



**DEMOCRATIC LEADERSHIP, FIRM LIFECYCLE STAGES, AND SURVIVAL OF SMES IN THE HEALTHCARE SECTOR
IN NAIROBI, KENYA**

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ABSTRACT

The focus of the study was to investigate the moderating effect of firm lifecycle stages on the relationship between the dimensions of democratic leadership and survival of SMEs in the healthcare sector in Nairobi. The research process was guided by pragmatic research philosophy and adopted explanatory sequential mixed method research design. Data collection was done in two phases, first starting with quantitative phase followed by a qualitative phase. For the quantitative phase, study used a target population of 1438 licensed healthcare facilities in Nairobi falling under the SME category. Through multistage random proportionate sampling, a sample of 626 leaders holding senior management positions in the healthcare facilities was drawn. Qualitative data was collected from a sample of 12 senior leaders holding the ownership or CEO positions. Structured questionnaires were used for collecting quantitative data while interview protocols with semi structured were used for qualitative data collection. Quantitative data was analyzed by use of descriptive and inferential statistics while the qualitative data applied systematic thematic analysis. The findings of the study indicated that democratic leader behaviors had a negative significant effect on SME survival, while democratic workplaces and democratic stewardship had positive and significant effects on SME survival. Firm lifecycle stages were also found to significantly moderate the relationship between democratic leadership and SME survival. The study concluded that the components of democratic leadership significantly predicted survival of SMEs. It also gave several recommendations that future research could consider.

Keywords: Democratic Leadership, Workplaces, Stewardship, Lifecycle stages, Survival

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INTRODUCTION

Many enterprises ranging from small corner shops to large listed conglomerates are established with a view of providing economic stability and securing the future of the founders and their families (Franco *et al.*, 2023; Jasir *et al.*, 2023). The desire for startups to transition across the different lifecycle stages and grow beyond the lives of founders into large corporate organizations that become building blocks for global economies highlights the centrality of firm survival in the leadership scholarship. Even with this understanding, survival of businesses past the five years of inception remains a challenge, not only in developing nations but also in highly industrialized countries with robust economic growth. For example, rates of survival for businesses in the initial five years of operation in the United States of America is put at about 50% (Quansah *et al.*, 2022), 40% in Malaysia (Islam & Wahab, 2021), 20 % in Nigeria (Adebisi & Bakare, 2019), and 54% in Kenya (Githinji & Gilbert, 2022).

Extant research highlights small and medium enterprises (SMEs) as more prone to survival challenges in comparison to bigger organizations. This is attributed to the high extent to which they are dependent on resources such as labor, information, and capital, which are controlled by external environment and a lack of suitable capabilities to address challenges associated with diversification (Naradda *et al.*, 2020; Ulubeyli *et al.*, 2018; Wambui *et al.*, 2024). It is observed that the SME survival challenges are universal and the healthcare sector is not an exception. Globally, small private healthcare enterprises are faced with unfriendly industry regulations, poor infrastructure, high costs of operations, unskilled workforce, and substandard services which threaten their continued existence and survival (Ahmed *et al.*, 2018; Vaughan & Edwards, 2020).

While these arguments are considered to cut across the SME sector, this study identified peculiar healthcare sector characteristics that the researcher considered to explain the relationship

between democratic leadership and firm survival. First, operations of running healthcare enterprises are complex and dynamic and riddled with high risks (Strathmore University Business School, 2024). A majority of medical professionals rely on their professional back grounds to run their businesses, lack appropriate entrepreneurial skills, and hardly keep proper records, facts which make financial institutions label them as risky and non-credit worthy ventures (Ravishankar & Lehmann (n.d.)). Secondly, medical practitioners especially doctors do not embrace team culture, are unwilling to share business proceeds, or take advantage of collaboration as their healthcare facilities grow in size (Barnes *et al.*, 2009; Karadakal *et al.*, 2015). Thirdly, provision of healthcare services is considered a basic human right which complicates the application of basic business principles to run private healthcare facilities. These characteristics point to leadership practices as possible factors that influence survival of SMEs in the healthcare sector.

Despite the deliberate efforts by governments and other agencies to improve healthcare service delivery through programs that target both public and private healthcare facilities (Republic of Kenya [ROK], 2018, 2022), the death of healthcare SMEs in Kenya remains a great threat and portends serious challenges to the realization of government's healthcare projects such as Universal Health Coverage (Muturi & Mungai, 2020; Mwaniki *et al.*, 2022). Although not adequately studied, gaps in leadership have been shown to contribute to failure of SMEs (Afande, 2015b; Mugo *et al.*, 2019). Past research has attributed inadequate leadership skills and erroneous decision-making processes as leading causes of deaths of many SMEs (Bojadziev *et al.*, 2019; Majukwa *et al.*, 2020). This study advanced leadership as an extremely important prerequisite that enterprises can anchor their performance on due to its unique attributes of directing influence towards the development of survival strategies adaptive to dynamic contexts (Afriyie *et al.*, 2024; Lestari *et al.*, 2018).

Extant literature highlights different styles of leadership, each with unique implications on performance outcomes. The manner in which leadership is deployed in organizations varies with the contexts of application and is influenced by peculiarity of the organizational and cultural characteristics, socio-economic structures, and follower competences among other considerations (Bansal *et al.*, 2025; Imran *et al.*, 2025; Shinde & Giri, 2025). In consideration of the context of the current study, understanding the way leadership process is theorized by different researchers is critical for explaining the effect of democratic leadership on firm survival. For example, Distributed Leadership Theory highlights teamwork as the process of influence, Leader-Member Exchange Theory (LMX) emphasizes relationships between leaders and subordinates, Ethical Leadership Theory brings out moral behaviors as a foundation for building trust, Participatory Leadership Theory supports involvement of others in decision making, Transformational Leadership Theory highlights motivation, individualized influence and inspiration, Situational Leadership Theory proposes adaptive behaviors depending on follower competence, and lastly Servant Leadership Theory fronts care for others and personal development as the mechanisms through which influence is caused (Bansal *et al.*, 2025).

Therefore, based on the reviewed literature and the foregoing arguments, the researcher observed that deployment of leadership practices which promote members' contribution and encourage participation in making of decisions and other organizational activities is key to the success and survival of healthcare facilities. This resonated with principles on which democratic leadership is premised thus fronting the style as a good fit for firm survival. Arguments by Wachira *et al.* (2018) support the application of democratic leadership in healthcare SMEs because of its flexible and adaptive nature making it ideal for dynamic business contexts of the twenty first century. Further, SMEs have flatter hierarchies and the

interactions between leaders and their subordinates are more frequent and more likely to allow democratic leadership practices.

The collaborative attributes of democratic leadership have been shown to promote employee satisfaction (Bansal *et al.*, 2025). In addition, its propensity for involving followers in making of decisions positively affects the degree of accountability and sense of belonging which result in improved motivation and high individual productivity (Wangmo, 2025). Imran *et al.* (2025) note that, adoption of democratic leadership has the effect of creating a trust-founded work climate where innovative culture is promoted, participation is encouraged, and open communication is practiced. As a result, employees feel valued and therefore more engaged with the organization which makes them perform above leader's expectations to cause positive organizational outcomes.

The principles of Democratic Theory on which democratic leadership is premised are dynamic and multitudinous and vary depending on the objective and the context in which they are applied (Dean *et al.*, 2019; Ingrams, 2019). Despite the extensive scholarly work on democratic leadership by Gastil (1994) and other researchers, the foundation of democratic leadership remains amorphous and poorly understood. Further, the manner in which it has been previously conceptualized is perceived to be generic owing to the many dilemmas its theorization is associated with (Jdetawy, 2018; Northouse, 2019). Although democratic leadership has for a long time been linked to political systems, today's demands by scholars to understand its constituent components call for investigations that extend to other contexts such as SMEs in healthcare sector (Dike & Madubueze, 2019). To realize the objectives of this study, the researcher considered leader personality attributes (Northouse, 2019) and Kurt Lewin's Classical Democratic Leadership Model (Gastil, 1994) to conceptualize the construct. Additionally, the three leadership forces of influence that derive

from Situational Leadership Model categorized as forces emanating from the leader, forces emanating from the context, and those from the followers were found critical in grounding the three democratic leadership components that the study fronted (Uchenwamgbe, 2013).

In consideration of the way leadership is deployed to bring about firm performance, the heterogeneity of the contexts under which SMEs operate, and the dynamic nature of today's business climate (Neirotti *et al.*, 2018; North *et al.*, 2020), understanding the stage in which a business is in its lifecycle is critical for scholarship that links democratic leadership to firm survival. Bachtiar and Amin (2019) state that business operations are characterized by different growth phases which are distinct in terms of structural and contextual features which infers their success to transition across the different lifecycle stages is dependent on the extent to which leadership practice is adaptive and flexible. It is observed that, firm performance outcomes can be positively influenced through leadership approaches that analyze and understand the attributes of firm lifecycle stages (Gómez-Garza *et al.*, 2024).

Statement of the Problem

SMEs are the engines that drive global economies (Kiiru *et al.*, 2023; Majukwa, *et al.*, 2020; Rahman *et al.*, 2022), but unfortunately, a large number is unable to transition across the various lifecycle stages which results in high mortality rates (Githinji & Gilbert, 2022; Quansah *et al.*, 2022). The survival challenges have been shown to cut across the various SME sectors including the healthcare. The survival of SMEs in the healthcare sector in Kenya is of great concern because it has a direct effect on the realization of Universal Health Coverage which is a key healthcare program for the government (Owino *et al.*, 2020; ROK, 2024). Much effort has been put in place by the Kenyan Government and other non-governmental bodies to enhance SME performance but the threat of survival remains evident (Kiiru *et al.*, 2023; Mohamoud & Mash, 2022; Quansah *et al.*, 2022;

ROK, 2022). Githinji and Gilbert (2022) put SME survival rate in Kenya at 54% which means out of every ten new ventures, about a half do not transition to maturity.

The current study attributed this trend to internal factors revolving around leadership. Whereas there are many leadership styles that have the potential to influence firm survival, the study adopted democratic leadership due to its flexible and adaptive nature and its special attribute of involving subordinates in making of decisions and other activities within the organization (Dolly & Nonyelum, 2018; Hilton *et al.*, 2021; Wachira *et al.*, 2018). Although democratic leadership has extensively been discussed in leadership scholarship, Imran *et al.* (2025) observe that there is dearth of research on certain contextual aspects relating to the construct. While research on approaches of enhancing SMEs performance in the global space is extensive, research focusing on healthcare-based SMEs and their survival is insufficient (Ahmed *et al.*, 2018; Chattopadhyay, 2013). Further, researches on Kenya's healthcare sector majorly target large institutions or public hospitals (Mohamoud & Mash, 2022; Odhiambo & Kinyua, 2021). Although past investigations identified leadership gaps as a possible causes of negative performance outcomes, there is paucity of empirical studies corroborating the observations (Dinda *et al.*, 2016; Mohamoud & Mash, 2022; Mugo *et al.*, 2019), and therefore building a strong case for undertaking this study.

LITERATURE REVIEW

Democratic Leadership and Its Dimensions

Democratic leadership is defined in a number of ways depending on the context where it is deployed and the leadership orientation. It is a concept that is best understood by considering the postulates of different theories of leadership and democracy and weaving them to establish a framework that can be applied to explain the process of influence (Arenilla, 2010; Gastil, 1994). Understanding the different ways in which the construct has been conceptualized is faced with

dilemmas owing to the evolution of democratic and leadership theories in relation to its application in traditional and contemporary contexts (Dean *et al.*, 2019; Northouse, 2019). The observed inconsistencies and incoherencies offer an opportunity for new horizons in research focusing on democratic leadership practice in today's organizations.

Extant literature highlights the extensive works by a team led by Kurt Lewin and their role in laying a strong foundation for democratic leadership scholarship on which further research is based (Amini *et al.*, 2019). According to Lewin and colleagues, the four principles on which democratic leadership is founded comprise collaborative decision-making, participation of team members, honest and constructive criticism, and building friendly relationships. Gastil (1994) reviewed the way other scholars had defined democratic leadership and integrated the results with Kurt Lewin's Model of democratic leadership to offer a more enhanced definition to the construct from a leadership function perspective. According to the author, the key democratic leadership functions are distributing of responsibilities among all members of a team, empowerment of team members, and offering support to the process of deliberation. The current study relied on attributes of democratic leadership advanced through the "Lewin's Classic Model" and contributions by other scholars to build a strong case for an empirical investigation and shed more light on the relationship between democratic leadership and survival of healthcare-based SMEs.

According to the views of Dolly and Nonyelum (2018) and Wilson (2020), democratic leadership is considered a leadership style where the process of decision making is participatory and involves both the subordinates as well as the leaders within the organization. A democratic work climate encourages a two-way communication and

gives employees freedom to express their ideas and engage in open and healthy discussions and consultations (Dolly & Nonyelum, 2018; Hassnain, 2023). Communication is the backbone of democratic leadership and the way it is exercised determines the extent to which it is implemented. McArdle and Reason (2008) and Raelin (2012) assert that communication is effective only when it permeates the entire organization and when dialogues between team members bring out shared understanding of the activities that guide organizational operations and enhance collaborative behaviors.

Democratic systems de-emphasize hierarchies and promote decentralized and shared leadership in organizations (Tannenbanum & Schmidt, 2012; Vann *et al.*, 2014). Through democratic leadership practices, effective management control systems are established and leadership attributes of openness, fairness and accountability are reinforced (Ghrai, 2024). While contributing to democratic leadership practice, Raelin (2012) highlighted "the 4C" principle in reference to collectiveness, collaboration, compassion, and concurrency which were considered to be important concepts that organizations can adopt to democratize the leadership process. Collectiveness refers to the way in which members of a group collectively take up leadership functions, collaboration refers to the art of working together resulting from dialogues and co-creation, compassion refers to the dignity and respect that each members is accorded by the management irrespective of their social standing, while concurrency refers to the aspect of members undertaking several tasks simultaneously. Table 1 gives a summary of the different descriptions that past researchers have given to democratic leadership and the keywords that the current study applied to conceptualize the dimensions of the construct.

Table 1**Description of Democratic Leadership**

Past Researchers	Description of Democratic Leadership	Key words
Amini <i>et al.</i> (2019).	Kurt Lewin's Classic Model of Democratic leadership comprising of collaborative decision making, team member participation, constructive criticism, and friendly relationships	Collaboration, decision making, participation, constructive criticism friendly relationships
Dolly and Nonyelum (2018); Hassnain, (2023)	Encourages two-way communication, gives employees freedom to express their ideas, engages in open and healthy discussions and consultations	Two-way communication, freedom of expression, open discussions and consultations
Dolly and Nonyelum (2018): Wilson (2020)	Participatory decision making, involvement of subordinates and leaders	Participation, decision making, involvement
Gastil (1994)	Responsibility distribution among all members, empowerment of team members, supporting deliberations	Responsibility distribution, empowerment, deliberation
Ghrai (2024).	Effective management control systems drawn from attributes of openness, fairness and accountability	Openness, fairness, accountability
McArdle and Reason (2008) and Raelin (2012)	Effective Communication that permeates the entire organization, dialogues that bring out shared understanding and collaborative behaviors	Effective communication, dialogues, shared understanding, collaborative behaviors
Raelin (2012)	The 4C" principles of collectiveness, collaboration, compassion, and concurrency	Collectiveness, collaboration, compassion, concurrency
Tannenbaum and Schmidt (2012); Vann <i>et al.</i> (2014)	Hierarchies are de-emphasized, and decentralized and shared leadership is promoted	Decentralization, shared leadership

Source: Research Data, 2025

In consideration of the diverse ways in which different authors have conceptualized democratic leadership, the researcher was of the view that the objectives of the study would be adequately realized if democratic leadership is defined from an SME survival context. From the descriptions of the construct based on the views of the previous researchers and the observed keywords, certain patterns pointing to themes that shared common meaning were evident and applied to conceptualize democratic leadership into three dimensions that

capture the new definition of the construct in accordance with the context of this investigation. The school of thought of three forces from where leadership derives its influence according to Situational Leadership Model (Faradilah *et al.*, 2024; Uchenwamgbe, 2013) corroborated the conceptualization of the three democratic leadership dimensions. The first set of forces emanate from leader's actions and responsibilities and correspond to the dimension of democratic leader behaviors, the second set of forces emanate

from the context of the organization and correspond to the dimension of democratic workplaces, while the third set of forces emanate from the followers' readiness to undertake the assigned tasks and correspond to the dimension of democratic stewardship (Faradilah *et al.*, 2024).

Firm Survival

Firm survival is a performance related concept that is understood in a myriad of ways. According to a study by Supangkat and Widiani (2022), it is conceptualized as a firm's potential to identify a threat, develop and implement contingency plans, sustain operations and performance, and persist into the future. Wagner (2022) on the other hand correlates characteristics of firm exit that include firm size and age with firm survival. Zhao *et al.* (2025) associate firm survival with an organization's internal processes such as innovation that build its competitive advantage. In support of these sentiments, Salunkhe *et al.* (2023) view firm survival as the resilience possessed by an organization which allows it to surmount negative changes in its environment. A business that ends up failing according to Schötz (2025) is considered to be unable to survive and non-resilient which therefore means survival is a component of resilience.

From the different perspectives presented, the current study adopted firm survival as a time dependent concept from birth to exit during which a firm sustains its operations to realize strategic growth objectives and transitions across the various lifecycle stages to maturity (Adam & Alarifi, 2021; Perkins & Khoo-Lattimore, 2020; Rahman *et al.*, 2022). Further, a firm survival process is characterized by its ability to learn from past experience and develop key skills, competences, and behaviors that confer competitive advantage needed to survive and thrive (Rahmanseresht & Yavari, 2017). As already mentioned, firm survival is a form of measure of performance of an organization and can be evaluated in a number of ways.

The factors that define growth of an organization and which create value have an effect on an organization's long survival and can thus be adopted as measures of firm survival (Islam & Wahab, 2021). Operational mechanisms and policies that enhance firm growth do so by influencing production, enlarging market share, and building higher profits (Nkwabi & Mboya, 2019) which infer that they can be applied to measures firm survival. Other approaches adopt internal and external factors that impede firm growth such as firm size, environmental dynamics, operational inefficiencies, marketing challenges, unskilled human resource, and competition (Sadeghi, 2018; Sarwoko & Frisdiartara, 2016). By considering the factors that hinder organizational growth, survival can be assessed through the extent to which an organization develops appropriate mechanisms to surmount them.

A more comprehensive approach for measurement of survival is through use of the Balanced Scorecard (BSC) which is considered an ideal tool for transforming mission and vision of an organization into positive outcomes (Quesado *et al.*, 2018). The BSC is preferred because of its flexible nature and the potential it possesses to gather both financial and non-financial data (Dudic *et al.*, 2020). The BSC has been applied widely and is able to measure firm performance based on the attributes of financial strength, customer perspective, internal operations, and learning and innovation.

Firm Lifecycle Stages

Today's business landscape is very dynamic and characterized by revolutionary change, highly competitive environment, technological advancements, and readily available substitute products (Bachtiar *et al.*, 2024). These factors among others affect the lifecycles of businesses and impact their growth in one way or the other. It is observed that, as businesses grow and thrive, they experience different phases of growth, each of which is distinct in terms of its characteristics. The different phases of growth from the time a business

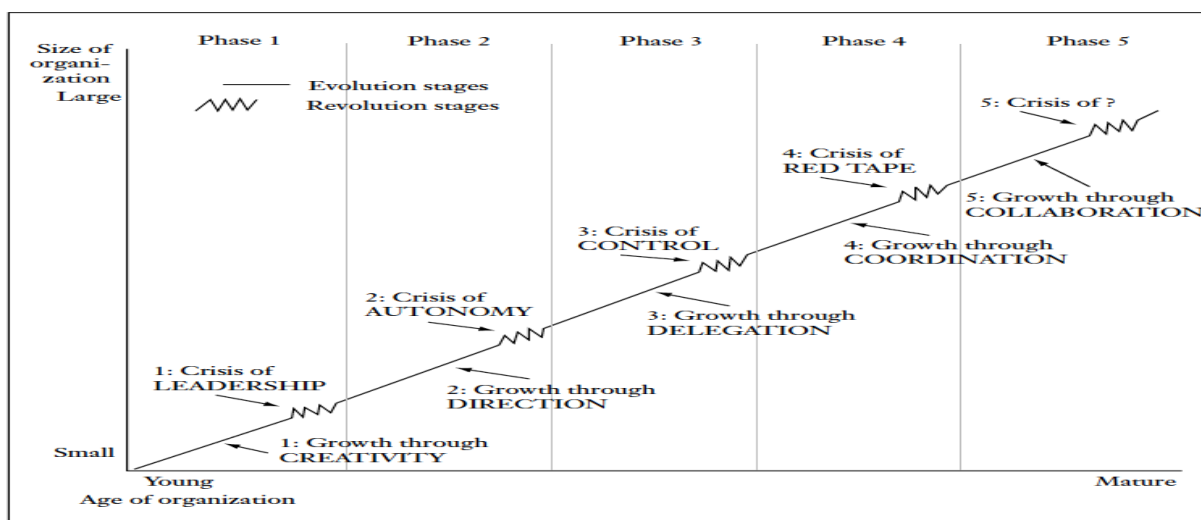
is birthed to the time it matures or dies represent its lifecycle (Verma, 2019). Stettner *et al.* (2014) observe that the lifecycle stages are marked with unique contextual and structural configurations representative of the organization and relate to the way resources and capabilities are developed and managed. According to Hanks *et al.* (1993), contextual configurations comprise of growth factors that include firm age, firm size, sector growth rates, and other challenges encountered during growth. Structural configurations on the other hand comprise the number of hierarchies, and the level to which management is formal, centralized, and differentiated (Cheikhrouhou *et al.*, 2012).

Each of the lifecycle stages exhibits unique characteristics and experiences distinct challenges

that require targeted solutions (Lu & Wang, 2018). As businesses transition from one phase to the next, leaders are required to change and adjust their leadership styles to match the prevailing environmental demands in order to sustain the growth trajectory (Andriani *et al.*, 2018). This study used Larry Greiner's (1972) Growth Model (Figure 1) to explain the moderating effect of firm lifecycle stages on the relationship between democratic leadership and SME survival. The model highlights five critical stages that a business encounters in its growth path and the relevance of each of the stages in terms of its operations, the inherent challenges, and the leadership styles applicable to surmount such and allow the transition process to continue.

Figure 1:

Larry Greiner Growth Model



Source: Greiner, 1972

The Model posits that as organizations grow in size, they encounter phases of evolution characterized by positive trajectory and phases of revolution characterized by crises that can be addressed through effective leadership practices for organizational growth to be maintained. Greiner (1972) proposed five distinct phases namely creativity, direction, delegation, coordination, and

collaboration that firms encounter as they grow. Each of the five phases starts with a period of evolution which ends up into a crisis in the revolution period. To transition from one phase to the next, firms are required to deploy adaptive leadership styles that address the management challenges associated with crises during the

revolution period. The phases are related, and each phase feeds into the next one (Bachtiar *et al.*, 2024).

The first phase of creativity is characterized by an entrepreneurial culture in which new products are developed. The phase is faced with leadership crisis due to increased production and size of work force. Effective leadership helps to address the crisis and move the firm to the second phase called the direction phase. The main features of second phase are separation of duties, incentivized programs, and centralized management from managers and top supervisors. The features result in autonomy crisis with the employees in the low levels of the organization feeling unsatisfied with the adopted management structure. To overcome this challenge, delegation is encouraged which in turn leads to the third phase.

The delegation phase is characterized by a decentralized management structure and more responsibilities are given to managers. The third phase is usually faced with crisis of control. The members of top management team feel like they are not in control because management functions such as planning, technology application, and HR practices are handled by the middle level managers. This crisis of control is addressed through management practices that promote coordination by top executives through which organizational

activities are initiated and managed. The coordination phase, which is the fourth phase results in merging of some divisions and creating new project teams where decisions become more inclusive and capital expenditure is collectively deliberated. The operations of the organization become too complex due to increased activities and a higher number of employees. The crisis that arises as a result is related to red-tape due to over-regulations and rigid operational policies which stifle decision making and implementation of policies.

The last phase referred to as the collaboration phase attempts to address the bureaucratic challenges faced in the fourth phase and is characterized by swift action, self-discipline, social control, and highly skilled individuals. Regular meetings between teams are held to enhance collaboration and address employee differences. The fifth phase is faced with challenges of decline and saturation that require reengineering for survival to be guaranteed. The model represents a leadership phenomenon that organizations can rely on to develop strategic growth plans necessary for the long term firm survival. Table 2 represents the various features that organizations exhibit as they transition across the five phases of the Greiner's Growth Model.

Table 2

Features exhibited by organizations across the Five Stages of Greiner's Growth Model

<i>Category</i>	<i>Phase 1</i>	<i>Phase 2</i>	<i>Phase 3</i>	<i>Phase 4</i>	<i>Phase 5</i>
Management Focus	Make & Sell	Efficiency of Operations	Expansion of Market	Consolidation of Organization	Problem Solving & Innovation
Organization Structure	Informal	Centralized & Functional	Decentralized & Geographical	Line-staff & Product Groups	Matrix of Teams
Top Management Style	Individualistic & Entrepreneurial	Directive	Delegative	Watchdog	Participative
Control Systems	Market Results	Standards & Cost Centers	Reports & Profit Centers	Plans & Investment Centers	Mutual Goal Setting
Management Reward Emphasis	Ownership	Salary & Merit Increases	Individual Bonus	Profit Sharing & Stock Options	Team Bonus

Source: Greiner (1972)

Of importance from the model is the centrality of leadership practices that pay attention to management focus, organization structure, style of top management, systems of control and emphasis on rewards by the management (Bachtiar & Amin, 2019). Based on the model, it was concluded that structural and contextual characteristics that define the various lifecycle stages have an implication on the deployment of democratic leadership in healthcare facilities to bring about improved firm survival rates. From this reasoning, the researcher went further to investigate how the three dimensions of democratic leadership interact with firm lifecycle stages to influence survival of healthcare facilities in Nairobi.

Democratic Leader Behavior and Firm Survival

Leader behavior is a leadership concept that describes the style of management that is adopted by leaders and through which they influence followers to undertake duties that they may not perform under ordinary circumstances (Northouse, 2019). Leader behaviors are categorized into either supportive or directive behaviors (The Ken Blanchard Companies, 2021). Directive leader behaviors derive their influence majorly from legitimate power or authority conferred by the position held in the organization (Mwaisaka *et al.*, 2019). They are mainly instructional and help the leader to monitor closely the implementation of the envisaged goals. Additionally, they clarify standards of performance and timelines required for achievement of certain milestones. The Ken Blanchard Companies (2021) identify seven functions of directive leader behaviors: establishing SMART goals, showing how the goals will be realized, indicating timelines for achievement of certain milestones, prioritizing activities, role clarification, developing implementation plans, and monitoring and tracking performance. Leaders who adopt directive leader behaviors that result in positive performance outcomes in dynamic environments have been shown to possess certain

convictions, beliefs, and values that motivate them (Akoma *et al.*, 2014; Nedelko & Potocan, 2021).

Supportive leader behaviors on the other hand provide a work climate that is friendly and considers the subordinates' psychological and physical needs which in turn improves employee job satisfaction (Mwaisaka *et al.*, 2019). Such behaviors promote respect and mutual trust between leaders and their followers and improve employee confidence and motivation to undertake assigned tasks. The common supportive leader behaviors according to The Ken Blanchard Companies (2021) are listening, encouraging individual-dependent problem solving, seeking input from others, explaining the rationale for certain decisions, affirming and inspiring others, providing clear information on issues affecting the company, and providing relevant self-information about the leader. Such behaviors offer support to employees, improve social cohesion, and enhance employee engagement (Mwaisaka *et al.*, 2019).

Effective leadership requires leaders to apply both supportive and directive behaviors (Northouse, 2019). Depending on the context of application of a leadership style, the directive and supportive leader behaviors are combined to different degrees to influence the leadership process required for positive organizational performance (Salehzadeh *et al.*, 2015; Thompson & Glasø, 2015). Extant literature highlights a myriad of leadership styles among them democratic leadership which is defined by a set of certain leader behaviors and competences through which it causes influence needed for organizational success (Abid *et al.*, 2024; Nedelko & Potocan, 2021). Democratic leadership practice is collaborative, and involves others in making of decisions and therefore leader behaviours that enhance relationship building among members of the organization are critical (Hilton *et al.*, 2021).

Even though Democratic Theory fronts equality and liberty as important attributes that anchor democratic leadership practice, (Arenilla, 2010; Dean *et al.*, 2019), the leader's role of

providing direction remains pivotal and acts as the compass that the team continually refers to in making and implementing of critical decisions (Amini *et al.*, 2019; Asimwe, 2021; Wachira *et al.*, 2018). Past researches have illuminated certain leadership attributes that this study considered as foundational prerequisites for deployment of democratic leadership in healthcare facilities and whose arguments require empirical evidence. Research by Gastil (1994) identified collaboration, participation, inclusivity, self-determination, and deliberation. Vopalecký and Durda (2017) linked democratic leaders with leader behaviors that prioritize involvement, offer direction, set a vision, communicate envisaged goals in a convincing manner, co-own decisions, encourage decentralization, promote dialogues, listen, and empower and develop capacity of the followers. Additionally, such behaviors embrace fairness, integrity, transparency and enhance the levels of accountability within the entire organization. Choi (2007) and Fenton (2012) highlighted certain skills including negotiation skills, problem solving skills, good communication skills, and planning skills as important competences that democratic leaders need to possess.

The arguments were corroborated by several empirical studies. A qualitative study by Musaigwa (2023) in South Africa on change management and leadership identified leader behaviors that were found to improve organizational performance to be those which motivated employees, promoted development of organizational vision, communicated change effectively, planned for change, developed a favourable work climate, promoted follower's buy-in, and emphasized leading by example. A study by Muinga *et al.* (2020) of quantitative design investigating the use of digital health in Kenyan public hospitals showed the poor uptake of the system was due to training challenges, underdeveloped infrastructure, and a lack of prioritization of the required activities. Chingwena and Scheepers (2022) investigated how top management in Zimbabwean SMEs adapted

their leadership practices in response to the COVID-19 pandemic. The findings of the quantitative study were that adaptive leader behaviors which allowed the adoption of different permutations of the various principles of complexity leadership enabled SMEs to cope with the pandemic and survive.

Another quantitative study by Ajmera and Jain (2020) undertaken in Indian companies on use of lean strategies in the healthcare sector identified effective articulation of organizational goals and clear vision as important leadership attributes for goal implementation. A study linking communications skills to democratic attitudes in Turkey showed that active listening, readiness to communicate, self-expression, and other forms of non-verbal communication were correlated with democratic attitudes (Soylu & Okvuran, 2024). A quantitative study by Chukwusa (2019) adopting focusing on democratic leader behaviors in Nigerian Universities found out that democratic leadership is more effective when leaders show love and kindness to their subordinates.

From the reviewed empirical researches, conceptual, methodological, and contextual gaps were evident and therefore casting doubt on generalizability of the findings. Conceptually, although the variables under investigation were characteristic of democratic leader behaviors, the studies did not specifically investigate relationship of democratic leader behaviors and firm survival. Further, they did not highlight the specific leader behaviors that would bring about positive performance outcomes in an SME context. Methodologically, the studies adopted quantitative designs which may have lacked the necessary rigor for comprehensive results. The contexts of investigations were not reflective of the heterogeneous nature of SMEs thus justifying the need to carry out further research in other contexts. The study findings supported the earlier view of inadequacies in interpreting Democratic Theory and the way it is applied to explain democratic leader behaviors.

The manner in which work structure is designed to accommodate operations of an organization affects the employees' ability to participate in making of decisions and be involved in the organizational activities (Harrison & Freeman, 2004). Democratic organizations are founded on principles that promote a participatory work climate and an innovative culture (Danvila-del-Valle *et al.*, 2018; Safari *et al.*, 2018; Wachira *et al.*, 2018) which therefore means optimal deployment of democratic leadership requires certain organization designs. The nature of the organization, the tasks undertaken, processes followed to make decisions, and the extent to which teamwork is embraced play central role in creation of democratic workplaces (Johansson & Årlestig, 2022). This study conceptualized the processes and the work structures which promote democratization of organizational activities and establishment of a conducive work climate as democratic workplaces (Han & Garg, 2018).

Odiwo *et al.* (2022) argue that the practice of democracy in workplaces encompasses structural designs that link leadership functions of decision-making to the influence and interests of the employees. According to Gastil (1994) and Wachira *et al.* (2018), democratic workplaces facilitate the distribution of some leadership functions and decision-making responsibilities among the members of the organization. Further, they empower employees through capacity building programs and prioritize collaborative systems that facilitate collective decision-making and problem-solving. Such workplaces create an environment where relationships between leaders and the subordinates are strengthened and trust in the entire organization is enhanced which in turn results in organizations with high performance culture and better rates of firm survival (Asimwe, 2021).

To optimize their adoption and lead to positive organizational performance, democratic workplaces should align the strengths and

competences possessed by employees with the assigned roles and responsibilities (Safari *et al.*, 2018). Boxall and Purcell (2016) through the Best Fit Model argue that optimal performance outcomes in organizations are achieved when embraced policies align strategic decisions with environmental demands. Nightingale (1982 as cited in Safari *et al.*, 2018) enumerated some important characteristics of democratic workplaces: decentralized decision-making, flat organizational structures, leader evaluation by others, inclusive participation, giving feedback, accommodation of diversity, transparency, and willingness to share of knowledge.

A quantitative study by Abor and Kwame (2022) exploring the relationship between leadership styles and firm performance in Ghana's specialist hospitals identified participative leadership as the most preferred leadership style. The leaders exercised their functions through delegation, responsibility distribution, consultation, and allowing members to contribute to decision-making. A related study by Yarow *et al.* (2019) investigating how democratic leadership affected delivery of services in devolved public hospitals showed a positive correlation between democratic leadership and the level of service delivery. The positive performance was attributed to the "I share attitude" that allowed equal opportunities for each member to make decisions which acted as a motivator to actively engage in assigned duties leading to high productivity.

A study that adopted quantitative design by Shukri and Ramli (2015) undertaken in Malaysia to determine the effect of structure of hospitals on performance found out that centralized and formalized structures were preferred. The activities within the hospitals followed written down guidelines that helped compliance with regulatory authorities. Although the findings contrasted the way democratic leadership is conceptualized in theory, there were important leadership lessons learned and that the current study found useful. Research by Gichohi (2017) of quantitative design

on implementation of practices of knowledge management identified organizational culture and structure as the key determinants. Organizational structure was measured in terms of processes of decision making, channels of communication, and task differentiation. Further, the study found out decentralization and clear lines of communication which are characteristic of democratic organizations promoted teamwork spirit and involvement of all members in making of decision which in turn positively affected the achievement of envisaged goals. Nightingale (1982 as cited in Safari *et al.*, 2018).

While theoretical considerations associate organizational performance in democratic workplaces with decentralized and flat structures (Nightingale, 1982 as cited in Safari *et al.*, 2018), contrasting views by Shukri and Ramli (2015) that centralized and formalized structures also resulted in positive performance outcomes in hospitals in Malaysia highlighted dilemmas that require further empirical explanations. The researcher considered the robustness that is conferred to a research process by an explanatory sequential mixed method design would go a long way in answering objectives that this study intended to achieve.

Democratic Stewardship and Firm Survival

The study conceptualized the construct of democratic stewardship as an organization's governance system founded on principles of democratic and stewardship theories which are used to explain the approaches that leaders can adopt to improve employee engagement with the activities of the organization (Ahmed *et al.*, 2018; Baptista *et al.*, 2017). Stewardship is a leadership concept that espouses certain beliefs, norms, values, behaviors, and attitudes that help employees of an organization to serve while focusing on the long term survival of an organization (Hernandez, 2008). Good stewards are motivated by pro-organizational activities and benefits to all stakeholders and not selfish gains. Dumay *et al.* (2019) observe that leadership practice that is founded on stewardship principles is

selfless and collaborative, and does not tolerate individualistic and opportunistic tendencies.

The values and the norms that Stewardship Theory advances and which this study borrows to conceptualize democratic stewardship are ethical behaviors, trust, integrity, and morality (Fenton, 2012; Hernandez, 2008). Observations by Cossin *et al.* (2015) strengthen the case for democratic stewardship as a component of democratic leadership needed to promote firm survival rates by fronting outstanding concepts that build trust within the organization and that this study considered to be important for its design. The concepts include: compassion which is a leader's capacity to empathize and consider needs of others, equity which allows involvement of others, prudence which is about resource optimization and securing the future, accountability which is about responsibility and being answerable for own actions, and care which is about representing the interests of others with fairness.

It is observed that when democratic stewardship is incorporated in management of organizations, it has the potential of building strong relationships within the organization and enhancing stakeholder ownership which ultimately leads to wealth optimization for all stakeholders and superior firm survival rates. When employees embrace stewardship principles, trust reverberates in the entire organization and the assigned duties are undertaken with more commitment and responsibility. The observations were also supported by findings of previous empirical studies.

A quantitative study by Suriyankietkaew and Kungwanpongpan (2022) in Thailand found out that sustainability of pharmaceutical companies and other healthcare facilities is guaranteed when ethical leader behaviors are inculcated in their governance structures. Another study by Yazdanshenas and Mirzaei (2023) embracing a quantitative design undertaken in Iran showed that when leaders exercise their leadership role with integrity, employees are more successful in their roles and tasks that they are assigned. Research by

Bonsu *et al.* (2023) found a positive significant effect between integrity and individual accountability. Seitio-Kgokgwe *et al.* (2016) investigated the relationship between stewardship and health system performance in Botswana and found out that challenges in accountability caused poor performance outcomes.

There was consensus in the findings of all the reviewed empirical studies that the different attributes that relate to democratic stewardship had positive effects on performance outcomes. However, the findings brought out conceptual and methodological gaps that could be addressed through research designs with more scientific rigor. While the study findings linked stewardship principles with better performance outcomes, the role of the leadership process was not highlighted which led the researcher to propose to investigate the relationship of democratic stewardship as a dimension of democratic leadership and SME survival.

Democratic Leadership, Firm lifecycle stages and Firm Survival

As has been mentioned, organizational growth is characterized by different lifecycle stages that possess unique features which leaders need to understand so that they can adjust their leadership styles to align with the demands of the stage that the organization is at any particular time (Rahmanseresht & Yavari, 2017). Alamoudi (2019) asserts that the overarching role of leaders in the process of transitioning across the stages of firm growth is to develop and implement suitable strategies that address environmental turbulence. Notably, the focus on every stage differs owing to the intended objectives and this dictates the type of decisions to make and the management approach that is embraced (Danvila-del-Valle *et al.*, 2018). Greiner (1972) highlighted critical features that leaders can pay attention to when developing growth strategies and which this study considered to explain the moderating role of firm lifecycle stages. They included age of the age, size of the

firm, phases of evolution and revolution, and industry characteristics (Saha *et al.*, 2021).

Illés *et al.* (2015), through a quantitative study investigated small enterprises in relation to how the stages of lifecycle influenced their efficiency and level of profitability. The findings showed a correlation between the earned profits, the lifecycle stage, and the age of the enterprise. The conclusion drawn was that growth of organizations in the early stages is exponential however it slows down with age due to saturation more so when the leadership approaches embraced are rigid and non-responsive to market demands. A related research by Radipere and Dhliwayo (2014) on South African SMEs observed differences in performance outcomes which were attributed to differences in the ages of the SMEs. The explanation was that young businesses lack the appropriate survival skills while older ones suffer from competition and rely only on effectiveness of the adopted leadership style.

Another study by Trung (2021) in Vietnam showed that SME performance was determined by the size of the firm. The study argued that large size implies higher sales and therefore better ways of managing cost which results in better profits and higher chances of firm survival. The findings contrasted those of Kitenga *et al.* (2020) in which size of the firm was found not to influence firm performance. The researchers argued that, growth in firm size should be accompanied by development of suitable dynamic capabilities needed to address the complexities of growth. According to the study, poor performance is realized when the leadership adopted does influence the development of the most needed dynamic capabilities in alignment with the context.

Several studies reviewed showed performance of organizations is also affected by the industry characteristics. For instance, a study of quantitative design by Uthamaputhran *et al.* (2021) identified unreliable procurement processes, reduced working hours and lack of market as the main reasons why Malaysian SMEs performed

poorly during the Corona pandemic. A similar trend was observed in Nigerian SMEs in which sector characteristics such as inadequate finances negatively affected the transition process across the different growth phases (Enesi & Ibrahim, 2021).

The conclusions drawn from these findings were that the different contextual and structural features relating to firm lifecycle stages influenced the performance outcomes in a number of ways. Notably, there were glaring conceptual and contextual research gaps that more empirical investigations could address. While a link was established between lifecycles stages and performance, the studies did not investigate firm lifecycle stages as a moderating variable between democratic leadership and firm survival. Further,

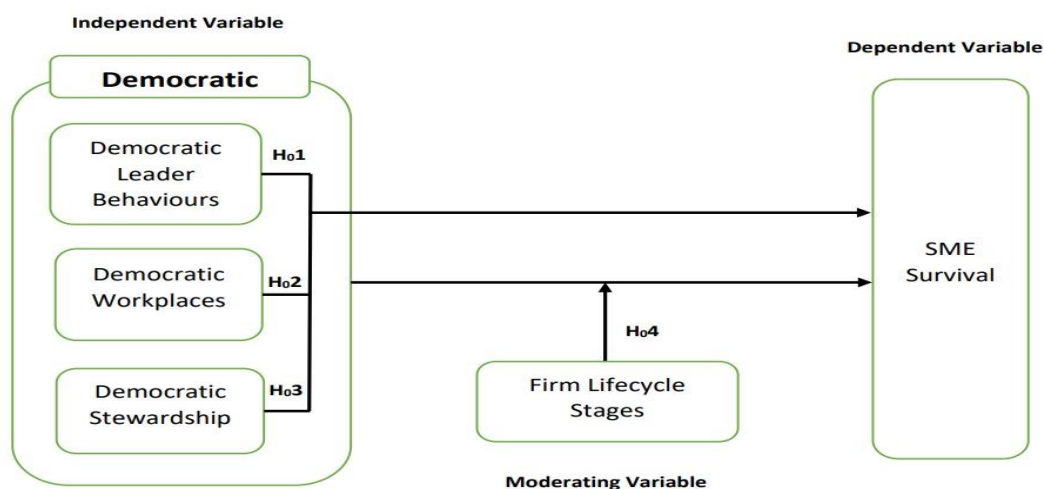
the contexts of investigations varied but none considered the complexity of the healthcare sector SMEs.

Conceptual Framework and Research Hypotheses

Based on the identified research gaps, the researcher proposed a framework linking the study constructs and that guided the data collection and analysis. The independent variable in this study was democratic leadership which was conceptualized into three dimensions namely democratic leader behaviors, democratic workplaces, and democratic stewardship. The dependent variable was firm survival while the firm lifecycle stages was adopted as the moderating variable. Further, the relationship of the variables proposed four hypotheses that were tested through empirical investigations.

Figure 2

Conceptual Framework Linking Democratic Leadership, Firm Lifecycle Stages, and SME Survival



Source: Research Data, 2025

The four hypotheses that the study proposed were:

- **H₀₁:** There is no significant effect of democratic leader behaviour on the survival of SMEs in the healthcare sector in Nairobi.
- **H₀₂:** There is no significant effect of democratic workplaces on the survival of SMEs in the healthcare sector in Nairobi.
- **H₀₃:** There is no significant effect of democratic stewardship on the survival of SMEs in the healthcare sector in Nairobi.
- **H₀₄:** There is no significant moderating effect of firm lifecycle stages on the relationship between democratic leadership and the survival of SMEs in the healthcare sector in Nairobi.

METHODOLOGY

The study relied on pragmatism as the guiding philosophy and adopted an explanatory sequential mixed method research design which allowed two distinct phases of data collection and analysis. Quantitative phase preceded the qualitative phase. For the quantitative phase, the researcher sampled 626 respondents holding senior leadership positions in 1438 SMEs in the healthcare sector. Data collection was done using a Five-Scale Likert structured questionnaire divided into five sections. The respondents were required to indicate the extent to which they agreed or disagreed with various statements. Data analysis was performed through SPSS v.26.0 software program to determine the degree to which the different items of democratic leadership predicted SME survival.

For the qualitative phase, 12 SME senior managers were sampled but only 11 participated in the interviews which were conducted either face to face or through online assisted platforms. The interviews were based on an interview protocol with semi-structured questions that were developed from the gaps that emerged after the quantitative data was analyzed. The key informants were required to explain their thoughts on the

effect of the variables under investigation on SME survival. Analysis of qualitative data was undertaken through a systematic thematic process that followed Braun and Clarke (2006) guidelines. The study used Microsoft Excel v. 2016 to present the codes and themes that were generated into tables from where thematic maps were developed to offer a better visual presentation of the results.

RESULTS AND DISCUSSIONS

After the analysis process was complete, the results of the findings were presented in a systematic manner guided by the objectives of the study. Results of the response rate were presented, followed by descriptive statistics, and finally the inferential statistics. Although 538 questionnaires were returned from the initial 626 questionnaires, only 482 met the set study criteria which translated to a 77% response rate.

Demographic Information

The demographic information that the study considered included gender and age of the respondents, the highest levels of academic qualifications, the leadership positions held, and length of tenure with the healthcare facility (Table 3).

Table 3*Demographic Information*

Demographic Variable	Attribute	Frequency	Percentage
Gender of the Respondents	Male	284	58.9%
	Female	198	41.1%
Age of the Respondents	Under 25	10	2.1%
	Between 25-35	210	43.6%
	Between 36-45	174	36.1%
	Between-45-55	75	15.6%
	Above 55	13	2.7%
Highest Level of Education	Diploma	171	35.5%
	Bachelor	237	49.2%
	Masters	56	11.6%
	PhD	14	2.9%
	Others	4	0.8%
Leadership Position Held	Owner/CEO	158	32.8%
	Administrator	117	24.3%
	Finance Manager	56	11.6%
	Manager-clinical services	126	26.1%
	Others	25	5.2%
Years Worked with The Facility	Below 5	170	35.3%
	6-10	146	30.3%
	10-15	81	16.8%
	Above 15	85	17.6%

Source: Research Data, 2025

Results of Exploratory Factor Analysis

The size of the quantitative data was large and therefore was first subjected to exploratory factor analysis with a view of reducing the data into fewer components that were easy to interpret and discuss. This was done for the items that represented democratic leadership and firm

lifecycle stages respectively. The items of firm survival were not subjected to factor analysis because they represented the natural state of the healthcare SMEs and not the opinions of the respondents. Tables 4 and 5 presents a summary of the extracted components and their corresponding descriptive statistics and reliability tests.

Table 4*Extracted Factors of Democratic Leadership*

Factor	No of Items	Mean	Standard Deviation	Cronbach Alpha	Name/Label
1	7	4.3465	0.83223	0.909	Direction Setting
2	6	4.0616	0.91554	0.861	Work Structure
3	6	4.3956	0.81006	0.885	Responsibility and Accountability
4	5	4.2766	0.82932	0.818	Integrity
5	4	4.1743	0.84899	0.808	Teamwork and Collaboration
6	3	4.1452	0.86332	0.796	Inclusiveness
7	3	4.2282	0.80976	0.758	democratic Communication
8	3	4.0954	0.84457	0.776	Concern and care for others

Source: Research Data, 2025

Table 5*Extracted Factors of Firm Lifecycle Stages*

Factor	No of Items	Mean	Standard Deviation	Cronbach Alpha	Name/Label
1	5	4.2394	0.83622	0.885	Periodic size
2	3	3.9786	0.97666	0.663	Centralized and Formal Management
3	8	3.6185	1.20943	0.842	Delegation
4	8	4.0298	0.91786	0.718	Standardization

Source: Research Data, 2025

Through Principal Component Analysis Method, eight components of democratic leadership were extracted. Whereas 37 items were initially used to measure democratic leadership, the exploratory factor analysis process was able to reorganize the items and extract eight factors which were relevant to the context of the current study. Although the researcher originally conceptualized the variable from three dimensions of democratic leader behavior, democratic workplaces, and democratic stewardship, the exploratory factor analysis process brought out eight components that were considered as the new dimensions of democratic leadership from the perspectives of leaders in healthcare SMEs.

The new components were labeled as direction setting, work structure, responsibility and accountability, integrity, teamwork and collaboration, inclusiveness, democratic communication, and concern and care for others. Similarly, the 24 original items that were used for measurement of firm lifecycle stages were reduced to four components namely periodic size, centralized and formal management, delegation, and standardization. Reliability tests for the components were also done to confirm the appropriateness of the research tools. Although the

recommended threshold for Cronbach Alpha is 0.7 (Sekaran & Bougie, 2016), the study relied on research by Kashive and Raina (2024) that considered Cronbach alpha scores above 0.6 satisfactory. The score for all the extracted factors were above 0.7 except for centralized and formal management which meant the research instrument and the set of measures used for data collection were reliable.

Hypotheses Testing

The study tested four hypotheses using multiple regression analysis. The first three hypotheses tested the direct effect of each of the three components of democratic leadership while the fourth tested the moderating effect of firm lifecycle stages. The output of the regression analysis was presented in three tables: the model summary table to show variance of the dependent variable caused by the independent variable, ANOVA table to confirm if the model was statistically significant, and Coefficients table to measure the strength and direction of the relationship. The study first regressed the eight extracted components of democratic leadership with firm survival and the findings presented in Tables 6, 7, and 8.

Table 6*Model of Regression of the extracted components of Democratic Leadership with Firm Survival*

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.279 ^a	.078	.062	.49551	.078	4.996	8	473	<.001	1.393

Table 7*ANOVA of Extracted Components of Democratic Leadership with Firm Survival*

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.814	8	1.227	4.996	<.001 ^b
	Residual	116.137	473	.246		
	Total	125.951	481			

Table 8*Coefficients of Regression of Extracted Components of Democratic Leadership with Firm Survival*

Correlation Coefficients						
Model	Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.977	0.185		16.133	<.001
	Democratic Leader Behavior					
	(Direction Setting)	-0.155	0.052	-0.203	-2.949	0.003
	Work Structure	-0.048	0.051	-0.066	-0.932	0.352
	Responsibility & Accountability	-0.09	0.058	-0.114	-1.548	0.122
	Democratic Stewardship					
	(Integrity)	0.17	0.057	0.21	2.992	0.003
	Teamwork & Collaboration	0.055	0.046	0.073	1.201	0.23
	Inclusiveness	-0.016	0.041	-0.023	-0.396	0.692
	Democratic Workplaces					
	(Democratic Communication)	0.158	0.047	0.205	3.39	<.001
	Concern & Care for Others	0.077	0.043	0.106	1.782	0.075

Source: Research Data, 2025

The regression analysis of the relationship between the extracted components of democratic leadership and survival of selected SMEs in the healthcare sector in Nairobi resulted in an adjusted R Square of 0.062 (Table 6). Thus, 6.2 % of the observed change in firm survival of the healthcare facilities was attributed to the extracted components of democratic leadership. Additionally, the results presented in Table 7 showed that the model was a good fit for the analyzed data ($F=4.996$, $p<.001$) which meant it could predict the effect of democratic leadership on survival of the healthcare facilities. The beta coefficients for each

of the components of democratic leadership as presented in Table 8 represented the strength and the direction each had on the survival of the healthcare facilities and was applied by the researcher to test the first three direct hypotheses.

Notably, from the eight extracted components, the relationship between the components (acting as independent variable) and survival (acting as dependent variable) was found to be statistically significant with only three components that the researcher labeled as direction setting ($\beta = -0.203$, $t = -2.949$, $p < 0.05$), integrity ($\beta = 0.21$, $t = 2.992$, $p < 0.05$), and democratic

communication ($\beta = 0.205$, $t = 3.39$, $p < 0.05$). The researcher went ahead with the three components to test the first three hypotheses.

To link the three statistically significant components with the hypotheses, the items under each component were reviewed and compared with the way democratic leadership was initially conceptualized. According to postulation of Situational Leadership Model (Uchenwamgbe, 2013), leadership influence was considered to arise from three forces: the behaviors of the leader that represented the dimension of democratic leader behaviors, the forces from the context that supported the dimension of democratic workplaces, and the influence from followers' willingness to undertake assigned duties which supported the dimension of democratic stewardship. In consideration of these observations, the extracted items for direction setting were found to correspond to democratic leader behaviors and therefore used to test the first hypothesis, those for democratic communication corresponded to democratic workplaces and were used to test the second hypothesis, and lastly the extracted items of integrity corresponded to democratic stewardship and were used to test the third hypothesis.

Effect of Democratic Leader Behaviors on the Survival of SMEs

The first hypothesis (H_01) proposed that there was no significant effect of democratic leader behaviors on the survival of SMEs in the healthcare sector in Nairobi. The results of the regression coefficients (Table 8) showed the standardized beta coefficient of regressing democratic leader behaviors with survival of SMEs in the healthcare sector was $\beta = -0.203$ and p-value of 0.003. Based on the findings, the null hypothesis was rejected and the inference made was that democratic leader behaviors have a significant statistical effect on the survival of SMEs in the healthcare sector in Nairobi. Although statistically significant, the effect was negative meaning that a single unit change in democratic leader behaviors decreased the chance

of survival of SMEs in the healthcare sector by 0.203 units. Further, from exploratory factor analysis, the democratic leader behaviors that were found most important for survival of SMEs in the healthcare sector in Nairobi were those related to direction setting.

While the descriptive statistics for components of democratic leader behaviors that corresponded to direction setting showed high mean scores of 4.3465 as presented in Table 4 which inferred that the application of such leader behaviors increased the survival rates of the healthcare facilities, there was a concern as to why the inferential results showed a negative effect of SME survival when the democratic leader behaviors were deployed. Explanation for the dilemma was sought from qualitative data collected from the key informants in the second phase.

In consideration of the context of investigation, the elements of democratic leader behavior corresponding to direction setting that the study initially paid attention to were vision provision, clear goals, evaluation of performance, adaptive leadership styles, and availability of organizational resources and competences. While these attributes were found to be critical for enhancement of SME survival, interviews with the key informants brought out the role of the leader in monitoring the series of strategies set out to achieve the desired direction and avoid any possible distractions that would derail the process. Further, from thematic analysis, balancing of both supportive and directive behaviors was found to be central for optimal deployment of democratic leader behaviors relating to direction setting to enhance SME survival. Thus, it was observed that, the negative effect of democratic leader behaviors corresponding to firm direction setting was attributed to weaknesses in the role of the leader to effectively monitor the system and balance the directive and supportive behaviors towards realization of the set direction. Democratic leaders should not only set strategic direction to be realized but also monitor the process and balance directive

and supportive behaviors for positive performance outcomes.

Effect of Democratic Workplaces on the Survival of SMEs

The second hypothesis (**H₀₂**) suggested that there is no significant effect of democratic workplaces on the survival of SMEs in the healthcare sector in Nairobi. The results presented in Table 8 showed that the relationship between democratic work places and SMEs survival had a standardized beta coefficient of $\beta = 0.205$ and p-value below 0.001. The results led to the rejection of the null hypothesis and to the conclusion that the relationship of democratic workplaces for SMEs in the healthcare sector and their survival is statistically significant and positive. Further, from the results of exploratory factor analysis presented in Table 4, the component of democratic leadership that was found most relevant to democratic workplaces was democratic communication and was applied in this study to test the second hypothesis. The results inferred that any increment in one unit of attributes of democratic workplace corresponding to democratic communication increased the survival rates of SMEs in the healthcare sector by 0.205 units.

The findings were explained from several bases. First the results of descriptive statistics of democratic work places corresponding to democratic communication depicted a high mean of 4.228. This meant the items that measured democratic work places comprising of communication with respect and clarity by top management and listening keenly to the ideas of the followers by managers had a positive contribution to the survival of SMEs in the healthcare sector in Nairobi. The findings were corroborated by views of the key informants who highlighted work climate that prioritizes freedom of expression, open and systematic, communication, feedback, and engagement in meetings to contribute to higher survival rates of the healthcare facilities.

The findings of the thematic analysis of the qualitative data classified democratic workplaces relating to democratic communication into two categories, namely physical and psychological workspaces. Physical workspaces comprise of human interaction, technology infrastructure, office designs, and places where organizational activities take place while psychological workspaces comprise of the feeling that subordinates are valued, their contributions matter, and autonomy to make decisions is promoted. The conclusion was that deployment of attributes of democratic workplaces corresponding to democratic communication improved survival of healthcare facilities when the factors that define physical spaces are aligned to psychological spaces to create open communication platforms.

Effect of Democratic Stewardship on Survival of SMEs

The third hypothesis (**H₀₃**) suggested that there is no significant effect of democratic stewardship on the survival of SMEs in the healthcare sector in Nairobi. The regression analysis findings presented in Table 8 showed the relationship between democratic stewardship and SME survival had a standardized beta coefficient of $\beta = 0.210$ and p-value below 0.003. This led to the rejection of the null hypothesis which inferred that the democratic stewardship had a positive and statistically significant effect on the survival of SMEs in healthcare sector in Nairobi. From the findings of exploratory factor analysis, the items defining integrity were shown to relate with attributes of democratic stewardship and were therefore used to test the third hypothesis. It was concluded that, for every one unit change in democratic stewardship, there was a corresponding increase of 0.21 in the rates of survival of healthcare SMEs in Nairobi.

The research data offered several approaches to explain the findings of the third hypothesis. The descriptive statistics presented in Table 4 showed that the mean for the sub-variable was 4.277 inferring that the components of democratic stewardship that corresponded to

integrity were perceived by the respondents to positively impact the survival of healthcare SMEs in Nairobi. The findings showed that the democratic stewardship attributes corresponding to integrity that positively influenced survival of the healthcare facilities were honesty and ethical behaviors, equity and fairness in decision-making, code of conduct, teamwork spirit, and seamless flow of information.

The descriptive findings were also supported by outstanding observations from the key informants in the discussions held to clarify gaps identified from the quantitative data. The informants highlighted certain critical values observed by leaders and subordinates in SMEs in healthcare sector that build trust and enhance employees to be more committed and engaged with assigned tasks. The conclusion made was that, democratic stewardship principles of honesty, openness, leading by example, and taking custody of resources of the organization have the potential of building trust with the leaders which in turn

motivates employees to do what is right and in the right way thus improving SME performance and survival.

Moderating Effect of Lifecycle Stages

The fourth hypothesis (**H₀₄**) proposed that there is no significant moderating effect of firm lifecycle stages on the relationship between democratic leadership and the survival of SMEs in the healthcare sector in Nairobi. A two-step moderation model by McClelland and Whisman (2005) was adopted to test the hypothesis. The first step involved regressing the composite variable of democratic leadership as the independent variable (obtained by combining the extracted three significant components) with SME survival to test if the direct effect of the relationship was statistically significant. The second step involved regressing democratic leadership, lifecycle stages, interaction term with SME survival. The findings of the three steps were summarized in Table 9.

Table 9

Summary of Regression Findings for the Moderating Effect

Parameter	Step 1	P-value	Step 2	P-value	Change	Conclusion
R Squared	0.018	-	0.05	-	0.032	Firm lifecycle
Adjusted R Squared	0.016	-	0.044	-	0.028	Stages has
F Statistics	8.764	0.003	8.298	<.001	-0.466	moderating
β Constant	$\beta_{010}=3.057$	<.001	$\beta_{033}=-0.736$	0.48	-3.793	effect on the
β Democratic Leadership	$\beta_{11}=0.134$	0.003	$\beta_{34}=1.177$	<.001	1.043	relationship
β Firm Lifecycle Stages	-	-	$\beta_{35}=1.165$	<.001	-	between
β Interaction Term	-	-	$\beta_{36}=-2.055$	<.001	-	Democratic
						leadership
						and firm
						survival

Necessary Conditions for Moderation

$\beta_{11}=0.134$, $P=0.003$ hence significant

$\beta_{35}=1.165$, $P<0.001$ hence significant

$\beta_{36}=-2.055$, $P<0.001$ hence significant

Source: Research Data, 2025

The results of multiple regression testing the moderating effect of firm lifecycle stages as shown in Table 9 indicated that the direct effect of composite variable of democratic leadership and SME survival in the first step had an adjusted R square (R^2) of 0.016 which inferred that a minimal change of 1.6% in survival rate of SMEs in

healthcare sector in Nairobi was attributed to democratic leadership. Further, the observed standardized beta coefficient of 0.134 and p-value of <.001 meant that the relationship was statistically significant and positive and therefore the composite variable of democratic leadership could predict SME survival in the model. When the

moderating variable of firm lifecycle stages was introduced in step 2, the value of adjusted R square increased to 0.044 (0.028 increment) while that of standardized beta coefficient went up to 1.177 from 1.043. Thus, introducing the moderating variable increased the effect of democratic leadership on SME survival as well as the overall explanatory power of the relationship.

The study relied on guidelines by Fairland and MacKinnon (2009) to determine if the effect of firm lifecycles had a moderating effect on the relationship. Moderating effect is evidenced when the regression coefficient of the interaction term (product of independent and moderating variables) is statistically different from zero. In this study, the standardized coefficient for the interaction term was -2.055 ($t = -3.771$, $p\text{-value} < .001$), meaning it was statistically significant and different from zero. Therefore, the null hypothesis was rejected and the conclusion drawn was that firm lifecycle stages exerted a significant moderating effect on the relationship between democratic leadership and the survival of SMEs in the healthcare sector in Nairobi.

The findings of the inferential statistics were explained in a number of ways based on the research data. First, the findings of the descriptive statistics of the four extracted components of lifecycle stages of periodic size, centralized and formal management, delegation, and standardization contributed to an overall variable mean of 3.979 which inferred they were perceived by respondents to be key components of lifecycle stages that exerted a moderating effect on the relationship between democratic leadership and SME survival. The in-depth interviews with the key informants brought out important concepts that were perceived to be drivers which influence leaders in SMEs in healthcare sector to adopt styles of leadership that are adaptive to the transient changes associated with lifecycle stages. From the findings of the analyzed qualitative data, it was concluded that, improved survival rates of SMEs in the healthcare sector in Nairobi was influenced by

styles of leadership that incorporated attributes of succession planning, employee empowerment, a growth mindset, and interdependence which were considered to be basic fundamental practices needed by SMEs to address growth challenges.

CONCLUSIONS

The focus of the study was to investigate the moderating effect of firm lifecycle stages on the relationship between democratic leadership and SME survival. The philosophy on which the study conceptualization was founded was pragmatism. The study adopted an explanatory sequential mixed method design that allowed two distinct phases of data collection and analysis. Quantitative data was first collected and analyzed and the emerging gaps used to generate questions that were used to collect qualitative data. Quantitative data was analyzed by application of exploratory factor analysis method, and descriptive and inferential statistics. Qualitative data analysis adopted Braun and Clarke (2006)'s six-step systematic thematic analysis. The two data sets were then merged so as to offer a more detailed interpretation of the study findings.

The process of exploratory factor analysis resulted in eight components of democratic leadership in comparison to the three initially conceptualized dimensions. Likewise, four new components of firm lifecycle stages were extracted. The exploratory factor analysis enabled the measurement items that were used to define the original study variables to be reorganized into components that were more relevant to the objectives of the current study. From the eight extracted components of democratic leadership, three were found to be statistically significant and used for inferential statistics. Democratic leader behaviors were tested with items that corresponded to direction setting, democratic workplace was tested with items that corresponded to democratic communication, while democratic stewardship was tested with items corresponding to integrity. From the findings, the study made several conclusions.

First, based on the descriptive statistics, the various components of democratic leadership were perceived to have been embraced to a high extent (variable aggregate mean= 4.215) in SMEs in healthcare sector in Nairobi. Similarly, the descriptive statistics for items of firm lifecycles showed moderately high mean (3.979) which meant the respondents agreed to a moderate extent with the characteristics that the SMEs exhibited. The mean for items of SME survival was 3.645 which meant the respondents perceived the survival rates of SMEs to be moderate. Secondly, from the results of the first hypothesis, democratic leader behaviors that corresponded to direction setting were shown to have a negative significant effect on SME survival ($\beta = -0.203$, $p = 0.003$). While the leaders provided strategic direction to be achieved, they might have failed in monitoring the series of strategies needed to realize the envisaged goals and therefore the negative effect. Additionally, there was a likelihood that they lacked competence to balance directive and supportive behaviors while exercising their leadership functions.

Thirdly, from the results of the third and fourth hypotheses, democratic workplaces ($\beta = 0.205$, $p < .001$) and democratic stewardship ($\beta = 0.21$, $p = 0.003$) were found to have positive significant effects on SME survival. This was attributed to the way the different attributes of the constructs were adopted by the SME leaders to create work climates that allow clear, open, systematic, and two-way communication to take place. In addition, democratic stewardship was shown to positively influence SME survival by inculcating principles of integrity that build trust within the entire organization and therefore enhancing employee engagement with the assigned tasks leading to the observed positive effect.

The fourth conclusion drawn from the findings of the fourth hypothesis indicated that the construct of lifecycle stages had a significant moderating effect on the relationship between democratic leadership and SME survival. The characteristics of firm life cycles stages that the study showed to condition the adoption of democratic leadership in SMEs in the healthcare sector to improve SME survival were periodic size (defined by age and size of the firm), centralized and formal management, delegation, and standardization. It was observed that, understanding these contextual and structural features would explain the manner in which democratic leadership moderated the relationship.

Recommendation for Further Research

Although the methodology and the context under which the current study was done enhanced the scientific rigor of the research process, the study was faced with several limitations that could become a basis for further research. The study tested the effect of only three dimensions of democratic leadership and therefore future study can focus on the other five dimensions that include work structure, teamwork and collaboration, and inclusiveness. Secondly, the study sample was drawn from senior leaders in the healthcare. Future study could pay attention to middle level managers and subordinates in these healthcare facilities. Thirdly, the context of investigation was healthcare SMEs. Future research could focus on SMEs or larger organizations in other sectors. Lastly, while the study adopted explanatory sequential mixed method design, future research can focus on other research designs such as exploratory sequential mixed method that pays more attention to in-depth investigations.

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