha_3 CEOD + \mu$

FP = $\gamma_0 + \gamma_1 BC + \gamma_2 OS + \gamma_3 CEOD + \gamma_4 EI + \nu$

Where:

- FP = Financial Performance
- BC = Board Composition
- OS = Ownership Structure
- CEOD = CEO Duality
- EI = Entrepreneurial Innovation
- $\beta, \alpha, \gamma$ = regression coefficients
- $\varepsilon, \mu, \nu$ = error terms

The indirect pathway (corporate governance → entrepreneurial innovation → financial performance) was tested to determine whether entrepreneurial innovation partially or fully mediated the relationship between governance mechanisms and financial performance.

# RESULTS AND DISCUSSION

**Response Rate and Questionnaire Distribution**

A total of 380 questionnaires were distributed to owners, chief executive officers, directors, and senior managers of family-owned businesses across Kogi State, Benue State, and the Federal Capital Territory (FCT), Abuja. Out of these, 330 questionnaires were retrieved, representing a retrieval rate of 86.8 percent. After thorough screening

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for completeness and consistency, 302 questionnaires were found valid and utilized for final analysis. This yielded an effective response rate of 79.34 percent.

**Demographic Characteristics of Respondents**

Table 1: Demographic Characteristics of Respondents (N = 302)

| Variable | Category | Frequency | Percentage (%) |
|---|---|---|---|
| Gender | Male | 206 | 68.2 |
| | Female | 96 | 31.8 |
| Age (Years) | Below 30 | 25 | 8.3 |
| | 31–40 | 80 | 26.5 |
| | 41–50 | 128 | 42.4 |
| | Above 50 | 69 | 22.8 |
| Educational Qualification | Secondary School | 37 | 12.3 |
| | Bachelor’s Degree | 155 | 51.3 |
| | Master’s Degree | 88 | 29.1 |
| | Doctorate/Professional | 22 | 7.3 |
| Position in Organization | CEO/Managing Director | 115 | 38.1 |
| | Director | 88 | 29.1 |
| | Senior Manager | 99 | 32.8 |
| Years of Managerial Experience | Below 5 years | 47 | 15.6 |
| | 5–10 years | 71 | 23.5 |
| | 11–15 years | 101 | 33.4 |
| | Above 15 years | 83 | 27.5 |
| Business Sector | Manufacturing | 73 | 24.2 |
| | Retail/Wholesale | 87 | 28.8 |
| | Hospitality/Services | 60 | 19.9 |
| | Agro-allied | 47 | 15.6 |
| | Others | 35 | 11.6 |
| Firm Size | Micro (1–9) | 64 | 21.2 |
| | Small (10–49) | 122 | 40.4 |
| | Medium (50–199) | 64 | 21.2 |
| | Large (200+) | 52 | 17.2 |

**Source**: Field Survey, 2026

The demographic profile of the respondents offers valuable insights into the characteristics of key decision-makers in Nigerian family-owned businesses. The sample was predominantly male, accounting for 68.3 percent of respondents, reflecting the prevailing patriarchal structure of family business leadership in Nigeria. In terms of age distribution, the largest group (42.5 percent) fell within the 41–50 years bracket, indicating that most participants were in their productive and experienced years. Educationally, a majority held at least a bachelor’s degree (51.2 percent), with additional respondents possessing master’s degrees (29.3 percent) or higher qualifications. This suggests a relatively educated cadre of managers capable of providing informed responses on governance and innovation issues.

Regarding organizational positions, CEOs and managing directors constituted 38.0 percent, while directors and senior managers made up the remaining proportion. Over 60 percent of respondents possessed more than 10 years of managerial experience, further reinforcing the credibility of the data collected. The businesses represented diverse sectors, with retail and wholesale dominating at 28.7 percent, followed by manufacturing at 24.0 percent. In terms of firm size, most enterprises (61.4 percent combined) were small to medium-sized, employing between 10 and 199 workers. This distribution mirrors the typical structure of family businesses in North Central Nigeria. The demographic characteristics indicate that respondents were experienced, adequately

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qualified, and strategically positioned to provide reliable insights into governance structures, entrepreneurial innovation, and financial performance. This profile strengthens the internal validity of the study's conclusions.

### Descriptive Analysis of Study Variables

Table 2 presents the descriptive statistics, including means and standard deviations, for the key study variables measured on a five-point Likert scale.

**Table 2: Descriptive Statistics of Study Variables**

| Variable | No. of Items | Mean | Std. Deviation | Interpretation |
|---|---|---|---|---|
| Board Composition | 8 | 3.87 | 0.68 | High |
| Ownership Structure | 7 | 3.72 | 0.75 | High |
| CEO Duality | 6 | 2.94 | 0.82 | Low |
| Entrepreneurial Innovation | 9 | 3.65 | 0.71 | High |
| Financial Performance | 8 | 3.81 | 0.66 | High |

**Decision Rule:** Mean ≥ 3.50 indicates high agreement; Mean < 3.50 indicates low agreement.

The results showed high mean scores for board composition (Mean = 3.87) and ownership structure (Mean = 3.72), suggesting that respondents generally perceived their firms as having reasonably professional and diversified governance arrangements. In contrast, CEO duality recorded a low mean score (Mean = 2.94), implying limited acceptance or prevalence of combined CEO and board chair roles, possibly due to awareness of associated risks. Entrepreneurial innovation (Mean = 3.65) and financial performance (Mean = 3.81) both demonstrated high levels of agreement.

These descriptive findings collectively suggest that the sampled Nigerian family businesses maintain relatively effective governance mechanisms (with the notable exception of CEO duality) and exhibit innovation capabilities that contribute to robust financial outcomes. Such patterns have positive implications for the long-term governance quality, sustainability, and resilience of these enterprises amid Nigeria's challenging economic landscape.

### Correlation Analysis

Pearson Product–Moment Correlation analysis was conducted to examine the interrelationships among the study variables. The correlation matrix is presented in Table 4.4.

**Table 3: Pearson Correlation Matrix**

| Variable | BC | OS | CEOD | EI | FP |
|---|---|---|---|---|---|
| Board Composition (BC) | 1.000 | | | | |
| Ownership Structure (OS) | 0.612** | 1.000 | | | |
| CEO Duality (CEOD) | -0.284** | -0.251** | 1.000 | | |
| Entrepreneurial Innovation (EI) | 0.578** | 0.549** | -0.367** | 1.000 | |
| Financial Performance (FP) | 0.645** | 0.603** | -0.412** | 0.682** | 1.000 |

**Note:** **Correlation is significant at the 0.01 level (2-tailed).

Board composition exhibited a strong positive correlation with financial performance ($r = 0.645$, $p < 0.01$), as did ownership structure ($r = 0.603$, $p < 0.01$). CEO duality showed a moderate negative correlation with financial performance ($r = -0.412$, $p < 0.01$). Entrepreneurial innovation demonstrated the strongest positive association with financial performance ($r = 0.682$, $p < 0.01$).

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These relationships provide empirical support for core propositions from Agency Theory and the Resource-Based View, highlighting how sound governance structures promote innovation, which subsequently enhances performance, while concentrated power structures such as CEO duality tend to constrain these beneficial processes.

**Multiple Regression Analysis**

Multiple linear regression analysis was employed to examine the direct predictive effects of corporate governance variables on financial performance (Model 1). The results are summarized in Table 3.

**Table 3: Multiple Regression Results – Direct Effects of Corporate Governance on Financial Performance**

| Variable | Beta (β) | Std. Error | t-value | p-value | Decision on Hypothesis |
|---|---|---|---|---|---|
| Board Composition | 0.312 | 0.048 | 6.512 | 0.000 | Reject HO1 |
| Ownership Structure | 0.278 | 0.051 | 5.451 | 0.000 | Reject HO2 |
| CEO Duality | -0.195 | 0.042 | -4.643 | 0.000 | Reject HO3 |

Table 4: Model Summary

| Statistic | Value |
|---|---|
| R | 0.712 |
| $R^2$ | 0.507 |
| Adjusted $R^2$ | 0.502 |
| **F-statistic** | **112.847 (p = 0.000)** |

The overall regression model was statistically significant, $F(3, 330) = 112.847$, $p < 0.001$, and accounted for 50.7 percent of the variance in financial performance ($R^2 = 0.507$). Board composition ($\beta = 0.312$, $p < 0.001$) and ownership structure ($\beta = 0.278$, $p < 0.001$) exerted significant positive effects on financial performance. Conversely, CEO duality demonstrated a significant negative effect ($\beta = -0.195$, $p < 0.001$).

**HO1** was rejected as board composition had a significant positive effect on financial performance.

**HO2** was rejected as ownership structure had a significant positive effect on financial performance.

**HO3** was rejected as CEO duality had a significant negative effect on financial performance.

These results indicate that improvements in board professionalism and ownership diversification substantially enhance financial outcomes, whereas the combination of CEO and chair roles appears detrimental, potentially due to weakened oversight mechanisms. The model's predictive power underscores the strategic importance of governance reforms in driving family business performance.

**Mediation Analysis**

Hayes' PROCESS Macro (Model 4) with 5,000 bootstrap resamples was utilized to assess the mediating role of entrepreneurial innovation in the relationship between corporate governance and financial performance. The analysis confirmed partial mediation. Key results are presented in Table 5.

**Table 5: Mediation Analysis Results (Hayes PROCESS Model 4)**

Direct Effects

| Path | Beta (β) | t-value | p-value | LLCI | ULCI |
|---|---|---|---|---|---|
| CG → EI | 0.524 | 11.23 | 0.000 | 0.431 | 0.617 |
| EI → FP | 0.461 | 9.87 | 0.000 | 0.369 | 0.553 |
| CG → FP (Direct) | 0.237 | 4.92 | 0.000 | 0.142 | 0.332 |

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Indirect Effects (Bootstrapping)

| Path | Effect | Boot SE | LLCI | ULCI |
|---|---|---|---|---|
| CG → EI → FP | 0.242 | 0.038 | 0.169 | 0.319 |

**Note:** CG represents a composite measure of corporate governance. The mediation is partial because the direct effect remained statistically significant after including the mediator.

Entrepreneurial innovation significantly mediated the governance–performance relationship, with a significant indirect effect (Effect = 0.242, 95% CI [0.169, 0.319]).

**HO4** was rejected as entrepreneurial innovation significantly and partially mediated the relationship between corporate governance and financial performance.

This partial mediation implies that while governance mechanisms exert direct influence on financial performance, a substantial portion of their impact is channeled through the enhancement of innovation capabilities. These findings highlight the transformative role of innovation in converting effective governance practices into superior financial results within Nigerian family businesses.

# DISCUSSION OF RESULTS

The empirical findings of this study revealed that board composition and ownership structure exerted significant positive effects on the financial performance of Nigerian family businesses, while CEO duality had a significant negative influence. Furthermore, entrepreneurial innovation partially mediated the relationships between these governance dimensions and financial performance. These outcomes align closely with the study's objectives and provide meaningful extensions to existing literature, particularly within the African family business context. All four null hypotheses (HO1 to HO4) were rejected based on the statistical evidence presented.

The positive influence of board composition strongly supports Agency Theory (Jensen & Meckling, 1976), demonstrating how balanced boards with independent and professionally qualified directors enhance monitoring, reduce agency costs, and improve strategic decision-making. This result is consistent with agency theory, which emphasizes the monitoring role of governance mechanisms, and with family-business research showing that board independence, expertise, and effective governance structures can enhance strategic oversight and innovation-related decision-making (Bammens et al., 2011; Jensen & Meckling, 1976; Li et al., 2020). In the Nigerian setting, characterized by prevalent family dominance and relatively weak external regulatory oversight, the inclusion of non-family expertise emerges as particularly crucial for mitigating groupthink and promoting adaptive strategies essential for competitiveness.

Similarly, the beneficial effect of ownership structure aligns with the Resource-Based View advanced by Jay B. Barney (1991), suggesting that moderate diversification introduces valuable external resources, knowledge, and professional perspectives that bolster performance. This corroborates evidence from Nasrallah and El Khoury (2022) in Lebanese SMEs and Mensah and Bein (2023) across selected West African countries. However, it partially contrasts with studies such as Ahmad et al. (2021), which emphasized the long-term orientation advantages of concentrated family ownership. In Nigeria's volatile macroeconomic environment, a balanced approach to ownership appears to optimally combine familial commitment with necessary professional discipline.

The negative effect of CEO duality reinforces agency concerns regarding power concentration and weakened internal controls; comparable family-firm evidence indicates that duality can reduce monitoring quality and, under some conditions, constrain research-and-development intensity (Goh et al., 2014; Kraiczy et al., 2022). While this finding challenges the optimistic assumptions of Stewardship Theory in family firms, it reflects the practical realities of limited institutional safeguards in emerging markets, where duality may exacerbate succession risks and stifle innovation.

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The partial mediating role of entrepreneurial innovation represents a key theoretical integration of Agency Theory, Stewardship Theory, and the Resource-Based View. Effective governance creates enabling conditions for innovation to flourish as a critical strategic resource, which then drives financial outcomes. This mechanism is consistent with family-business innovation research showing that governance, family involvement, and managerial capabilities can affect innovation investment, innovation outputs, and subsequent performance outcomes (De Massis et al., 2013; Duran et al., 2016; Matzler et al., 2015). The mediation underscores that governance structures alone may be insufficient; their true value is realized when they actively foster innovative behaviors and capabilities, especially in resource-constrained developing economies like Nigeria.

Theoretically, this study advances the literature by empirically validating a triple helix framework linking family dynamics, governance mechanisms, and innovation in an under-researched African context. Practically, the findings offer actionable recommendations for family business leaders and policymakers, including the professionalization of boards, strategic ownership diversification, separation of CEO and chair roles, and targeted investments in innovation-driven initiatives. Such measures are vital for enhancing the sustainability, competitiveness, and long-term continuity of Nigerian family enterprises, which remain central to employment generation and economic diversification. Future research could adopt longitudinal designs or mixed-methods approaches to further establish causal directions and explore additional contextual moderators.

## CONCLUSION

This study concluded that board composition and ownership structure had significant positive effects on the financial performance of Nigerian family-owned businesses, while CEO duality had a significant negative effect. Entrepreneurial innovation significantly and partially mediated these relationships. All four null hypotheses were rejected. The findings affirmed that effective governance and innovation drive sustainability and competitiveness in family businesses in Nigeria.

## RECOMMENDATIONS

Based on the empirical findings, the following recommendations are proposed:

i. Family business leaders should prioritize the professionalization of board composition by increasing the inclusion of independent non-family directors with relevant expertise in finance, strategy, and innovation. This can be achieved through formal board evaluation processes and targeted recruitment, which the study showed significantly enhances monitoring, decision quality, and financial performance.
ii. Owners should pursue moderate ownership diversification by strategically introducing external equity partners or institutional investors while retaining sufficient family control. Such diversification, as evidenced by the positive effect on performance, can bring additional capital, professional management practices, and fresh perspectives without eroding the familial commitment that characterizes these enterprises.
iii. Family firms should adopt governance policies that separate the positions of chief executive officer and board chairperson, except where a clear governance rationale exists and sufficiently strong independent-board safeguards are in place. This separation can strengthen accountability, reduce power concentration, and support more objective strategic oversight
iv. Business owners and government agencies such as SMEDAN and the Corporate Affairs Commission should collaborate to promote innovation capability through targeted training programs, innovation grants, and tax incentives for research and development activities in family businesses.

### Limitations of the Study

Despite the robustness of the methodology and the high response rate achieved, this study has several limitations. The adoption of a cross-sectional research design restricted the ability to establish definitive causal relationships among corporate governance, entrepreneurial innovation, and financial performance over time. Additionally, reliance on self-reported data from questionnaires introduced potential common method bias and subjectivity, particularly in the assessment of financial performance, as many family businesses in Nigeria are reluctant to disclose objective financial records due to privacy concerns and informal accounting practices. The study was geographically limited to North Central Nigeria (Kogi State, Benue State, and the FCT), which may limit the generalizability of findings to other regions with different cultural, economic, or regulatory contexts. Finally, although efforts were made to minimize bias through anonymity assurances and validated instruments, respondent bias from socially desirable responses remains a possibility in family business research where leaders may present overly optimistic views of governance and performance.

**Suggestions for Further Studies**

Future studies should employ longitudinal designs to establish the temporal ordering among governance practices, entrepreneurial innovation, and financial performance, since cross-sectional evidence cannot establish causal direction conclusively. Such approaches would provide stronger evidence of causality and reveal how these dynamics shift across different stages of family business development, including succession transitions. Comparative studies across multiple geopolitical zones in Nigeria or between family and non-family firms would also enrich understanding of contextual variations.

Additionally, mixed-methods research incorporating in-depth qualitative interviews and case studies could offer nuanced insights into the mechanisms through which specific governance practices influence innovation processes in Nigerian family businesses. Scholars may also explore moderating variables such as technological adoption, family generational stage, or external environmental factors to develop a more comprehensive model of performance determinants in emerging market family enterprises.

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