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Competitive strategy and performance of family businesses: moderating effect of managerial and innovative capabilities

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The study examines how managerial and innovative capabilities moderate the relationship between competitive strategies and performance using data from 265 micro and small family firms in a developing economy – Ghana. We argue that in spite of challenges associated with small and micro family firms; they can build on available organizational capabilities to draw out superior gains from their strategic operations. The strategic behavior of the sampled family firms was examined using Porter's generic typologies. The results of the study were mixed and interesting. The findings indicate that a small and micro family firm looking to pursue either low-cost position or differentiation should focus on building strong internal managerial capabilities. Meanwhile, highly innovative family firms looking to build on competitive strategies should consider focusing on differentiation strategy than on cost leadership strategy.

Keywords: businesses; capability; family; performance; strategy

En exploitant les données obtenues pour 265 micro-entreprises et petites entreprises familiales dans une économie en développement, à savoir le Ghana, la présente étude examine comment les compétences en matière de gestion et d'innovation modèrent la relation entre les stratégies concurrentielles et la performance. Nous soutenons que malgré les difficultés associées à ces entreprises, celles-ci peuvent s'appuyer sur les compétences organisationnelles disponibles pour atteindre un rendement supérieur à travers leurs opérations stratégiques. Le comportement stratégique des entreprises familiales comprises dans l'échantillon a été examiné relativement à la typologie générique de Porter. Les résultats de l'étude sont mitigés et intéressants. Ils suggèrent que les petites et micro-entreprises familiales cherchant à atteindre le statut de producteur à faible coût ou la différenciation commerciale doivent se concentrer sur la constitution de fortes capacités internes en gestion. En parallèle, les entreprises familiales très innovantes qui cherchent à s'appuyer sur des stratégies concurrentielles doivent envisager de se concentrer sur une stratégie de différenciation, plutôt que de leadership en maîtrise des coûts.

Mots-clés: entreprises; compétences; famille; performance; stratégie

1. Introduction

The survival and growth of every business is largely dependent on the adoption and implementation of appropriate strategies. Porter (1985) suggests that competitive strategies are the engine through which firms outplay rivals and frequently stay atop of the

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competitive market. Through strategies, the core competence of businesses are identified, prioritized, and exploited for the purposes of reaching the organization's core objectives (Prahalad and Hamel 1990). The implementation of strategies is therefore imperative to all profit-oriented organizations.

Nevertheless, literature indicates that the success of the organization's strategic actions is reinforced by the presence of organizational capabilities. Organizational capabilities are needed to effectively pursue a viable competitive strategy that would allow for creating and sustaining competitive advantage. Firms will specifically gain and sustain competitive advantages by deploying valuable resources and capabilities that are inelastic in supply (Barney 1991; Ambrosini, Bowman, and Collier 2009). Resources and capabilities, and the way that they are combined, make firms different from one another and in turn allows the firms to deliver products and services in the market in the way that others cannot do.

The family business literature highlights the existence of various barriers to the growth of family firms, including market imperfections and resource constraints. In sub-Saharan Africa, small and micro family businesses operate in a relatively harsh and unpredictable macroeconomic environment; which requires the average firm to put on a more aggressive approach to thrive. Yet, family firms tend to shun away from assuming an aggressive position in the market. Research indicates that family firms are usually risk averse, employ outmoded equipment, and have inappropriate human resource development and technologies (Aryeetey et al. 1994). Could this posture in the market be a reflection of a possible limitation in their organizational capabilities? Ganter and Hecker (2013) contends that firms would need to build innovative and managerial capabilities in order to aggressively and coherently devise a winning strategy that effectively contrive superior organizational outcomes. This paper examines how small and micro family businesses in Ghana use their innovative and managerial capabilities to influence organizational performance.

The focus on managerial and innovative capabilities of micro and small family businesses is critical for several reasons. First, small and micro family enterprises in Africa; and more specifically in Ghana, must rely on strong innovative and managerial skills to successfully operate in the volatile low income economies (often susceptible to external shocks) in which they operate. Increased competition by the influx of foreign products and the activities of large domestic firms which clamor for a share of the limited market size also requires the use of an aggressive strategy to remain functional. The existence of imperfect market structures with fragile market supporting institutions and contract-enforcing mechanisms pose as serious constraints to the acquisition of resources (Acquaah 2011). Without the capacity to improve, adapt, and create new products and services that are relevant to customers (innovative capability), whilst controlling overhead costs within acceptable and sustainable thresholds that the business resources can allow (managerial expertise), small and micro family businesses are inclined to fail.

Second, the inherent characteristic of family businesses where the family involvement ensures that family members would permanently remain at the helm of affairs or hold the most sensitive positions of the company, or much perhaps influence business decisions, is seen as both a threat and a strength to the livelihood of the enterprise (Moores & Barrett 2003). In Ghana, small and micro family businesses hardly operate independent of the family influence. It will be important to see how this distinct management structure affects performance. Third, technical support in terms of financial, training, and institutional/regulatory arrangements to small and micro family businesses is inadequate. Family firms would largely need to look within to raise enough capital to expand activities. The capacity of the family firm to rely on itself internally depends to a large extent on the capacity to manage, control, and design appropriate frameworks that are growth

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enhancing. More so, family enterprises which are able to secure consistent external support must present themselves as not only accountable or transparent but with strong management structures and proper books. This shows that without adequate management capabilities, it will be difficult to secure adequate credit facilities or supervise an internal capital build-up to grow the family business. Based on the reasons stated above, this paper seeks, among others, to assess the nature and the extent of the managerial capabilities of the small and micro family businesses and show how it affects their performance. It is foremost to comprehend that the management of a family firm involves a complex mechanism and should be distinguished from firms without any family involvement. 'Family relationships have to be managed in addition to business relationships, *in a family-controlled organisation* (italics added)' (Cardbury 2000).

Several studies have established a positive linkage between organizational capabilities and performance of businesses (see Barney 1991; Grant 2002) on one hand and competitive strategy and performance on the other (Acquaah 2011). Research that explore the parallel links between competitive strategic orientation and organizational performance in emerging economies is gradually taking shape (see among others, Kim, Nam, and Stimpert 2004; Spanos, Zaralis, and Lioukas 2004). All these studies attempt to enrich our understanding of the impact of strategic activities on firm profits by concluding that firm performance can be heightened with the implementation of an appropriate strategy. Nevertheless, there are a number of questions which are not completely answered or still unanswered. For instance, is the influence of competitive strategy on business performance independent of economic, institutional, and geo-political contexts? What is the strategic description of business organizations in Africa? Are there factors inherent within the organization, the endowment, or otherwise of which can explain differences between firms with similar strategic orientation? The purpose of this paper is to extend the understanding we have gained from the strategic management literature on the competitive strategy–performance linkage to propose a casual chain of how this relationship is leveraged by the presence of firm-specific capabilities, focusing on family-owned microenterprises in the African context, Ghana.

We make several contributions to literature; first, the study provides empirical evidence that will enhance the discourse relating to whether the effect of competitive strategies on firm performance is independent of economic or institutional contexts. To do this, we concentrated on a relatively unexplored context – small and micro family firms in Ghana. Scanning through the empirical literature, it is observed that strategic experts are now gradually turning towards research on the strategic behavior of businesses in developing economies in an attempt to understand the universality of competitive strategy theories. However, studies presenting evidence from Africa have been relatively few. Known studies concentrating on Africa include, among others, Acquaah, Adjei, and Mensa-Bonsu (2008), Acquaah (2011) and Acquaah and Agyapong (2015). Why an empirical investigation using the African context will benefit the ensuing discourse is the fact that businesses in Africa face socioeconomic setting that is distinct from other developing economies; for instance, a multidimensional poverty index developed by Oxford University puts sub-Saharan Africa as the poorest region in the World (Alkire and Santos 2010). Again, the market structure, and institutional practices, and social capital formation might be different, as well as the poorly developed business-support systems makes business organizations and their strategic actions crucial to the study. Unfortunately, all the known studies exploring the African dimension have largely concentrated on SMEs and large firms. Meanwhile, a careful review of the business environment shows that most of the businesses in Africa are family owned. Acquaah (2011) is the only known

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study that has focused on the strategic behavior of family firms in Africa. Whilst Acquaah's (2011) work is increasingly beneficial to the strategy–performance discourse, it was focused on only large-scale family firms, which clearly presents a different institutional context to the strategic management literature. We believe that concentrating on family firms on its own issues an institutional dimension to the competitive strategy theory; however, without focusing on small and micro family firms, the story is yet to piece firmly together. Given the paucity of the literature on the African context in general and the particular nature of family business, as well as the need to understand the contextual and institutional dimension of the competitive strategy–performance relationship, the relevance of this study is conspicuous.

Second, this paper attempts to answer if there are inherent organizational endowments (capabilities) that can influence the strategic actions of family firms. The paper argues that firms having the same strategic position might accrue different performance thresholds based on the level and nature of organizational capability they carry. We show that whereas strong internal managerial capabilities is beneficial for all small and micro family firms irrespective of the strategic position, innovative capabilities are vital for only small and micro family firms operating a differentiation strategy. We conclude that management must have a contingency approach to the design of strategies; cognizance of the degree and nature of capabilities the organization is endowed with.

It is possible for the inherent nature of family firms to water down the efficacy of their strategic activities notwithstanding the degree of organizational competencies. Burt (1997) puts it this way, because family businesses in developing countries, particularly Ghana, are embedded in collectivistic social systems, it is possible for their inbuilt characteristics, which is both strength and a weakness, to erode the usefulness of their business strategies; irrespective of the level of their organizational capabilities. It is against this background that the motivation of this study is set. Specifically, we examine the extent to which differences in managerial and innovative capabilities moderate the strategy–performance relationship of small and micro family businesses. We also control for specific firm characteristics such as the age of firms and firm size to microscopically examine whether or not causal relationships can be found. The rest of this paper is organized as follows: the literature review and conceptual framework are discussed in Sections 2 and 3. Section 4 then discusses the method of the study and the measures of constructs used. The analysis of results and conclusions are then discussed in Sections 5 and 6, respectively.

2. Literature review

2.1. Competitive strategy

Competitive strategy is basically concerned with the patterns of decisions that managers of firms make over which markets to compete and how the business can add more value for buyers in order to increase competitiveness. A number of typologies have been developed in the strategic management literature to categorize the strategies that an organization can pursue at the business level to achieve competitive advantage over its rivals in an industry. These include (Miles and Snow (1978) defender and analyzer strategies and Porter (1980) cost leadership and differentiation strategies. We focus on Porter (1980, 1985) generic strategy typology to depict business strategic orientations of family businesses because of its impressive recognition in both academia and industry and its dominant influence in strategy related research. We capture the strategic behavior of the small and micro family firms using Porter (1980) generic strategies – cost leadership and differentiation. This is based

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on the fact that Porter (1980) generic strategies have been largely commended for being internally consistent with most of the strategy typologies. Second, it is a widely used typology that has been applied by numerous researchers across the globe. In order to contribute to the discourse on the universality of the competitive strategy typologies, it was only prudent to also use what most strategic management researchers have been using to test for applicability – Porters' (1980) typologies. We do this, again, by focusing on small and micro family firms from an African terrain; specifically Ghana.

2.1.1. Cost leadership

A cost leadership strategy commits firms to orient towards an 'aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and development (R&D), service, sales force, advertising, and so on' (Porter 1980). Hence, cost leadership entails being the lowest cost manufacturer or provider of goods and services for a given quality level. As Miller (1992, 40) states 'Pure cost leadership is most effective when customers are sensitive to price and when there is a fighting chance to maintain a cost advantage because of economies of scale, proprietary technology, or unique access to cheap materials or channels of distribution.' A firm undertaking this form of strategy is required to put on its showcase, the sale of a 'standard or no-frills' product (Porter 1985, 13) combined with 'aggressive pricing' (Porter 1980, 36). Thus, the strategy involves making a 'fairly standardized product and under-pricing everybody else' (Kiechel 1981, 181). Porter (1980, 36) argues that maintaining 'a low overall cost position often requires a high relative market share or other advantages, such as favourable access to raw materials.' Family businesses can achieve cost leadership strategy through three main approaches, including high assets turn over, low direct and indirect operating cost, and control over supply/procurement chain to ensure low cost (Porter 1980).

2.1.2. Differentiation

Differentiation strategy on the other hand involves creating a market position that is perceived as being unique industry-wide and that is sustainable over the long run (Porter 1980). When a company differentiates its products, it is often able to charge a premium price for its products or services in the market. Differentiation is therefore set to provide better service levels to customers, better product performance, design or brand image, distribution, and so forth in comparison with the existing competitors (Frambach, Prabhu, and Verhallen 2003; Porter 1980, 1985). A differentiation strategy can also be relevant strategy to a family business due to the unique relationship family firms build with their customers over time. They can easily use this relationship to de-sensitize their clients to concentrate on value rather than price. More importantly, with the unique social networking relationship family firms build over time, they are able to acquire detail information and market feedback that are relevant to improve on services and products and to meet customers' needs continually. Ward (1997) indicates that in advanced economies, family businesses tend to create value and give more attention to investment in research and development.

Empirical support for the applicability and viability of the Porter's (1980) typology is found in the works of Bowman and Ambrosini (1997), Campbell-Hunt (2000), and Miller and Dess (1993), who sought to present empirical evidence from industrialized economies. Recent studies focusing on emerging and African economies include Agyapong and Boamah (2013) and Spanos, Zaralis, and Lioukas (2004). The results portray that the

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implementation of Porter's generic typologies leads to incremental economic benefits. Unfortunately, none of the previous studies was able to focus on small and micro family firms. Will the implementation of cost leadership and differentiation strategies generate similar impact on the performance of small and micro family firms as has been noticed elsewhere? Is there the possibility for small and micro firms possessing stronger organizational capabilities in innovation and management to experience enhanced strategic gains irrespective of inherent firm attributes? Though our understanding of competitive strategies and performance has been extended by the extant literature, answers to these questions are still shrouded in obscurity (Acquaah 2011).

2.2. A brief review of the resource-based view

Initiated in the 1950s by Penrose (1959) and popularized by Barney (1986, 1991), the resource-based view (RBV) has become one of the dominant contemporary approaches to the analysis of competitive advantage. In the 1990s, with the rise of the resource-based approach, strategy researchers' focus regarding the sources of sustainable competitive advantage shifted from industry structural characteristics to firm specific effects (Hansen and Wernerflt 1989; Spanos and Lioukas 2001). It has been widely accepted as one of the principal theoretical explanations to how firms can attain a sustained commercial viability in the long run controlling for market-wide conditions (Powell 2001; Priem and Butler 2001). The RBV proposes that a firm's competitive advantage is based on the possession and deployment of resources and capabilities it owns irrespective of the conditions prevailing in the industry.

The RBV adopts two assumptions in analyzing sources of competitive advantage (Barney 1991; Peteraf and Barney 2003). First, this model assumes that firms within an industry (or within a strategic group) may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms (i.e. some of the resources cannot be traded in factor markets and are difficult to accumulate and imitate). The RBV asserts that firms' resources are heterogeneous and that it is the idiosyncratic, immobile, inimitable, sometimes intangible bundle of resources residing in the firm that gives the firm an opportunity for competitive advantage and superior performance (Habbershon and Williams 1999). In the early contributions, there was no explicit distinction between resources and capabilities (Penrose 1959; Barney 1991). According to Amit and Schoemaker (1993), however, resources are assets that either are owned or controlled by a firm, whereas capabilities refer to a firm's ability to exploit and combine resources, through organizational routines in order to accomplish its targets. In addition, Collis and Montgomery (1994) described capabilities as the socially complex procedures that determine the efficiency with which organizations are able to transform inputs into outputs. Teece, Pisano and Shuen (1997) offered a comprehensive framework of dynamic capabilities that reflect a firm's ability to achieve new and innovative forms of competitive advantage. Additionally, a fundamental distinction between resources and capabilities is that resources consist of a bundle of potential services and assets or technology whereas capabilities can be defined as the services, activities, or functions itself, played by these resources (Penrose 1959). In this work, we concentrate on one dimension of the resource-based view – capabilities. Specifically, we explore how the firm's capabilities (subsequently referred to as organizational capabilities) leverage the impact of its strategic actions.

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2.3. Organizational capabilities

Day (1994) defines organizational capabilities as the set of skills and collective learning that are exercised by means of organizational processes to enable the integration of functional activities within the organization to achieve higher performance. Organizational capabilities help management to take appropriate decisions that facilitate the building, integration, interlinking, and reconfiguring of the internal and external organizational resources (Amit and Schoemaker 1993; Spender and Grant 1996). Literature cites various forms of capabilities that can exist within an organization. For the purposes of this study, we explore the effect of only managerial and innovative capabilities of small and micro family businesses and how they moderate their strategic operations.

2.3.1. Managerial capabilities

Graves and Thomas (2006) define managerial capabilities as the management capacities, expertise, and processes that the firm holds to execute its programs and activities to achieve superior performance. Katz (1974) contends that managerial capabilities are needed by organizations in order to integrate capabilities arising from technical, conceptual, and human skills, so as to be able to build a good management team. A number of studies have established a positive linkage between managerial capabilities and performance (Adner and Helfat 2003; Carmeli and Tishler 2004).We argue that it is possible for family businesses to be able to build on available managerial capabilities to execute appropriate growth strategies for improved performance in spite of inherent structural challenges. Fernandez and Nieto (2005) state that firms inclined to build on their managerial capabilities can increase the size and quality of management within the organization.

2.3.2. Innovative capabilities

From the resource-based perspective, innovative capability is regarded as a unique resource that enables firms to quickly and successfully adopt new processes and methods; and develop or introduce new and improved products to respond effectively to market changes (Lawson and Samson 2001). As such, transforming capacity in innovation of a family business is necessary for gaining and sustaining competitive advantage for a long term (Lichtenthaler and Ernst 2012).

Developing capabilities in innovation affords firms the avenues of meeting customers' expectation and demands. The resultant growth in sales is necessary for enhanced competitiveness. Allocca and Kessler (2006) stipulates that highly innovative firms are guaranteed high product success, increased market share, greater returns on investment, and long-term returns unlike less innovative firms. Carney (2005) suggests that due to their knowledge in the market, family firms can enter into new markets with relative success. This is because they tend to introduce innovative ideas that would enable them to improve the quality features of their products or services. Ward (1997) shows that family firms in developed countries are noted for value creation and high investment in research and development. A plethora of studies have therefore established a direct linkage between innovation capability and firms' performance (see Alvarez and Barney 2001; Yang 2012; Azubuike, 2013). Thus, promotion and sustenance of improved innovative capability must be the goal of the top managers of micro and small family businesses. So, unlike most research that examines innovative capability as an independent variable, the main purpose of this study is to examine the direct effect of innovative capability as well

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as moderation role of innovative capability in the relationship between competitive strategy and performance of micro and small family firms.

2.4. Family businesses and competitive strategies

Two distinct but similar views of what constitute a family business are found in literature. Whilst a section of researchers explain family firms with reference to majority ownership (Barnes and Hershon 1974; Villalonga and Amit 2006), others define the term with reference to the individuals from a family generation involved in management (Stern 1986; Ward 1987; Donnelley 1964). However, literature concur that family businesses are a special category of businesses mainly due to the family involvement. A family business is therefore an institution where corporate goals and decisions are taken or influenced by two or more important individuals related by family ties or close relationship whilst also holding a greater share of ownership and board control (Gubitta and Gianecchini 2002).

Family businesses are known to have a distinctive working environment with good social commitment towards workers. This has led to an increase in workers' confidence, loyalty, and productivity (Habbershon and Williams 1999). However, in sub-Saharan Africa, research indicates that small family businesses function in hostile regulatory and working environments, and have been observed to possess inappropriate human resources development and technologies (Aryeetey et al. 1994). Again, literature point forward the notion that such challenges as lack of efficient management systems, injurious favoritism, and the reluctance of the founder CEO to relinquish control, etc. not only reduces organizational capabilities but are quite familiar with family firms (Le Breton-Miller, Miller, and Steier 2004; Schulze, Lubatkin, and Dino 2003).The above problems have led to the inability of family businesses to obtain resources and capabilities at appropriate thresholds that facilitate the formulation of appropriate strategies to achieve higher performance.

What this study is yet to answer is whether small and micro family businesses can derive some viability from implementing business strategies as has been extracted by similar businesses across the globe. Tokarczyk et al. (2007) and Acquaah (2011) point out that in spite of peculiar inhibiting factors, family businesses can achieve comparable effectiveness in their strategic operations due to some unique attributes such as the willingness to build excellent internal and external social connections with clients and workers, stronger reputation and brand image, motivated staff, access to cheaper human resource, and the flexible nature of their decision-making processes. The fact that these attributes are peculiar to successful business ventures, the prospect for small and micro family firms to obtain superior gains from their strategic activities is prominent. Acquaah (2011) mentions that family businesses are able to reduce employment and staffing cost and thus tend to be more resourceful than similar labor intensive businesses.

With regards to the attainment of academic qualifications, Cromie, Stephenson, and Monteith (1995) demonstrate that the management members in family and non-family businesses have similar profiles. However, Cromie, Stephenson, and Monteith 1995, Gallo (1995) and Flören (1998) showed that the CEO and senior management personnel have longer terms of office as compared to those in non-family businesses. Moreover, family businesses are more conservative, less innovative, and less growth oriented in their strategic direction compared to non-family businesses (Donckels and Fröhlich 1991; Gomez-Mejia, Tosi, and Hinkin 1987). In order to pursue their own personal gains and grow revenue to satisfy shareholders, managers of non-family businesses focus on short-term measures to grow revenue whereas family firm owners aim at long-term value

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maximization (Daily and Dollinger 1993). McConaughy et al. (1998) further argued that family firm owners possess increased motivation to maximize company value and thus, increase their ownership concern and control. Flören (1998) argues that family owners and managers are not constantly profit-oriented, as they believe that they must gratify various social and emotional needs of family members including the need for association, warmth, closeness, and identity. Birley (2000) confirmed this assertion by arguing that most family businesses prefer to build a stronger brand and reputation rather than chase monetary goals.

2.5. Ghanaian business context

The Ghanaian business environment can largely be described as dualistic; comprising of a mix of formal and informal sectors. Whereas the formal sector is made of registered companies which are captured under the tax system, the informal sector (an expanding 'underground' economy) is essentially unregulated with the majority of firms evading the payment of taxes. Though there are many distinguishing features that separate the two principal sectors, a major similarity among them has been the influx of micro, small, and medium family enterprises (MSMEs). Family MSMEs in Ghana form a huge chunk of the production landscape and have been noted to provide about 85% of manufacturing employment of the Ghanaian economy (Steel and Webster 1991). The contributions of family SME to the alleviation of poverty and creation of jobs in Ghana is therefore eminent. MSMEs, in Ghana, are further categorized as urban and rural; depending on the management structure. The urban MSMEs are sub- divided into 'organized' and 'unorganized' enterprises. The organized urban MSME's comprises of units that engage professionals or paid workers and have registered offices. Unorganized urban MSMEs, on the other hand, rely on family members or apprentices and are usually made up of artisans who work in open spaces, temporary wooden structures, or at home, and employ few or in some cases no-salaried workers (Kayanula and Quartey 2000). Rural MSME's are largely made up of family groups, individual artisans, and women engaged in food production from local crops (Osei et al. 1993; Kayanula and Quartey 2000). The above distinguishing features of MSMEs in Ghana and for that matter most countries in the Sub-Saharan region make it a unique context for this study, which is quite different from countries in the developed world.

3. Hypotheses building

The study's proposed model shown in Figure 1 posits that the effects of cost leadership and differentiation strategies on performance of micro and small family firms is conditioned by organizational capabilities (managerial and innovative).

Guided by this model and relevant extant literature, we develop our hypotheses as follows:

3.1. Competitive strategies and performance

This study focuses specifically on cost leadership and differentiation strategies. Baum, Locke, and Smith (2001) state that firms that implement cost leadership and differentiation strategies are likely to achieve competitive advantage and higher performance than those which do not. Baum, Locke, and Smith (2001) however noted that micro and small family businesses do not place much emphasis on strategy and strategy formulation and this affects their performance negatively. Nooteboom (1993) suggests that due to their

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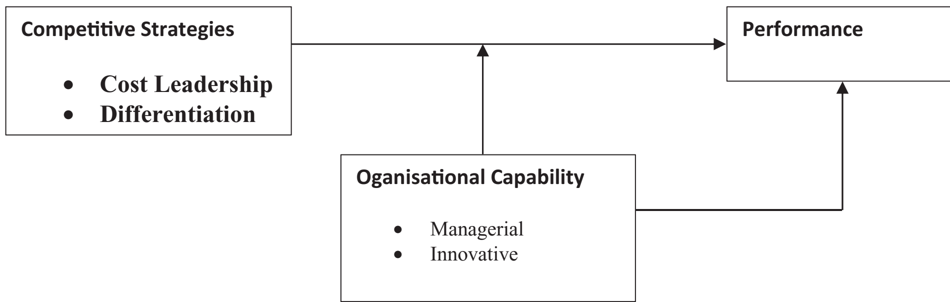

Figure 1. Proposed research model.

small size, small and micro family firms are less likely to compete with the major players in the industry if they do not focus on strategic action.

Acquaah (2011) discusses why cost leadership strategy can be applied by family firms in Ghana. To the author, the Ghanaian market is noted for being price sensitive, and because cost leadership strategy is best suited for such markets, a family firm can easily implement a low-cost strategy. More so, such factors as the paternalistic relationship family firms can build with their workers, long-term hiring strategy, the permanent stay in the business by the family executives, trustworthiness, and enduring social relationships building and networking, that help family businesses contrive high performance, can be avenues through which they can reduce cost (Acquaah 2011). This enables family firms to charge lower prices and become a low-cost producer. Again, in micro and small family businesses mostly found in the informal sector of the Ghanaian economy, employees are committed to work extra hours without demanding extra pay. In times of cost cutting to support cost leadership strategy, family members are ready to work for the business with little or no wages which ultimately increases profitability all things constant.

On the contrary, a differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, and or customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy (Porter 1980). Hence, it is applicable in markets which focus on value rather than price. This situation arises when there are segments within the industry whose demands, needs, or expectations are unmet by current standards and are prepared to gratify this need in spite of price. And yet, based on some reasons meeting such unmet needs at the current market price will be infeasible to the firm. With such a scenario, the most practical strategy to adopt is the differentiation strategy. Identifying such a niche in the market will require in-depth knowledge of the market, trustworthiness, and a commitment to value creation. Acquaah (2011) explains why the use of differentiation strategy can also yield superior performance for family firms in Ghana. The author notes that the Ghanaian market is exposed to different brands of foreign goods imported from the Americas, Europe, and Asia. Hence, there are segments of the Ghanaian market that have higher preference for quality and branded merchandise. This has made pursuing the differentiation strategy both imperative and profitable. Family businesses in Ghana are able to establish customer loyalty required to pursue a successful differentiation strategy. Based on this, the study hypothesis that

H1a: *The implementation of cost leadership strategy will have a positive effect on the performance of small and micro family businesses*

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H1b: *The implementation of differentiation strategy will have a positive effect the performance of small and micro family businesses.*

3.2. The moderating effect of organizational capabilities on strategy–performance relationship

It is underlined in literature that the technical and social complexity of resources and capabilities are likely to be particularly extensive in family firms due to idiosyncrasy originating from the unique interactions between family members and their firm (Habbershon and Williams 1999). We argue that the resources and capabilities developed by family firms over time mostly through their unique interactions bolster their business strategic activities. Family businesses have healthier social connections with clients, employees, and stakeholders as well as stronger organizational culture, which reflect in their values, beliefs, and ideologies. Drawing on the benefits of these social complexities, family firms may possess richer customer and employee information to pursue the appropriate competitive strategies that can guarantee quicker and higher returns. Tokarczyk et al. (2007) argue that most micro and small family firms operate in a small number of industries which allows them to create deep tacit knowledge about sales, marketing, and production in these industries; and can therefore shore up superior levels of capabilities to implement strategic actions. Hence, micro and small family firms may have the right degree of resources and capabilities such as capital, reputation, and superior brand names required to augment the effectiveness of their strategic operations. This is despite the inherent weaknesses found to be existent with family businesses (see Le Breton-Miller and Miller 2004).

3.2.1. The moderating effect of managerial capabilities

Organizational capabilities such as management controls are important requirements needed to implement cost leadership and differentiation strategies. The firm's managerial capabilities should not only fit but rather strengthen the strategy. Porter (1980), for instance, identified common managerial requirements needed to implement cost leadership strategy, such as ability to control cost, comprehensive control reports, ability to establish structural types that link responsibilities to organizational goals, and ability to establish incentives based systems that leads to achievement of tight quantitative targets. In addition, the firm's ability to integrate resources, innovate to improve product quality, and features in order to charge high prices for a differentiation strategy, all require the use of managerial capabilities. This re-emphasizes the earlier point that managerial capabilities are required to achieve a successful competitive strategy. Barney and Hesterly (2005), for example, argue that few layers in the reporting systems, simple reporting relationships, small corporate staff, and focus on narrow set of business activities are elements of management controls that enable firms to achieve the full potential of cost leadership strategies. Porter (1980) and Barney and Hesterly (2005) also suggest that to effectively conduct a differentiation strategy, unique managerial capabilities are required to establish strong marketing capabilities, product design and engineering, corporate image and reputation, customer service and unique combination of skills drawn from other businesses, new product development, and ability to attract highly skilled employees. Lo (2012), for example, found a significant relationship between managerial capability and customer satisfaction. We can therefore expect that when the level of the managerial capabilities of the small and micro family firm is low, the effectiveness of its strategic operations will be feeble or worse still, void. We therefore hypothesize that

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H2a: *managerial capabilities positively moderates the relationship between cost leadership strategy and family firm performance*

H2b: *managerial capabilities positively moderates the relationship between differentiation strategy and family firm performance*

3.2.2. The moderating effect of innovative capabilities

The relevance of innovation capabilities in the competitive strategy−performance relationship is also observed in the transformation it issues to the business processes of family firms. For example, cost leadership strategies are implemented to achieve cost reduction, and efficiency in business mechanisms. This would require a movement away from previous processes of business in order to institute new or better forms of operations, products, and management that are efficient through the application of strong capacities in such areas as R&D, service, training, and development which are necessary requirements for innovation capabilities. Thus, highly innovative firms are expected to find effective ways of doing things frequently than less innovative firms. It is by this logic that we can likewise expect that innovative capability is needed to implement cost leadership strategy which will eventually leads to higher performance.

On the other hand, differentiation strategy concerns creating a market position that is perceived as being unique industry-wide and that is sustainable over the long run (Porter 1980). It can be argued that firms with innovative capability can implement differentiation strategy than firms which do not. This is because possible strategies for achieving differentiation requires creating value and improving quality; yet value and quality cannot be created without the use of innovation. Thus, family businesses require innovative capability in order to implement differentiation strategies which will eventually lead to higher performance. Hence, a firm that is a worst performer in innovation can hardly implement a differentiation strategy successfully. In this regard, we can hypothesize that

H3a: *innovative capabilities positively moderates the relationship between cost leadership strategy and family firm performance*

H3b: *innovative capabilities positively moderates the relationship between differentiation strategy and family firm performance*

4. Methods and measures of constructs

4.1. Sample and data

The purpose of this research is to assess the strategic behavior of micro and small family businesses in Ghana. Questionnaires were administered to 500 managers of micro and small family businesses operating in both formal and informal sectors in the Ashanti Region of Ghana. The businesses under the informal sector in Ghana are mostly unregistered, unorganized, and unregulated by the government. As a result, there is lack of official statistics on the informal sector businesses in Ghana even though the sector dominates the small businesses sector in the country. This justifies the use of convenience sampling technique to select the sample size of 200 manufacturing and 300 service firms. Indeed, the convenience sampling technique has been variously used by most strategic management researchers focusing on Ghana (see among others Acquaah 2011; Acquaah and Agyapong 2015). Respondents were randomly approached and were asked of their

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availability to take part in the survey. Respondents, who answered in the affirmative, were then given the opportunity to take part in the survey.

4.2. Survey design and data collection

A self-administered survey was used as the data collection tool with the help of 10 teaching assistants. After several visits to the selected businesses, 321 questionnaires were collected for a response rate of 64.2%; however, because of incomplete data, the sample size used for analysis was reduced to 258 family businesses made up of 67 manufacturing firms and 191 service firms. The data collection involved about four weeks of frequent visits to the premises of the selected firm.

To identify the family businesses, the owners and managers were asked to answer the following two questions: (1) 'do you consider this business to be a family business?' ('yes' or 'no') and (b) 'do you have at least one family member as a manager or director?' ('yes' or 'no'). Firms that answered in the affirmative (i.e. 'yes') to both questions were considered family businesses to be included in the sample. Smith (2006) used a similar approach for selecting family-controlled manufacturing SMEs in Australia. The second stage was identifying micro and small family businesses. For a business to qualify to be selected as micro and small family business, the owners and/or managers were asked to state the number of their employees. All the businesses that had less than 30 employees were considered micro and small and therefore used for the survey. The questionnaire was structured into three main parts. Part A questions involved soliciting information about the strategic orientation involving mainly Porters' (1980) generic strategies of cost leadership and differentiation strategies as well as assessing their performance. The strategy and performance instruments were adopted from Acquaah (2011) and Dess and Davis (1984). Part B questions were designed to capture nature of the organizational capabilities of the family firms (managerial and innovation capabilities). Instruments were also adopted from Acquaah and Agyapong (2015) and Spanos and Lioukas (2001). Part C then comprised of questions about personal profiles of the respondents including gender, age, educational level and services, and main activity rendered, and other firm characteristics. A Likert scale ranging from 'strong disagree = 1' to 'strongly agree = 7' was used to measure each item in Parts A and B.

We took several steps to minimize common method variance (CMV) problems. First, the competitive strategy items were intermingled with innovative capability and firm performance measures. Second, some of the scales were reversed coded, so one end of the responses did not always correspond to a larger effect. Third, the owner and/or managers who responded to the survey questionnaire were assured of the anonymity of their responses and company information in any published document. These techniques have been used in other studies to minimize CMV problems (Acquaah, Amoako-Gyampah, and Jayaram 2011; Podsakoff et al. 2003).

4.3. Measurement of variables

4.3.1. Firm performance ($\alpha = 0.920$)

Firm performance was measured as a multi-dimensional construct focusing on four items: sales growth, profit growth, productivity growth, and net profits. Performance measures were adopted from Acquaah and Agyapong (2015). Because the businesses were micro and small and also operated in the informal sector, we solicited self-reported perceptual

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information on these performance measures. The owners and/or managers were asked to rate their businesses' actual performance relative to their planned performance on the three items over the past three years on a seven-point scale ranging from (1) '*much less*' *to* (7) '*much more*.' This approach is a significant deviation from the existing studies that ask respondents to indicate their firm's performance relative to competition. This approach is not applicable here as most of the businesses operate in the informal sector and it is not possible for managers to assess their performance relative to competitors. The comparison of each organization's performance relative to their competitors provides a form of control for differences in performance that may be due to the type of industry or business sector (Venkatraman and Ramanujam 1986). A composite measure from the average of the three items was used to measure firm performance.

4.3.2. Innovative capability ($\alpha = 0.840$)

For innovative capability measures, Leonard-Barton's (1995) technical systems, and Lado, Boyd, and Wright's (1992) transformation-based competencies were adapted. Innovative capability was measured using five items: the capacity to apply the appropriate processes to produce new products and services, the ability to adapt product/service and process technologies to meet future needs, ability to respond to unexpected opportunities arising from change in competitor activities, skills in offering a service/product that offers new features, and the ability to support and drive innovation. Respondents were asked to indicate the strength of their firm in respect to these five items over the last three years on a seven-point Likert scale ranging from (1) 'much weaker' to (7) 'much stronger.' The confirmatory factor analysis (CFA) was then conducted on the five items to see if the expected construct fits well. Analysis indicates a good fit with the observed covariance matrix as indicated in Table 1.

4.3.3. Managerial capability ($\alpha = 0.823$)

The managerial capability construct involving four items adapted from Spanos and Lioukas (2001) was measured by: the skills and expertise in developing a clear operating procedure to run the business successfully; ability and expertise to design jobs to suit staff capabilities and interest; skills and expertise to design jobs to suit staff capabilities and interest and the ability to attract and retain creative employees. Again, respondents were asked to indicate the strength of their firm in respect to these four items over the last three years on a seven-point Likert scale ranging from (1) 'much weaker' to (7) 'much

Table 1. Reliability and validity.

Construct	Alpha (α)	Factor loadings	Chi^2 (d.f)	*P*-value	RMSEA	CFI	TLI
Cost leadership	0.761	0.56–0.67	9.59(5)	0.088	0.039	0.99	0.99
Differentiation	0.735	0.52–0.75	2.82(2)	0.240	0.026	1.00	1.00
Managerial capability	0.823	0.67–0.89	4.67(2)	0.097	0.047	1.00	1.00
Innovative capability	0.840	0.78–0.83	0.67 (5)	0.985	0.000	1.00	1.00
Performance	0.920	0.83–0.91	3.22 (2)	0.200	0.048	1.00	1.00

Note: CFI = comparative fit index; TLI = Tucker–Lewis index; RMSEA = root mean square error of approximation.

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stronger.' The CFA then conducted indicated a good fit with the observed covariance matrix as indicated in Table 1.

Competitive strategy: the study adopted the Porter's generic strategy typology to measure the competitive strategy of each sampled firms in terms of low-cost strategy and differentiation. In all, 9 items from the competitive methods of the work of Dess and Davis (1984) were used, as typified in most empirical studies (see Campbell-Hunt 2000). The respondents were asked to assess the extent to which their businesses have placed emphasis on the nine competitive methods over the past three years on a seven-point scale ranging from (1) 'much less' to (7) 'much more.' We then conducted a CFA on two constructs of competitive strategies to evaluate if the items fit the data structure. The breakdown of the competitive strategy constructs is as follows:

Cost leadership strategy ($\alpha = 0.761$) was measured with five items: achieving innovation in production process or service offering; ability to achieve operating efficiency; offering competitive pricing for products/services; control of operating and overhead costs; and achieving innovation in production process or service offering. A CFA using the five items to measure the cost leadership construct did indicate a good fit with the observed covariance matrix as indicate on the Table 1. Differentiation strategy ($\alpha = 0.735$) construct was then measured. After thorough assessment, four items loaded well subject to the a priori expectation; as shown in Table 1. These items included: developing new products/service offerings; upgrading or refining existing products/service; innovation in marketing products/services and advertising; and promotion of products/services.

Competitive strategy-organizational capabilities interactions: To examine how capabilities can bolster the effectiveness of the strategic operations of micro and small businesses, there was the need to create additional constructs that will capture for interactive effects. To do this required generating interacting variables of competitive strategy variants and the organizational capabilities. As a principle, all the variables were centered or 'de-Meaned' and then later multiplied to obtain the interactive measures. Aiken and West (1991) argue that centering variables prior to obtaining interactive variables is the best procedure, since it reduces the possibility of multi-collinearity among the variables in the estimation process. For example, in creating an interaction between cost leadership construct and managerial capability, the two variables were de-meaned at the first stage. Then later, the resultant centered variables of the cost leadership and managerial capabilities were multiplied to obtain a composite interactive variable comprising both cost leadership and managerial capabilities. We will term, for instance, this resultant interactive variable as 'Cost_Man.' The same principle was adopted for all the interactive variables of interest concerning the competitive strategies and organizational capabilities interactions.

Control variables: To capture for firm-specific heterogeneities, we controlled for firm age, and firm size. These variables were also of particular interest in order to capture if the inherent weaknesses observed with family firms can affect effectiveness of their strategic operations. As Le Breton-Miller and Miller (2004) later point out as family businesses grow in size and age, inherent weakness accentuates and this ultimately leads to their failure. Lee (2006) also suggested that the long-term family presence engender competitive advantages as it creates the learning curve in monitoring employee performance. More so, Kihlstrom and Laffont (1979) argued that when family firms grow in size, they assume more aggressive posture. Williamson (1967) shows how the expansion of firm size inevitably brings about some loss of control. We therefore control for these variables to detect their influence in the overall estimation. Firm age is measured as the numbers of years since the business started, whereas firm size is proxied by the number of employees in the firm.

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4.4. Reliability and validity of constructs

The prime focus of this research was to investigate if managerial and innovative capabilities performed a moderating role in the strategy−performance relationship of small and micro family firms. Convergent and discriminant validity were evaluated with the use of the CFA, Cronbach's alpha coefficient, and the correlation statistics. In all cases, the items loaded well on the constructs they were intended to measure. Second, the measures showed strong internal consistency. Again, results of the reliability and validity tests as presented on Table 1 showed that both convergent and discriminant validity assumptions were supported. Table 1 indicates that internal consistency was achieved as all the Cronbach's alpha exceeded the required 0.7 alpha level indicative of the strong reliability of the constructs. Factor loadings were always above 0.5 suggestive of the fact that convergent validity was met. Discriminant validity was examined by making sure that the fit indices from the CFA models were very satisfactory for each construct. Further examination using correlation statistic showed a fairly moderate relationship between constructs (see Table 2). Indicating that each construct, to a large extent, measured what they were intended to capture. Hence, discriminant validity being attained, that is each construct was reasonably unique and precise, in that it captured a phenomena that other measures did not. The summary of the reliability and validity test results is presented on Table 1.

5. Results

5.1. Sample characteristics and firm profile

The sample comprised of 175 (67.6%) male managers and 84 (32.4%) female managers. Table 2 shows that most of the respondents (i.e. 42.7%) were between the ages of 31 and 40 years followed by the age group of 21−30 years, constituting 29.2% of the total sample. Again about 59.5% of the respondents were having about 1−5 years of experience in their current managerial position. Table 2 also shows that the majority of the small and micro family firms (representing 90.9%) have a management system that are influenced or controlled by family members. Thus, there is a high degree of family involvement in management across the group of firms. The report shows that 44.8% (112) of the firms are first generation (managed by founder), 44% (accounting for 110) are managed by family members whilst 28 (representing 11.2%) are managed by non-family members. Majority of the firms (i.e. 43.5%) have been in operation for 6−10 years; whilst 30.2% of the total number of firms has obtained 1−5 years of operation. Only a fewer than 10.9% (27 firms) have been in operation for more than 15 years. Furthermore, a vast majority of the firms (i.e. 37.9%) are at micro level with 1−5 number of employees. This is followed by 28.4% of firms which fall with the 6−10 employee size category.

It is shown again that a 75.9% (191) of the family firms are service oriented whilst 25.6% (67) are manufacturing-based enterprises. Most of the firms within the service industry are into retailing (e.g. groceries, electronic appliances, textiles, etc.), hospitality, and telecommunication services (see Table 3). For the manufacturing-based family firms, results showed that most of the firms are into construction, pharmaceutical, and water production (see Table 4).

Tables 5 and 6 present the results of the correlation analysis and descriptive statistics of the construct, respectively. There were moderately strong correlations among some of the independent variables, but our check of the variance inflation factors (VIF) through a regression model (shown on Table 6) indicated that the maximum was 6.066, which is

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Table 2. Sample characteristics and firm profile.

	Categories	Frequency	Percent
Demographic			
Gender	Male	175	67.6
	Female	84	32.4
		259	100
Age	21–30 years	74	29.2
	31–40	108	42.7
	41–50	49	19.4
	51–60	18	7.1
	61 and above	4	1.6
		253	100
Experience	1–5 years	154	59.5
	6–10	75	29
	11–15	20	7.7
	16–20	5	1.9
	20 and above	5	1.9
		259	100
Firm profile			
Management	Owner-manager	112	44.8
	Family member manager	110	44
	Other (non-family)	28	11.2
		250	100
Family involvement	Yes	227	90.9
	No	22	9.1
		249	100
Years of operation	1–5	75	30.2
	6–10	108	43.5
	11–15	38	15.3
	16–20	10	4
	20 and above	17	6.9
		248	100
Employees size	1–5	99	37.9
	6–10	74	28.4
	11–15	38	14.6
	16–20	18	6.9
	21 and above	32	12.3
	Total	261	100

less than the limit suggested by Neter, Kutner, Nachtsheim, and Wasserman (1996) of 10. Hence, we were confident that the problem of multi-collinearity was minimized in the analysis. The hierarchical multiple regression (HRM) which is widely used in empirical studies to examine overlapping and interacting effects was used for the analysis. The

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Table 3. Activities of firms in service industry.

Activities	Frequency	Percent
Advertising	3	1.6
Bakery	2	1.0
Catering	5	2.6
Consultant	1	0.5
Cosmetics	2	1.0
Decoration	2	1.0
Education	4	2.1
Entertainment	4	2.1
Fashion	1	0.5
Foreign exchange	2	1.0
Freight	2	1.0
Graphic designing	1	0.5
Health	7	3.7
Hospitality	12	6.3
ICT	3	1.6
Insurance	1	0.5
Microfinance	4	2.1
Publishing	4	2.1
Roofing	1	0.5
Retailing	64	33.5
Security	1	0.5
Savings and loans	1	0.5
Stationary	5	2.6
Telecommunication	11	5.8
Textiles	13	6.8
Transportation	1	0.5
Veterinary	1	0.5
Wholesale	1	0.5
Others	32	16.8
Total	191	100.0

Source: Author's field study, 2016.

HMR techniques were used to explore; first, the linkage between performance and variants of competitive strategy, and the associated effects of obtaining such organizational capabilities as innovative and managerial capabilities on performance. More so, the use of the HMR was justified on the grounds that it can simultaneously allow for the exploration of the overlapping/interaction effect of competitive strategies and organizational capabilities on performance (as was earlier exposed through the correlation analysis).This allowed for the purposes of controlling other firm attributes in the analysis.

The regression analysis involved the estimation of four interconnected models (see Table 7). Model 1 was estimated to capture the effects of the control variables on firm performance. The results showed that firm size contributes significantly and positively to the performance of micro and small family businesses. To investigate whether small and micro family businesses in Ghana will contrive similar benefits from their strategic

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Table 4. Activities of firms in manufacturing industry.

Activities	Frequency	Percent
Agriculture	2	3.0
Aluminium fabric	1	1.5
Auto mobile	2	3.0
Construction	11	16.4
Electrical	2	3.0
Film making	1	1.5
Health supplies	1	1.5
Jewellery	1	1.5
Lumbering	1	1.5
Mechanic	1	1.5
Mining	4	6.0
Petroleum	2	3.0
Pharmaceutical	12	17.9
Sachet water	5	7.5
Spare parts	3	4.5
Other	18	26.9
Total	67	100.0

Source: Author's field study, 2016.

operations just as it has been observed elsewhere, the direct effect of implementing competitive strategy (cost leadership and differentiation) was tested whilst controlling for firm size and age in Model 2. The results showed that both cost leadership and differentiation strategies have a positive effect on performance; however, differentiation strategy has a significant positive effect on firm performance ($\beta = 0.442$, $p < 0.001$). The change in the Adjusted R^2 (ΔAdjusted $R^2 = 0.241$, $p < 0.001$) indicates that competitive strategy makes a significant contribution to the performance of micro and small family businesses. Hence, whilst hypothesis 1b is fully supported given the results of Model 2, hypothesis 1a was partially supported.

In Model 3, we proceeded to include the organizational capabilities variables (managerial and innovative capabilities) to the estimation. Like earlier, variations in firm

Table 5. Correlation matrix of variables.

	1	2	3	4	5	6	7
1. Firm age	1.00						
2. Firm size	.110	1.00					
3. Cost leadership	.098	.158*	1.00				
4. Differentiation	.086	.234**	.743**	1.00			
5. Managerial capabilities	.070	.134*	.623**	.591**	1.00		
6. Innovative capabilities	.039	.221**	.732**	.771**	.689**	1.00	
7. Performance	.086	.244**	.438**	.538**	.468**	.513**	1.00

Note: Significance levels: $^{*}p < 0.10$; $^{**}p < 0.05$; $^{***}p < 0.01$.

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Table 6. Descriptive statistics.

	N	Mean	Median	Std. deviation	Min	Max
Firm age (years)[a]	248	2.14	2.00	1.11	1	5
Firm size (nos. of employees)[b]	261	2.27	2.00	1.36	1	5
Cost leadership	251	4.57	4.6	0.94	2.2	7
Differentiation	255	4.34	4.5	1.06	1.25	7
Managerial capability	260	4.65	4.75	1.00	1.5	7
Innovative capability	251	4.23	4.4	1.18	1.2	6.8
Performance	260	4.48	4.5	1.08	2	7

[a]Firm age in years is coded as follows 1–5 = 1; 6–10 = 2; 11–15 = 3; 16–20 = 4; 21+ = 5.
[b]Firm size in number of employees is coded as follows 1–5 = 1; 6–10 = 2; 11–15 = 3; 16–20 = 4; 21+ = 5.

performance was significantly affected following this implementation. The results showed that though both managerial and innovative capabilities have a positive influence on firm performance, managerial capabilities exhibit a significant impact on performance of the micro and small businesses. Results showed that the combined effect of the organizational capability constructs explained 3.2% of the variance in firm performance (ΔAdjusted $R^2 = 0.032$, $p < 0.001$). Finally, we estimated Model 4 to test hypotheses 2 and 3. Hypothesis 2 which is broken into two sections (2a and 2b) focuses on the moderating effect of managerial capabilities on the strategy–performance relationship. In hypothesis 2a, we posit that managerial capabilities will positively moderate the relationship

Table 7. Standardized results of hierarchical linear regression.

	Model 1	Model 2	Model 3		Model 4	
Variables	β(t-value)	β (t-value)	β (t-value)	VIF	β (t-value)	VIF
Firm age[a]	.060 (0.92)	.026 (0.46)	.031 (0.56)	1.026	.029 (0.52)	1.042
Firm size[b]	.238 (3.66)***	.124 (2.16)**	.116 (2.06)**	1.078	.126 (2.23)**	1.091
Cost leadership		.088 (1.06)	.040 (0.45)	2.728	.022 (0.24)	2.799
Differentiation		.442 (5.23)***	.320 (3.38)***	3.015	.285 (2.95)***	3.208
Managerial capability			.193 (2.50)**	2.029	.205 (2.63)***	2.081
Innovative capability			.136 (1.36)	3.378	.137 (1.29)	3.864
Cost_Man[c]					.252 (1.90)*	5.977
Cost_Inn[d]					.159 (1.21)	5.900
Diff_Man[e]					.335 (2.51)**	6.066
Diff_Inn[f]					.220 (1.73)*	5.509
Adjusted R^2	.055	.296	.328		.336	
ΔAdjustedR^2		.241	.032		.008	
F-statistic	8.127***	26.155***	19.696***		11.997***	

Note: *$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.
[a]Firm age in years is coded as follows 1–5 = 1; 6–10 = 2; 11–15 = 3; 16–20 = 4; 21+ = 5.
[b]Firm size in number of employees is coded as follows 1–5 = 1; 6–10 = 2; 11–15 = 3; 16–20 = 4; 21+ = 5.
[c]Cost_Man = cost leadership strategy x managerial capability.
[d]Cost_Inn = cost leadership strategy x innovative capability.
[e]Diff_Man = differentiation strategy x managerial capability.
[f]Diff_Inn = differentiation strategy x innovative capability.

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between cost leadership and firm performance. The results revealed that the interaction between managerial capability and cost leadership has a positive and significant impact on firm performance (($\beta = 0.252$, $p < 0.10$). Thus, hypothesis 2a is supported. In hypothesis 2b, we postulated that managerial capabilities will positively moderate the relationship between differentiation strategy and firm performance. Here again, results showed that the interaction between managerial capabilities and differentiation strategy has a positive and significant impact on the performance of the micro and small businesses ($\beta = 0.335$, $p < 0.05$), given support to hypothesis 2b.

Hypothesis 3 which was also subdivided into two (3a and 3b) focused on the moderating effect of innovative capability on the strategy–performance relationship. With hypothesis 3a, we speculated that innovative capabilities will positively moderate the relationship between cost leadership and firm performance. The results of Model 4 suggest that though innovative capabilities play a positive role in the cost leadership–performance relationship, this role is rather weak and insignificant. Thus, hypothesis 3a was not supported. In hypothesis 3b, we predicted that innovative capabilities will positively moderate the relationship between differentiation strategy and firm performance. Standardized results of Model 4 showed that the interaction between innovative capability and differentiation strategy has a positive and significant effect on firm performance ($\beta = 0.220$, $p < 0.10$). Hence, hypothesis 3b was firmly supported. Thus, four of the hypotheses were fully supported: H1b, H2a, H2b, and H3b whilst hypothesis H1a was partially supported. On the whole, the interactive variables explained about 0.8% of the variations in performance (ΔAdjusted $R^2 = 0.008$, p < 0.001).

To examine the nature of the interactions, plots of the effects of the competitive strategies on firm performance at various levels of managerial and innovative capabilities were created following the procedure of Aiken and West (1991). The moderating effect as shown in Figure 2(a) indicates that at high levels of managerial capability, cost leadership strategy generates a positive impact on performance though measured. As depicted in Figure 2(b), and in support of hypothesis 2b, when the level of the managerial capability of the small and micro family firm is high, its differentiation strategy efforts assume more positive influence on performance. The plots in Figure 3(a) and 3(b) are also similar to the ones in Figure 2(a) and 2(b). In Figure 3(a), it is observed that the effect of cost leadership strategy on performance is gradually or weakly positive with higher innovative capability levels; however, in Figure 3(b) it is indicated that the effect of differentiation strategy on performance is more positive at higher levels of innovative capabilities whilst it decreases at lower levels of innovative capabilities.

6. Discussions and conclusions

6.1. Discussions

Family-owned businesses are widely acknowledged to play an important role in economies all over the world and it is estimated to account for about 60%–75% of all businesses and substantially contribute to wealth creation, job generation, and national competitiveness (Morck and Yeung 2003; Anderson and Reeb 2003). As pointed out earlier, the empirical evidence from the competitive strategy literature in both advanced industrialized and emerging economies indicate that the implementation of a competitive strategy leads to superior performance. There is also evidence that the resource-based view of the firm enhances the firm performance. What was yet gray in the strategic management literature is whether similar organizational outcomes can be derived for small

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Figure 2. (a) The moderating effect of managerial capability on cost leadership strategy–performance relationship. (b) The moderating effect of managerial capability on differentiation strategy–performance relationship.

and micro family firms which embark on rigorous strategic action, irrespective of the structural weaknesses identified with such firms (specifically those in Africa); and if so, will the level of their organizational capability play any relevant role in this enterprise? To answer these questions, we examined the interaction effects of competitive strategies and organizational capabilities on firm performance using a survey data of small and micro family businesses in an African context – Ghana.

The findings provide some interesting observations on the effect of competitive strategy on the performance of small and micro family businesses. First, it corroborates extant research focusing on the relationship between competitive strategy and performance in emerging and transitional economies (see, among others, Acquaah, Adjei, and Mensa-Bonsu 2008). Specifically, the result revealed the relative importance of differentiation strategy to the performance of small and micro family businesses. Unlike cost leadership strategy which was found to conjure a feeble but positive effect on firm performance, we observed that micro and small businesses can rely on differentiation strategy to draw significant economic benefits. This finding is obtained after controlling for important firm specific heterogeneities – firm age and size. Concentrating on the effect of the firm specific variables – age and firm size – which captured for heterogeneities, we observed that the size of the family firm consistently affects performance; whereas its age (which represented experience) consistently did not. We could conclude that as the small and micro family firm grows in size, it draws more resources and capabilities to achieve its

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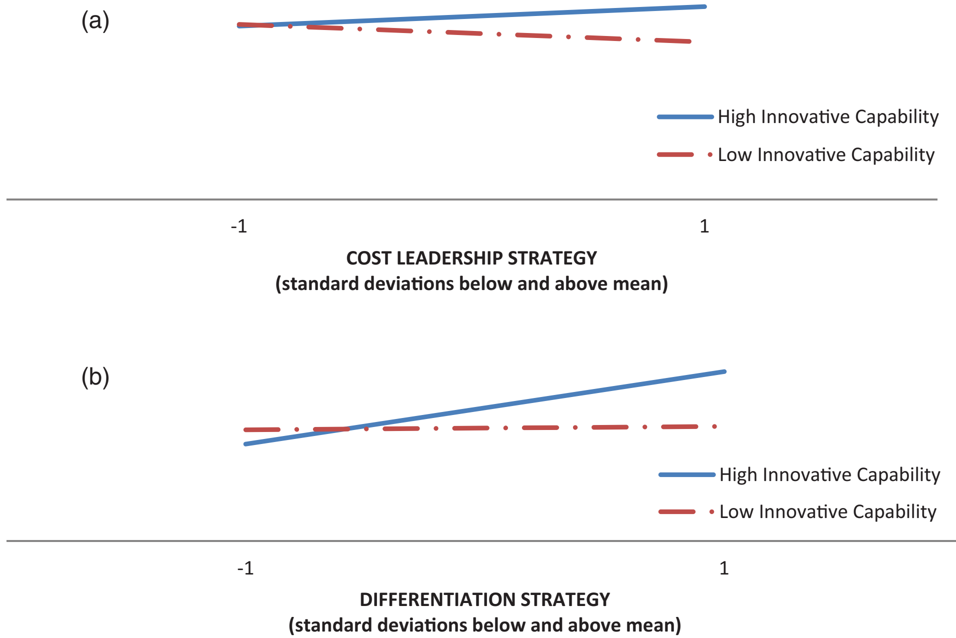

Figure 3. (a) The moderating effect of innovative capability on cost leadership strategy–performance relationship. (b) The moderating effect of innovative capability on differentiation strategy–performance relationship.

corporate goals. Penrose (1959) argues that small family firms find it difficult to perform well because of the difficulty of obtaining capital.

Focusing on the effects of the interactions of organizational capabilities and competitive strategies on performance; the following results were obtained. Foremost, it is revealed that managerial capabilities positively moderated the implementation of cost leadership strategy. Though cost leadership strategy on its own did not pose any significant direct effect on firm performance, we find that in the presence of higher managerial capability, firms can derive significant benefits from their cost leadership implementation. This observation is made in the light of the fact that managerial capability was also found to have a significant direct impact on performance. It is therefore concluded that the management skill that firms develop are significantly relevant in developing an effective cost leadership strategy; without it, such a strategic action will not suffice. Barney and Hesterley (2005) suggest that management control systems in the form of tight cost control and evaluation systems, meeting quantitative cost targets, close supervision and control of employees, strict raw materials, and inventory management, support the implementation of cost leadership. Again, managerial capability was also found to have a strong moderating effect on differentiation strategy after controlling for firm size and age. This result is interesting because among the two competitive strategies, differentiation strategy was found to derive the highest impact on the performance of small and micro family firms. The findings further showed that innovative capability has a strong leverage effect on differentiation strategy than cost leadership strategy. This result is somewhat interesting; given the fact that innovative capability drew significant direct effect on firm performance as well. A key explanation to this result can be obtained from the fact that firms

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undertaking a differentiation strategy may be required to differentiate their products and services by successfully adopting new processes and methods, and developing or introducing new products (Lawson and Samson 2001). Meanwhile, a firm operating a cost leadership strategy may not be required to create any new product or processes. Its sole objective will be to try to attain operational efficiency so as to create products or services of similar value to competitors. Hence, whilst differentiation would require strong innovative capabilities to unravel, that may not necessarily be the case for cost leadership strategy. Another important reason similar to the one stated previously is the fact that it is also possible that firms engaging in cost leadership to be totally caught in the web of trying to beat down cost pressures without necessarily looking at bringing any innovative services or products into the market. They may therefore be focused on building other capabilities within the organization – for instance, managerial capabilities, which could be the first item on the list of any organization looking to achieve cost efficiency. We have observed that among the two organizational capabilities, managerial capabilities had a stronger impact on firm performance than innovative capability and most importantly, descriptive statistics also showed that the level of the managerial capability of the small and micro family firms was relatively high.

The study makes significant contributions to the family business literature in many ways. First, even though it has been established that business strategies provide significant role in the performance of family businesses, little is known about how micro and small family business strategies affect their performance in African context. The findings provide support for the viability and performance benefits for pursuing cost leadership and differentiation strategies by micro and small family businesses. As Acquaah (2011) points out, the reliance of family businesses on their unique characteristics of paternalism, long-term employment relationships, stability, access to cheaper human resource, flexible nature of their decision-making processes, and tenure of executives enable them to become efficient in several areas of the business activities and thus benefit from the cost leadership strategy. On the other hand, family businesses can achieve comparable effectiveness in their strategic operations due to some unique attributes such as the willingness to build excellent internal and external social connections with clients and workers, stronger reputation, brand image, and motivated staff. These unique attributes are likely to help family businesses to establish customer loyalty and engage in innovative activities that will enable family businesses to benefit from differentiation strategies.

Second, the study contributes to the family study literature by demonstrating that organizational capabilities moderate the relationship between business strategy and performance of micro and small family businesses. The findings demonstrate that managerial capabilities moderate the relationship between both cost leadership and differentiation strategies and performance of micro and small family businesses in Ghana. Whilst managerial capabilities are needed to access cheaper raw materials, engage skilled but cheap labor, and develop appropriate technology to reduce overall cost (cost leadership), the same managerial capability is required to develop new products, improve quality, and establish customer loyalty (differentiation strategy). Thus, micro and small family businesses operating in Ghana require managerial capability to leverage on their strategic activities to gain competitive advantage. However, even though innovative capability moderates both cost leadership and differentiation strategies, the findings showed that innovative capability has a stronger leverage effect on differentiation strategy than cost leadership strategy. Therefore, family businesses require innovative capability such as innovative way of establishing relationship with customers, developing new products and services, and improving on the quality of the existing products in order to achieve advantage through differentiation strategy. However,

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micro and small family businesses that intend to achieve higher performance through cost leadership strategy must focus less on innovative capability since innovation has been found to be associated with high cost. Notwithstanding this, innovative capability is needed by micro and small businesses to reduce cost. Family businesses require innovative way of recruiting skilled but cheap labor, and reducing operational cost to leverage on cost leadership strategy to achieve higher performance.

6.2. Conclusions and limitations

Based on the results and following the discussions, it can be concluded that family firms in Africa including Ghana can contrive valuable benefits from the implementation of their competitive strategies irrespective of underlining structural and organizational barriers that small and micro family firms face. However, the degree of economic value extracted is rather contingent on the level of their organizational capabilities. It can, therefore, be recommended that family firms must have a contingency approach to the implementation of their competitive strategies. A firm looking to pursue a low-cost position in the market should focus on building strong internal managerial capabilities. A strong managerial capability is also vital for family firms looking to pursue a differentiation strategy. Nonetheless, it is advised that highly innovative family firms looking to build on competitive strategies should consider focusing on differentiation strategy than on cost leadership strategy. The evidence shows that integrating innovation with the goal of differentiating products and services in the market draws superior benefits than aiming to be a low-cost producer. Hence, whilst a strong organizational capability in management is useful for pursuing any strategic goal; strong presence of innovative capability is unique to only differentiation.

In spite of the important contribution of this study to knowledge, the study has some limitations. The most significant limitation of this study was the subjective measure of the performance variables instead of an objective measure. However, subjective measure seems to be the most appropriate measure of performance given the research context. Obtaining financial data about informal business activities in Ghana is difficult since most informal businesses do not keep such data. In spite of the limitations, subjective measures of performance have been widely used by researchers and academics (Acquaah 2011). Besides, particular attention was paid to the data-collection process to ensure reliability and validity that have been scientifically established in the methods section. Generalizability of the findings of this work must also be done with caution since our sample only focused on small and micro family businesses in Ghana. We advise that future research should extend the scope across Africa to increase the understanding of the strategic activities of small and micro businesses in Africa. Nonetheless, we hope that the findings of this work have deepened our understanding of the strategic behavior of family businesses on the whole.

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Disclosure statement

No potential conflict of interest was reported by the authors.

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