

ENTREPRENEURIAL ORIENTATION, STRATEGIC ORIENTATION AND PERFORMANCE OF SMALL FAMILY FIRMS IN THE KUMASI METROPOLIS

Rosemond Boohene, University of Cape Coast

ABSTRACT

Small family firms form the majority of small enterprises in the Ghanaian economy, however little is known about the entrepreneurial orientation, strategic orientation and performance of these firms. Using small family firms from the Kumasi Metropolis and employing area sampling, 250 firms were selected for this study. Structural Equation Modeling, utilizing the Partial Least Squares (PLS) approach was used to test the hypotheses formulated in the theoretical framework. The results revealed that entrepreneurial orientation is not associated with firm's performance but positively related to strategic orientation, whilst strategic orientation also influences firm performance positively. In addition, strategic orientation did not moderate the relationship between entrepreneurial orientation and firm performance. It is recommended that, to be able to beat the competition and survive in turbulent environments, small family firms in the Kumasi Metropolis must be proactive and innovative in the management of their businesses.

Keywords: Strategic Orientation, Entrepreneurial Orientation, Family Firms, Performance, Kumasi Metropolis.

INTRODUCTION

Family businesses dominate the business landscape (Acquah, 2012) and in most developing economies they account for most industrial output, entrepreneurial activities, corporate growth, economic development, innovation and employment (Heck, 2004; La Porta, Lopez-De-Silanes & Shleifer, 1999; Miller & Le Breton, 2005; Shanker & Astrachan, 1996). Consequently, research on these businesses has increased (Chrisman et al., 2010) with a majority of them focusing on: generational involvement, long-term strategic orientation and the advantage of members' collective effort towards the firm's survival (Gómez-Mejía, Núñez-Nickel & Gutierrez, 2001; Miller, Le Breton-Miller & Scholnick, 2008). Also arising from these studies is an increasing debate regarding the entrepreneurial and strategic behaviors of these family firms. While some studies found family firms to be resistant to change and therefore stagnant (Allio, 2004) others reported that family firms are just like non-family controlled firms (Zahra, 2005). Similarly, other studies have examined the opportunities and threats faced by large family businesses with an emphasis on their strategic and entrepreneurial orientation in the developed country context (Covin & Slevin, 1989; Lumpkin & Dess, 1996; Porter, 1985; Miles & Snow, 1978). Thus, the dearth of research on small family firms in developing country context characterized by information asymmetry, inadequate managerial skills, poor knowledge of markets, weak legal systems, and inadequate finance and how they react to environmental changes shows that there is the need to examine the entrepreneurial characteristics and strategic behavior of these firms in order to provide a clearer picture of their behavior in other contexts.

Strategic behavior which has been explained variously in the literature as strategic fit, strategic choice, strategic thrust and strategic orientation is a primary means of understanding actions that firms take to enhance profitability, financial performance or competitive advantage (O'Regan & Ghobadian, 2005). According to Ardito & Dangelico (2017) two main strategic orientations can be distinguished in the literature: technology orientation and market orientation. The former covers the adoption of new technologies, products and ideas whilst the latter entails intelligently responding to the ever-changing needs and expectation of customers. Boohene & Kotey (2009) on the other hand, presented that for small firms, strategic orientation can be examined on a continuum of increasing adaptive capability, ranging from reactive (with relatively little adaptive capability) to proactive (with the highest level of adaptive capability). Relatedly, Agbeblewu & Boohene viewed entrepreneurial orientation as the strategy-oriented practices in firms reflecting the attitudes, intentions and styles of key decision makers and functioning in a dynamic business environment. It encompasses innovativeness, proactiveness, risk-taking, competitive aggressiveness and autonomous actions aimed at sustaining and growing a business ventures. Thus, for small family firms to compete and survive in today's globalized economy with its attendant market challenges (Ardito, Messeni Petruzzelli & Albino, 2015), there is the need for them to be both entrepreneurially and strategically oriented.

Various studies from developed economies have examined the entrepreneurial orientation-strategic orientation-performance relationships. For example, a research by Wang (2008) examined the influence of Entrepreneurial Orientation (EO) and learning orientation on performance of medium-to-large UK firms with strategy type as the moderating variable found entrepreneurial orientation to be an important predictor of performance. A later study by Welsh et al. (2012) on the entrepreneurial orientation in family owned firms, reported that family firms are more entrepreneurially active than non-family controlled as the former is more proactive and uses different approaches than non-family-controlled firms. Thus, whilst these studies have the relevance of connecting EO to firm performance, many questions remain about how EO affects performance in family firms in a developing country context. Failure of researchers to fully address these questions has led to persistent uncertainty about the practical value of EO (Wales, Monsen, & McKelvie, 2011) in developing countries. Moreover, as noted by Wright et al. (2000) research on firm strategies in developing countries is few. This was corroborated by Acquah & Mosimanegape (2007) who presented that research on business strategies in developing countries need to be embraced to advance the development of theory and practice.

Small enterprises form the majority of firms in Ghana and within these firms, majority can be classified and family firms, particularly those found in the Kumasi metropolis one of the commercial capitals in Ghana. These firms contribute immensely to job creation, income generation and poverty reduction. With these positive contributions notwithstanding, most of them have been performing poorly due to their inability to respond proactively and competitively to changes in their environment (Boohene & Kotey, 2009). Consequently, this study seeks to:

1. Examine whether entrepreneurial orientation influences small family firms performance;
2. Determine the relationship between entrepreneurial orientation and strategic orientation in small family firms;
3. Assess the relationship between strategic orientation and small family firm performance;
4. Establish whether strategic orientation moderates the relationship between entrepreneurial orientation and small family firm performance.

The rest of the paper is structured as follows. The second section presents the theoretical framework for the study. This is followed by the methodology and results and discussions respectively. The final section provided the conclusions and recommendations for the study.

THEORETICAL FRAMEWORK

The term “entrepreneurship orientation” is used to describe the entrepreneurial attitude of a firm and covers the entire organizational behaviors and attitude including management’s strategic philosophies and organizational operations. EO originates from the strategic making process and reflects the policies and practices that create the atmosphere for entrepreneurial action and decisions (Rauch et al., 2009). Entrepreneurial orientation has also been viewed from a socio-psychological perspective. In this regard, the concept is perceived as construct that addresses the set of personal psychological traits, values, attributes, and attitudes strongly associated with a motivation to engage in entrepreneurial activities (Naldi, Nordqvist, Sjöberg & Wiklund, 2007). It is evident from the foregoing that entrepreneurial orientation emanates from the need for individuals and firms to maximize scarce resources at their disposal to achieve business goals. The level of EO applied in business operation is shown by the extent to which the firm is willing to assume risk under a given condition in order to innovate effectively (Covin & Slevin, 1989). Thus, the overall goal of EO is to provide a firm a sustained competitive advantage, which will eventually lead to performance and growth (Baran & Velickaite, 2008). The EO of a firm is assessed on its dimension (George & Marino, 2011). Contemporary literature uses a five-dimension measurement model including innovativeness, risk taking propensity and proactiveness, autonomy, and competitive aggressiveness (Lumpkin & Dess, 1996; Covin & Slevin, 1989). This is an extension of the three-dimension model (innovativeness, risk taking propensity and proactiveness) originally developed by Miller (1983). In today’s constant changing business environment and increased competition, profits from business operations are uncertain. It is therefore, imperative for firms to constantly explore the environments to speculate and spot new opportunities (Hamel, 2000). Thus, firms that are entrepreneurially efficient may be rewarded for their entrepreneurial effort (Rauch et al., 2009).

Strategic orientation emanating from the strategic adaptation theory has also been discussed closely with the concept of entrepreneurial orientation. The strategic adaptation theory postulates that the environment influences performance through the strategic choices of owner-managers (Brush & Hisrich, 2000; Lerner & Almor, 2002; Saffu & Manu, 2004). The logic of this theory centers on the assumption that strategic choices incorporate a large behavioral component and hence reflect the idiosyncrasies of decision makers. Furthermore, in emphasizing the role of strategic choice to business performance, the theory highlights the influence of the owner- manager on the firm. It suggests that the key to business success lies in the decisions of the owner-manager who identifies opportunities, develops strategies, assembles resources and takes initiative for the effective functioning of an organization (Lerner & Almor, 2002). Owner-managers, therefore, have substantial discretion to chart the course of activities in the firm and thus influence performance outcomes (Edelman, Brush & Manolova 2005). To this end, Kotey & Meredith (1997) argued that strategic orientation in small firms should be based on observable patterns in the various functional area activities. Thus, a firm’s strategy represents a network of interactions among the various constituent elements (functional strategies) that ultimately make up its ‘line of attack’ (Mintzberg, 1990). It is therefore possible to recognize a firm’s competitive position by identifying the pattern among the various interrelated activities that comprise its strategy (Moore, 2005).

Entrepreneurial Orientation and Small Family Firm Performance

Family firms are created as a result of the entrepreneurial attitude of the founder(s) (Casillas, Moreno & Acedo, 2010). Nevertheless, the intergenerational involvement in family firms makes family-controlled firms lose their entrepreneurial abilities overtime (Cruz & Nordqvist, 2007). A study by Beckhard & Dyer (1983) found that only 30% of family firms survive in the second generation while only 10% survive in the third generation. The rest die with their generation even though EO has its root in the strategy making process and is intended to improve performance (Mintzberg, 1973), the purpose seems not be supported in family business literature. It is quite established in literature that EO influences firm performance (Rauch et al., 2009; Lumpkin & Dess, 1996). Lumpkin & Dess (1996) added that the nature of the relation depends on the measurement indicators for the various constructs; EO and performance. Covin & Slevin (1989); Hult, Snow & Kandemir (2003); Lee, Lee & Pennings (2001); Wilklund & Shepherd (2003) all studied the EO-performance relationship and reported a strong positive relation between the variables, while other studies reported a weak positive relation between the variables (Dimitratos, Liuoukas & Carter, 2004; Lumpkin & Dess, 2001). More interesting results emerged from George, Wood & Khan (2001); Covin, Slevin & Schultz (1994) by finding that there is no significant relationship between these variables. In the family business context, Naldi, Nordqvist, Sjoberg & Wilklund (2007) studied the EO and performance relationship among family firms in Sweden and reported that, although risk taking propensity has a negative relationship with performance, EO as a construct positively affect performance. Aldrich (2000), however, researched and found that EO and its dimensions are not universal across all cultures and therefore a result in one culture may not apply to other cultures. It is logical from the above to speculate that entrepreneurial orientation affects the performance of family firms. Thus:

H₁: There is a significant positive relationship between entrepreneurial orientation and performance of small family firms.

Entrepreneurial Orientation and Strategic Orientation in Small Family Firms

The strategic management literature provides several strategic topologies of firms and describes how firms develop competitive advantages in the market place. The well-known strategic orientation models among these include; generic strategies of Porter (1980) and the strategic topology of Miles & Snow (1978). Other researchers have also developed various strategic archetypes for small firms based on observable patterns in the various functional areas activities (Gibcus & Kemp, 2003). Thus, small firms can be placed on a proactive-reactive continuum according to the degree to which their activities reflect these two main strategic orientations (Blackman, 2003; Kotey, 1994).

According to Verheul, Risseuw & Bartelse (2002), strategies adopted by small businesses vary according to degree of assertiveness, that is, defensive (reactive) or aggressive (proactive) strategies. These are the two main dimensions of strategic orientation identified in the literature for small firms. However, Kotey & Meredith (1997) explained that firms cannot be purely proactive or purely reactive in their strategic orientation but rather pursue different combination of the two strategy types. They stated that firms can be located at a given point on a reactive-proactive continuum depending on the degree to which their functional area activities reflect proactive as opposed to reactive strategies and vice versa. Kotey & Meredith (1997) went on

further to argue that in reality, these two strategies (proactive and reactive) may not be clearly distinguishable. Firms pursuing proactive strategies may sometimes conform to industry norms and adopt standardized strategies. Firms may do this not out of tradition, as with low performing reactive strategies, but because that is the best strategy at that time in their industry sector. Thus, a firm is said to be more or less proactive in strategic orientation or more or less reactive. As noted earlier, firms who are entrepreneurially oriented are usually innovative, find new processes and always strive to develop new products. Therefore, it is expected that firms that are entrepreneurially oriented will be more proactive and vice versa. Based on the above arguments it can be inferred that:

H₂: There is a positive significant relationship between entrepreneurial orientation and strategic orientation of small family firms.

Strategic Orientation and Small Family Firm Performance

Given its position as a focal issue in organizational decision-making, it is not surprising that the concept of strategy has been linked to performance outcomes (Covin, Green & Slevin, 2006; Morgan & Strong, 2003). Various studies have shown that the ability of a firm to survive in the small business environment is dependent on the selection and implementation of a strategy that differentiates it from its competitors (Moore, 2005). Gibcus & Kemp (2003) illustrated that the performance of small firms is mainly determined by the quality of their strategy, its formulation, and the role of owner-managers in its implementation. In a similar vein, Kickul & Gundry (2002) noted that entrepreneurial behaviors interact with other variables, ultimately affecting firm performance. One of these variables is the strategy adopted by the firm. The literature on strategy and firm performance posits that successful small firms invest time in developing proactive strategies (Covin, 1991), while unsuccessful firms are reactive in their strategic orientation (Morgan & Strong, 2003; Rue & Ibrahim, 1998). For example, a study of retail firms in the USA by Moore (2005) found that high performers were proactive in their strategic orientation whereas lower performers were reactive. Similarly, Gibcus & Kemp (2003) noted that, in general, reactors respond inappropriately, perform poorly and are reluctant to commit themselves to a specific strategy.

H₃: There is a positive significant relationship between strategic orientation and performance of small family firms.

Entrepreneurship Orientation, Strategic Orientation and Performance

The EO-performance relationship is well established in literature and empirical studies have confirmed that higher EO leads to superior performance (Wiklund, 1999; Zahra, 1991; Zahra & Covin, 1995). While some studies reported a strong relationship, other studies reported a weak positive relation between the variables. The large magnitude of the variance among different studies brings to light the effect of EO on performance is affected by some other variables. Research shows that a number of variables potentially moderate the EO-performance relationship (Lumpkin & Dess, 1996; Rauch et al., 2009; Zahra & Covin, 1995). Moreno & Casillas (2008) confirmed that the EO-performance relationship is moderated by strategies and the examination of the EO- performance alone is not enough to understand the behaviors of the constructs. This was evident in Lechner & Gudmundsson (2014) study which reported that the EO-performance relationship is moderated by the strategic orientation of the firm. Lechner &

Gudmundsson (2014), however, used Porter's (1985) generic strategies, which is not the focus of this study. The study therefore seeks to analyze the role of strategic orientation in the EO-performance relationship utilizing Kotey & Meredith (1997) strategy typology.

H₄: The Entrepreneurial orientation-performance relationship is moderated by a firm's strategic orientation.

This study sought to create an understanding of the relationship that exists among entrepreneurial orientation, strategic orientation, and performance of family firms in Ghana. The research hypotheses are summarized in the conceptual framework for the study below.

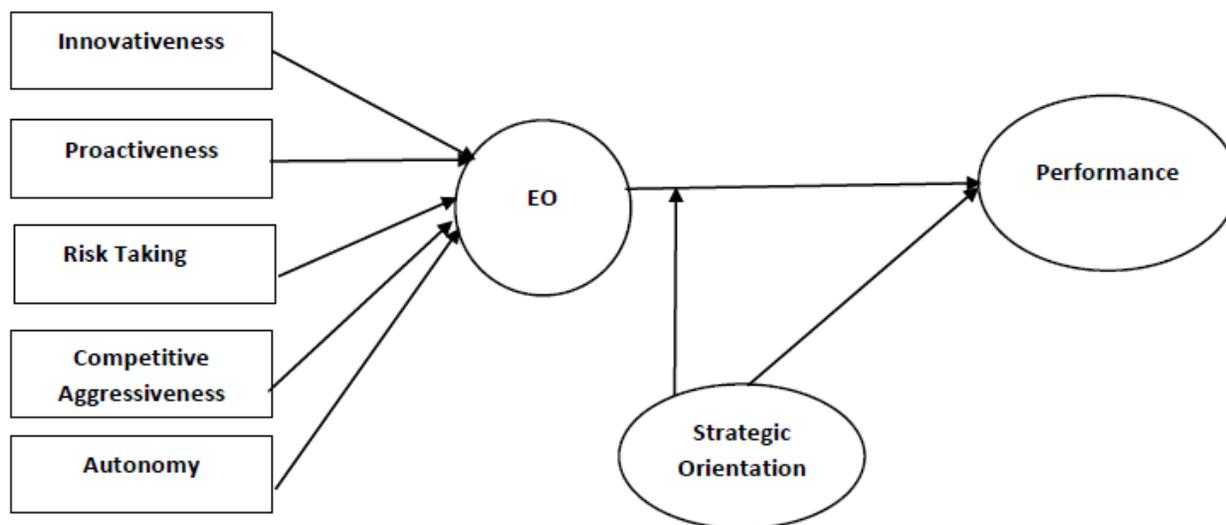


FIGURE 1
RELATIONSHIPS AMONGST ENTREPRENEURIAL ORIENTATION, STRATEGIC ORIENTATION AND FIRM PERFORMANCE

METHODOLOGY

This positivist research philosophy was employed in this paper. Positivists believe in the existence of theories concerned with concrete reality and which need to be tested (Krauss, 2005). They also proffer the existence of relationships and developed knowledge through which objective measurement of various phenomena can be carried out (Creswell, 2009). The research adopted an explanatory study where data was collected using a questionnaire. The study was based on owner/managers of small family firms operating in the Kumasi Metropolis. The Kumasi Metropolis is one of the largest metropolis and commercial capital in Ghana with small firms of various categories which are mainly family owned businesses. A probability sampling approach, area sampling was adopted. To these end two hundred and fifty small family enterprises in the Kumasi metropolis were selected for the study based on an estimated 433 registered in the metropolis with the National Board for Small Scale Industries.

Organizational performance was measured as the ability of a business to attain its desired goals through the effective use of organizational resources (Fauzi, Svensson & Rahman, 2010). The construct over the years been measured on financial factors such as cost, profitability (Popova & Sharpanskykh, 2010) and non-financial factors. This study combines the subjective

financial and non-financial measures of performance because objective financial information of small businesses is very difficult to obtain in small firms in Ghana (Acquah, 2012). Again, Kaplan & Norton (1996) argue that objective financial measures alone do not reflect real performance as they are based on historic information. From the above justification, the subjective measures seem to be the best measure of performance in small family firms. Thus, in this study, performance was measured based on importance and satisfaction owner/managers attached to various subjective measures comprising increased revenue, contribution to community development, growth in employment, income to look after family, business stability, lower cost of operations and return on investment and were measured on a seven-point Likert scale.

A modified version of Kotey & Meredith's (1997) strategy items using two-stages of measurement was employed for strategic orientation. The first stage involved the identification of functional areas and activities comprising each functional area (planning, marketing, operations, human resource management, finance and information and communications technology). The second stage ensured that the activities identified were important to the successful operation of family firms. Respondents were presented with a list of activities in each functional area and asked to rate each factor in terms of actual usage as part of the business strategy of the firm on a six-point Likert scale, ranging from 5 (always) to 0 (never). The various scores for each functional area activity were then used to place each respondent on a proactive-reactive continuum, in relation to strategic orientation.

Based on Miller (1983) three dimensions of innovativeness, proactiveness and risk taking, Covin & Slevin (1989) developed a nine-item scale, the first ever for measuring entrepreneurial orientation. The scale, comprising five items adapted from Khandwalla (1977); Miller & Friesen (1982) and four by Covin & Slevin (1989), remains to date, the most widely applied measurement for Miller (1983) three-dimensional model (Becherer & Maurer, 1997; Dickson & Weaver, 1997; Barringer & Bluedorn, 1999). In all five items, innovativeness, autonomy, competitiveness, aggressiveness and risk-taking propensity were adopted for this study. Each item on the scale was measured using a seven-point Likert scale ranging from weakly agree (1) to strongly agree (7). All items have been proven by researchers to be valid and reliable per the meta-analysis carried out by Rauch et al. (2009).

A questionnaire was therefore designed with five sections measuring business characteristics, entrepreneurial orientation, strategic orientation, firm growth and demographic characteristics of respondents. In all, three of the variables; entrepreneurial orientation, strategic orientation and firm performance were adopted and modified from previous studies. The questionnaire was pretested using thirty respondents from the Cape Coast Municipality. Research assistants were trained as part of the pilot study and the data was collected between March and April 2017 in Kumasi. In all, 250 questionnaires were administered to owner/managers of small family firms. The response rate was 223, which represents 89% as the research assistants followed up to make sure majority of the respondents filled out the questionnaire and those who needed assistance were helped in filling out the instrument.

To test the relationship Structural Equation Modeling (SEM) technique utilizing the Partial Least Squares (PLS) approach was used to test the hypotheses developed in the previous section. The results are detailed in the sections that follow.

RESULTS AND DISCUSSIONS

The partial least squares approach requires that in testing the relationships between the variables, one examines the reliability and validity of the instruments. This is tested by using the factor loadings, composite reliability and the average variance extracted (AVE) as depicted in Table 1.

| | Cronbach's Alpha | Composite Reliability | Average Variance Extracted |
|---------------------|-------------------------|------------------------------|-----------------------------------|
| EO | | | |
| FG | 0.879 | 0.906 | 0.580 |
| Moderating Effect 1 | 1.000 | 1.000 | 1.000 |
| SO | | | |

Convergent validity was assessed by observing the Average Variance Extracted (AVE) for each construct. As suggested by suggested by Hair et al. (2013) the minimum value of the AVE, of all the latent variables used in a study, should not be less than 0.5. The results (Table 1) show that the AVE of each latent variable used in this study is above the cut off value of 0.5, indicating that the requirement of convergent validity has been met. Also, the AVE values of each construct (latent variable) are higher than the squared value of the correlation between the constructs (Table 2) thereby suggesting the requirement of discriminant validity is achieved.

| | EO | FG | Moderating Effect 1 | SO |
|---------------------|-----------|-----------|----------------------------|-----------|
| EO | | | | |
| FG | 0.257 | 0.762 | | |
| Moderating Effect 1 | -0.060 | -0.120 | 1.000 | |
| SO | 0.451 | 0.441 | -0.112 | |

Again, Table 3 shows that each indicator loaded higher on the construct it is measuring than on all other constructs in the model. This also goes to confirm the discriminant validity of the model.

| | EO | FG | Moderating Effect 1 | SO |
|-------|-----------|-----------|----------------------------|----------------|
| EO*SO | -0.060 | -0.120 | 1.000 | -0.112 |
| EOA | 0.731 | 0.167 | 0.047 | 0.342 |
| EOCA | 0.178 | -0.024 | -0.106 | 0.120 |
| EOI | 0.256 | 0.000 | -0.010 | 0.153 0.351 |
| EOP | 0.760 | 0.180 | -0.137 | |
| EORT | 0.167 | -0.036 | -0.100 | 0.121 |
| FPBS | 0.210 | 0.808 | -0.061 | 0.401 |

**Table 3
CROSS LOADINGS**

| | | | | |
|-------|-------|-------|--------|-------|
| FPFB | 0.163 | 0.691 | -0.155 | 0.284 |
| FPILF | 0.190 | 0.770 | -0.122 | 0.309 |
| FPIP | 0.166 | 0.731 | -0.110 | 0.256 |
| FPIR | 0.261 | 0.763 | -0.099 | 0.334 |
| FPLCO | 0.255 | 0.773 | -0.076 | 0.361 |
| FPRI | 0.116 | 0.792 | -0.047 | 0.373 |
| SOFA | 0.367 | 0.332 | -0.014 | 0.784 |
| SOHRM | 0.213 | 0.102 | 0.080 | 0.354 |
| SOM | 0.311 | 0.331 | -0.126 | 0.719 |
| SOO | 0.312 | 0.390 | -0.117 | 0.786 |
| SOP | 0.376 | 0.141 | -0.038 | 0.583 |

**Table 4
HETEROTRAIT-MONOTRAIT RATIO (HTMT)**

| | FG | Moderating Effect 1 |
|---------------------|-----------|----------------------------|
| FG | | |
| Moderating Effect 1 | 0.134 | |

HTMT

The Heterotrait-Monotrait (HTMT) Ratio, another means of determining the discriminant validity of a PLS-SEM model is presented in Table 4. According to Henseler, Ringle & Sarstedt (2015), a latent construct has discriminant validity when its HTMT ratio is below 0.850. As presented in Table 5, the HTMT ratios of the constructs used in the model were well below the threshold value of 0.850 indicating that the constructs used in the model have discriminant validity.

**Table 5
VIF VALUES**

| | EO | FG | Moderating Effect 1 | SO |
|---------------------|-----------|-----------|----------------------------|-----------|
| EO | | 1.255 | | 1.000 |
| FG | | | | |
| Moderating Effect 1 | | 1.013 | | |
| SO | | 1.266 | | |

Hypotheses Testing

As indicated earlier, the PLS model was to test the hypothesized relationships between the variables. The results of the structural model (Table 6 & Figure 2) present the relationships between exogenous construct and endogenous constructs (using an alpha level of 0.05). Table 6 shows the results of the R2 values in the structural model. It shows that, the endogenous constructs (Firm growth and strategic orientation) had R2 values of 0.204 and 0.203 respectively. Since both values are well above minimum threshold value of 0.1, the model can be said to have predictive power, meaning, the exogenous construct (entrepreneurial orientation) explain 20.4%

and 20.3% of the variance in the endogenous constructs firm performance and strategic orientation respectively.

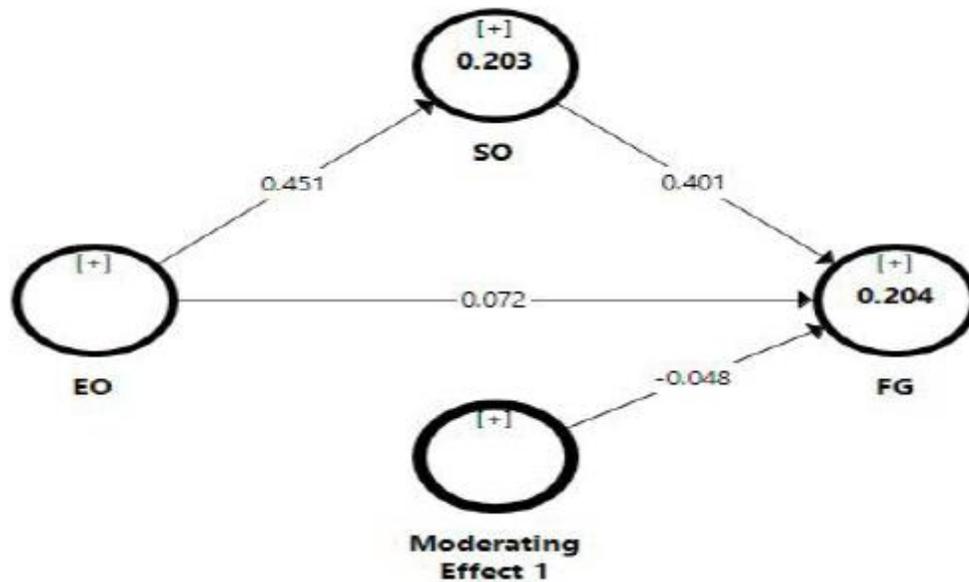


FIGURE 2
PATH COEFFICIENTS DEPICTING THE RELATIONSHIPS BETWEEN THE
VARIABLES IN THE STUDY

| Table 6 STRUCTURAL MODEL RESULTS | | | | | |
|-------------------------------------|------------------|-----------|--------------------|--------------|----------|
| R Square: FG=0.204, SO=0.203 | | | | | |
| Q Squared: FG=0.103, SO=0.079 | | | | | |
| | Path Coefficient | F Squared | Standard Deviation | T Statistics | P Values |
| EO -> FG | 0.072 | 0.005 | 0.134 | 0.538 | 0.591 |
| EO -> SO | 0.451 | 0.255 | 0.079 | 5.710 | 0.000 |
| Moderating Effect 1 -> FG | -0.048 | 0.006 | 0.094 | 0.511 | 0.610 |
| SO -> FG | 0.401 | 0.159 | 0.150 | 2.664 | 0.008 |

The first hypothesis suggested a positive relationship between entrepreneurial orientation and small family firms in the Kumasi Metropolis. The results from Table 6 did not support the relationship (Path coefficient=0.072; p=0.591). Thus, though respondents were competitively aggressive, preferring to follow rather than lead their counterparts and encouraging independent mindedness in the pursuit of opportunities, these initiatives did not lead to increased growth. This also supports studies that found lower association between EO and performance (Dimitratos, Lioukas & Carter, 2004; Lumpkin & Dess, 2001) or insignificant relationship between EO and performance (Covin et al., 1994; George, Wood & Khan, 2001). Also, it has been argued that in small family firms characterized by family members dominating both ownership and management (Chua et al., 1999); with less formal control systems (Randøy & Goel, 2003), and

weak or nonexistent pressures, decisions related to innovation, risk taking, and competing in new markets and products are often made in a more informal, less intuitive and less calculated way. Hence, the possible outcomes of such decisions in terms of firm performance are difficult to predict (Naldi et al., 2007).

The relationship between entrepreneurial orientation and strategic orientation was also tested in hypothesis two. The result from Table 6 supports the relationship (Path coefficient=0.451; $p=0.000$). That is, firms that are innovative, competitive, take risk and autonomous, are more likely to emphasis on product quality, new operating technologies, product and service innovation, and the discovery of new markets (Robinson & Pearce, 1983). In addition, they continually search the market for new products, services and technologies (Covin, Green & Slevin 2006). Besides, they usually define the target market and are usually concerned with involving employees in decision-making, including adoption of new and efficient methods of production and seek a cost-effective way of funding their activities, and planning and monitoring their cash flow (LeCornu et al., 1996).

Hypothesis three indicated a positive relationship between strategic orientation and firm performance. The path coefficient and p values results supported the hypothesis (Path coefficient=0.401; $p=0.008$). Thus, the results show positive associations for strategic planning, human resource management, operations management financial management, and information technology management and the growth of small family firms. This implies that small family firms are likely to pay more attention to the recruitment and selection of employees, and additionally, emphasize employee performance, training and motivation. They are also likely to be proactive in marketing activities such as developing new products and pricing strategies, quoting competitive prices and adopting innovative distribution and promotional strategies. Furthermore, these businesses adopt current tools in information and communication technologies in their day-to-day business operations and identify cheaper sources of finance and keep records of business activities. These results likewise add some nuances to the findings of previous studies (Kotey & Meredith, 1997; Boohene & Kotey, 2009) that indicate that small firms who are more proactive are the ones that best take advantage of their internal resources and capabilities and external opportunities leading to a greater effect on their capability in the long term.

The fourth hypothesis was however not supported as strategic orientation negatively moderated the relationship between entrepreneurial orientation and firm performance and was also not significant (Path coefficient=-0.048; $p=0.610$). This is in consonance with the arguments of Rauch et al. (2009) who indicated that the relationship between EO and performance varies across samples that differ on a given attribute. This may account for the reason why moderating role of strategic orientation was not supported (Miller & Toulouse, 1986).

CONCLUSIONS AND IMPLICATIONS

Despite the increased importance of entrepreneurial orientation and strategic orientation and their implications in small firms, little is known about how they apply to small family firms in a developing country context. This study supplies the missing link on the relationship between entrepreneurial orientation, strategic orientation, and performance on family firms in Kumasi, Ghana. This study informs research by showing that EO and strategic orientation has different impacts on growth for small family firms in the Kumasi Metropolis, Ghana. The results therefore, indicate that being more aggressive, competitive, autonomous, taking risk and innovative does not lead to superior performance. However, such behavior lead to the ability of

firms to be more proactive in successfully anticipating their competitors moves. Thus, owner/managers in small family firms can have their capacities built so that they could develop the skills of being more proactive as such behavior leads to superior performance. Similarly, the findings suggest that the strategic orientation construct is also valid and relevant in the important organizational context of family firms with regards to its relationship to EO. Hence, this finding adds to the growing body of research that teases out fine-grained aspects of the EO construct and strategy (Lumpkin & Dess, 1996; Rauch et al., 2009), adding further to its validity and usefulness in research practice.

This study also provided decision makers and managers in family firms the needed knowledge to effectively make difficult decisions by showing how strategic orientation affects performance. Depending on the relative impact and the aspect that managers want to improve or forgo, managers can decide on the best option available and thus help managers of family firms in selecting strategies that are well suited in the Ghanaian context. The findings also point to the danger of giving general advice on the benefits of EO without considering context-specific issues. Family firms distinguish themselves as an organizational context in important ways. Often, family firms are characterized by dominant ownership, the presence of family members at different levels of the firm's operations and attitudes toward business activities ("families"). Therefore, advice to managers of these firms with regard to entrepreneurial processes must take these characteristics into account. Besides, developing countries and small firms primarily are challenged with resource scarcity and decision makers are often forced to forgo some strategic choices (proactiveness-reactiveness) for others (Cadogan, 2012), this research sheds light on the implications of such decisions.

Finally, it must be noted that the type of sample use, measurement of performance and context limits the generalization of the findings to other populations, geographic areas, and time periods.

REFERENCES

- Aldrich, H. (2000). Learning together: National differences in entrepreneurship research. In D.L Sexton & H. Landstrom (Eds.), *The Blackwell Handbook of Entrepreneurship* (pp. 5-25). Blackwell: Oxford.
- Acquah, B. & Mosimanegape, B. (2007). *Factors contributing to the performance of small business enterprises in Botswana: A case study of Gaborone and environs*. In National Conference on the Informal Sector, Gaborone.
- Acquah, P. (2012). *Role of information communication technology in the growth and development of small and medium scale enterprises in Ghana-case study of some selected small and medium scale enterprises in the Tema Metropolis*. Doctoral dissertation, Kwame Nkrumah University of Science and Technology, Ghana.
- Agbeblewu, S. & Boohene, R. (2013). The interaction between entrepreneurial orientation, firm resources and the performance of tourist accommodation establishments in the Central Region of Ghana. *International journal of Development Research and Quantitative Analysis*, 3(1), 13-29.
- Allio, M. (2004). Family businesses: Their virtues, vices and strategic path. *Strategy and Leadership*, 32, 24-34.
- Ardito, L. & Dangelico, R.M. (2017). *Firm environmental performance under scrutiny: The role of strategic and organizational orientations*. Corporate social responsibility and environmental management, forthcoming.
- Ardito, L., Messeni Petruzzelli, A. & Albino, V. (2015). From technological inventions to new products: A systematic review and research agenda of the main enabling factors. *European Management Review*, 12(3), 113-147.
- Amran N.A. & Ahmad, A.C. (2009). Family business, board dynamics and firm value: Evidence from Malaysia. *Journal of Financial Reporting & Accounting*, 7(1), 53-74.
- Astrachan, J.H. & Kolenko, T.A. (1994). A neglected factor explaining family business success: Human resource practices. *Family Business Review*, 7(3), 251 -262.
- Baran, D. & Velickaite, R. (2008). *Building the theoretical framework of entrepreneurship*. In Paper delivered at the Fifth International Scientific Conference, Business and Management in Vilnius, Lithuania.

- Barringer, B.R. & Bluedorn, A.C. (1999). The relationship between corporate entrepreneurship and strategic management. *Strategic Management Journal*, 421-444.
- Becherer, R.C. & Maurer, J.G. (1997). The moderating effect of environmental variables on the entrepreneurial and marketing orientation of entrepreneur-led firms. *Entrepreneurship Theory and Practice*, 22(1), 47-58.
- Beckhard, R. & Dyer, W.G. (1983). Managing continuity in the family-owned business. *Organizational Dynamics*, 12(1), 5-12.
- Blackman, A.J. (2003). *Entrepreneurs: interrelationship between their characteristics, values, expectation, management practices and SME performance*. Doctoral Thesis, Griffith University, Gold Coast.
- Boohene, R. & Kotey, B. (2009). The relationships among gender, strategic capabilities and performance of small retail firms in Ghana. *Journal of African Business*, 10(1), 121-138.
- Brush, C.G. & Hisrich, R.D. (2000). *Women-owned businesses: An exploratory study comparing factors affecting performance*. Research Institute for Small & Emerging Business (Rise), Working Paper 00-02, Washington DC.
- Cadogan, J.W. (2012). International marketing, strategic orientations and business success: Reflections on the path ahead. *International Marketing Review*, 29(4), 340-348.
- Casillas, J.C., Moreno, A.M. & Acedo, F.J. (2010). Internationalization of family businesses: A theoretical model based on international entrepreneurship perspective. *Global Management Journal*, 2(2).
- Chrisman J.J., Kellermanns, F.W., Chan, K.C. & Liano, K. (2010). Intellectual of current research in family business: An identification and review of 25 influential articles. *Family Business Review*, 23, 9-26.
- Chua, J.H., Chrisman, J.J. & Sharma, P. (1999). Defining the family business by behavior. *Entrepreneurship Theory and Practice*, 23(4), 19-39.
- Covin, J.G. (1991). Entrepreneurial versus conservative firms: A comparison of strategies and performance. *Journal of management studies*, 28(5), 439-462.
- Covin, J.G., Green, K.M. & Slevin, D.P. (2006). Strategic process effects on the entrepreneurial orientation–sales growth rate relationship. *Entrepreneurship theory and practice*, 30(1), 57-81.
- Covin, J.G. & Slevin, D.P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 10, 75-87.
- Covin, J.G., Slevin, D.P. & Schultz, R.L. (1994). Implementing strategic missions: Effective strategic, structural, and tactical choices. *Journal of Management Studies*, 31(4), 481- 503.
- Creswell, J.W. (2009). Mapping the field of mixed methods research. *Journal of Mixed Methods Research*, 3, 95-108
- Cruz, C. & Nordqvist, M. (2007). *Environmental factors and entrepreneurial orientation in family business: A generational perspective*. In 3rd Workshop on Family Firms Management Research, Jonkoping, Sweden.
- De Nisi, A.S., Jackson, S.E. & Hitt, M.A. (2003). *Managing knowledge for sustained competitive advantage*. San Francisco: Jossey- Bass.
- Dickson, P.H. & Weaver, K.M. (1997). Environmental determinants and individual-level moderators of alliance use. *Academy of Management Journal*, 40(2), 404-425.
- Dimitratos, P., Lioukas, S. & Carter, S. (2004). The relationship between entrepreneurship and international performance: The importance of domestic environment. *International Business Review*, 13, 19-41.
- Fauzi, H., Svensson, G. & Rahman, A.A. (2010). “Triple bottom line” as “sustainable corporate performance”: A proposition for the future. *Sustainability*, 2(5), 1345-1360.
- Eddleston, K., Kellermanns, F.W. & Sarathy, R. (2008). Resource configuration in family firms: Linking resources, strategic planning and environmental dynamism to performance. *Journal of Management Studies*, 45(1), 26-50.
- Edelman, L.F., Brush, C. G. & Manolova, T. (2005). Co-alignment in the resource–performance relationship: strategy as mediator. *Journal of Business Venturing*, 20(3), 359-383.
- Gadenne, D. (1998). Critical success factors for small business: An inter-industry comparison. *International Small Business Journal*, 17(1), 36-56.
- George, G., Wood, D.R. & Khan, R. (2001). Networking strategy of boards: Implications for small and medium-sized enterprises. *Entrepreneurship-and-Regional Development*, 13(3), 269-285.
- George, B.A. & Marino, L. (2011). The epistemology of entrepreneurial orientation: Conceptual formation, modeling, and operationalization. *Entrepreneurship Theory and Practice*, 35(5), 989-1024.
- Gibcus, P. & Kemp, R.G.M. (2003). *Strategy and small firm performance*. EIM, Business & Policy Research.
- Gómez-Mejía, L.R., Núñez-Nickel, M. & Gutierrez, I. (2001). The role of family ties in agency contracts. *Academy of Management Journal*, 44(1), 81–95.

- Hair Jr, J.F., Hult, G.T.M., Ringle, C.M. & Sarstedt, M. (2013). *A Primer on Partial Least Squares Structural Equation Modeling (PLS- SEM)*, 529-558.
- Hamel, G. (2000). *Leading the Revolution*. Cambridge, MA: Harvard University Press.
- Hayton, J.C. & Kelly, D.J. (2006). A competency-based framework for promoting corporate entrepreneurship. *Human Resource Management*, 45(3), 407–427.
- Heck, R.K.Z. (2004). A Commentary on “Entrepreneurship in family vs. non-family firms: A resource-based analysis of the effect of organizational culture”. *Entrepreneurship Theory and Practice*, 28(4), 383-389.
- Henseler, J., Ringle, C.M. & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science*, 43(1), 115-135.
- Hofstede, G. (1983). The cultural relativity of organizational practices and theories. *Journal of International Business Studies*, 14(2), 75-89
- Hult, G.T.M., Snow, C.C. & Kandemir, D. (2003). The role of entrepreneurship in building cultural competitiveness in different organizational types. *Journal of Management*, 29(3), 401-426.
- Ireland, D.R., Covin, J.G. & Kuratko, D.F. (2009), “Conceptualizing corporate entrepreneurship strategy. *Entrepreneurship Theory and Practice*, 33(1), 19-46.
- Ireland, R.D., Hitt, M.A. & Sirmon, D.G. (2003). A model of strategic entrepreneurship: The construct and its dimensions. *Journal of management*, 29(6), 963-989.
- Jennings, D.F. & Lumpkin, J.R. (1989). Functioning modeling corporate entrepreneurship: An empirical integrative analysis. *Journal of management*, 15(3), 485-502.
- Kaplan, R.S. & Norton, D.P. (1996). Linking the balanced scorecard to strategy. *California Management Review*, 39(1), 53-79.
- Khandwalla, P.N. (1977). *The Design of Organizations*. New York: Harcourt Brace Jovanovich.
- Kickul, J. & Gundry, L. (2002). Prospecting for strategic advantage: The proactive entrepreneurial personality and small firm innovation. *Journal of Small Business Management*, 40(2), 85-97.
- Knight, G.A. (1997). Cross-cultural reliability and validity of a scale to measure firm entrepreneurial orientation. *Journal of Business Venturing*, 12, 213-225.
- Kotey, B.A. (1994). *Personal values of owner/managers, business strategies and enterprise performance*. Doctoral dissertation, Southern Cross University.
- Kotey, B. & Meredith, G.G. (1997). Relationships among owner/manager personal values, business strategies, and enterprise performance. *Journal of small business management*, 35(2), 37.
- Krauss, S.E. (2005). Research paradigms and meaning making: A primer. *The Qualitative Report*, 10(4), 758-770.
- La Porta, R., Lopez-De-Silanes, F. & Shleifer A. (1999). Corporate ownership around the world. *Journal of Finance*, 54, 471–517.
- Lansberg, I.S. (1983). Managing human resources in family firms: The problem of institutional overlap. *Organizational Dynamics*, 12, 39–46.
- Le Breton-Miller, I. & Miller, D. (2006). Why do some family businesses out-compete? Governance, long-term orientation, and sustainable capability. *Entrepreneurship Theory and Practice*, 30, 731–746.
- Lechner, C. & Gudmundsson, S.V. (2014). Entrepreneurial orientation, firm strategy and small firm performance. *International Small Business Journal*, 32(1), 36-60.
- LeCornu, M.R., McMahon, R.G., Forsaith, D.M. & Stanger, A.M. (1996). The small enterprise financial objective function. *Journal of Small Business Management*, 34(3), 1.
- Lee, C., Lee, K. & Pennings, J.M. (2001). Internal capabilities, external networks, and performance: A study of technology bases ventures. *Strategic Management Journal*, 22, 615-640.
- Leibenstein, H. (1978). *General X-efficiency Theory and Economic Development*. Oxford University Press.
- Lerner, M. & Almor, T. (2002). Relationships among strategic capabilities and the performance of women-owned small ventures. *Journal of Small Business Management*, 40(2), 109-125.
- Lumpkin, G.T. & Dess, G.G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *The Academy of Management Review*, 21(1), 35-172.
- Lumpkin, G.T. & Dess, G.G. (2001). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of business venturing*, 16(5), 429-451.
- Madsen, E.L. (2007). The significance of sustained entrepreneurial orientation on performance of firms: A longitudinal analysis. *Entrepreneurship & Regional Development*, 19(2), 185-204.
- Meyer, G.D. & Heppard, K.A. (2000). *Entrepreneurship as strategy: Competing on the entrepreneurial edge*. Sage Publications.
- Miles, R.E. & Snow, C.C. (1978). *Organization strategy, structure, and process*. McGraw-Hill: New York.

- Miller, D. & Toulouse, J.M. (1986). Chief executive personality and corporate strategy and structure in small firms. *Management Science*, 32(11), 1389-1409.
- Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Journal of Management Science*, 29, 770-791.
- Miller, D. & Friesen, P.H. (1982). Innovation in conservative and entrepreneurial firms: Two models of strategic momentum. *Strategic Management Journal*, 3(1), 1-25.
- Miller, D. & Le Breton-Miller, I. (2005). *Managing for the long run: Lessons in competitive advantage from great family businesses*. Harvard Business School Press: Boston, MA.
- Miller, D., Le Breton-Miller, I. & Scholnick, B. (2008). Stewardship vs. stagnation: An empirical comparison of small family and non-family businesses. *Journal of Management Studies*, 45, 51-78.
- Mintzberg, H. (1973). Strategy-making in three modes. *California Management Review*, 16(2), 44-53.
- Moore, M. (2005). Towards a confirmatory model of retail strategy types: An empirical test of Miles and Snow. *Journal of Business Research*, 58(5), 696-704.
- Moreno, M. & Casillas, J.C. (2008). Entrepreneurial orientation and growth of SMEs: A causal model. *Entrepreneurship Theory and Practice Issue*, 32(3), 507-528.
- Morgan, R.E. & Strong, C.A. (2003). Business performance and dimensions of strategic orientation. *Journal of Business Research*, 56(3), 163-176.
- Naldi, L., Nordqvist, M., Sjöberg, K. & Wiklund, J. (2007). Entrepreneurial orientation, risk taking, and performance in family firms. *Family Business Review*, 20(1), 33-47.
- O'Regan, N. & Ghobadian, A. (2005). Innovation in SMEs: The impact of strategic orientation and environmental perceptions. *International Journal of Productivity and Performance Management*, 54(2), 81-97.
- Popova, V. & Sharpanskykh, A. (2010). Modeling organizational performance indicators. *Information Systems*, 35(4), 505-527.
- Porter, M.E. (1980). *Competitive strategy: Techniques for analyzing industries and competition*. New York.
- Porter, M.E. (1985). *Competitive advantage: Creating and sustaining superior performance*. The Free Press: New York.
- Randøy, T. & Goel, S. (2003). Ownership structure, founder leadership, and performance in Norwegian SMEs: Implications for financing entrepreneurial opportunities. *Journal of Business Venturing*, 18(5), 619-637.
- Rauch, A., Wiklund, J., Lumpkin, G.T. & Frese, M. (2009). Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship Theory and Practice*, 33(3), 761-787.
- Real, J.C., Roldán, J.L. & Leal, A. (2014). From entrepreneurial orientation and learning orientation to business performance: Analyzing the mediating role of organizational learning and the moderating effects of organizational size. *British Journal of Management*, 25(2), 186-208.
- Robinson, R.B. & Pearce, J.A. (1983). The impact of formalized strategic planning on financial performance in small organizations. *Strategic Management Journal*, 4(3), 197-207.
- Rue, L.W. & Ibrahim, N.A. (1998). The relationship between planning sophistication and performance in small businesses. *Journal of Small Business Management*, 36(4), 24.
- Saffu, K. & Manu, T. (2004). Strategic capabilities of Ghanaian female business owners and the performance of their ventures. In *ICSB World Conference, Johannesburg, South Africa*.
- Schulze, W.S., Lubatkin, M.H. & Dino, R.N. (2003). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing*, 18(4), 473-490.
- Schumpeter, J.A. (1934). *The theory of economic development*. Cambridge: Harvard University Press.
- Schumpeter, J.A. (2002). Entrepreneurial profit. In N.F. Krueger (Eds.), *Entrepreneurship: Critical perspectives on business and management*. London: Routledge.
- Shane, S. & Venkataraman, S. (2001). Entrepreneurship as a field of research; a response to Zahra and Dess, Singh and Erikson. *The Academy of Management Review*, 26(1), 13-16.
- Shanker, M.C. & Astrachan, J.H. (1996). Myths and realities: Family businesses' contribution to the US economy-A framework for assessing family business statistics. *Family Business Review*, 9(2), 107-123.
- Thomas, A.S. & Mueller, S.L. (2000). A case for comparative entrepreneurship: Assessing the relevance of culture. *Journal of International Business Studies*, 31(2), 287-302.
- Verheul, I., Risseuw, P. & Bartelse, G. (2002). Gender differences in strategy and human resource management: The case of Dutch real estate brokerage. *International Small Business Journal*, 20(4), 443-476.
- Wang, C.L. (2008). Entrepreneurial orientation, learning orientation and firm performance. *Entrepreneurship Theory and Practice*, 32(4), 635-657.

- Ward, T.B. (2004). Cognition, creativity and entrepreneurship. *Journal of Business Venturing*, 19(2), 173-188.
- Wales, W., Monsen, E. & McKelvie, A. (2011). The organizational pervasiveness of entrepreneurial orientation. *Entrepreneurship Theory and Practice*, 35(5), 895-923.
- Welsh, D.H.B., Munoz, J.M., Chan, S.H. & Raven, P.V. (2012). The entrepreneurial orientation of family microenterprises in Malaysia. *International Business: Research, Teaching and Practice*, 6(1).
- Wiklund, J. (1999). The sustainability of the entrepreneurial orientation-performance relationship. *Entrepreneurship Theory and Practice*, 37-48.
- Wiklund, J. & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation and the performance of small and medium sized businesses. *Strategic Management Journal*, 24, 1307-1314.
- Wood, M.T., Gadd, K. & Falkenburg, D. (2004). Entrepreneurship for engineers. *Proceedings of Open, the Annual Conference*, 131.
- Wright, M., Hoskisson, R.E., Busenitz, L.W. & Dial, J. (2000). Entrepreneurial growth through privatization: The upside of management buyouts. *Academy of Management Review*, 25(3), 591-601.
- Zahra, S. (1991). Predictors and financial outcomes of corporate entrepreneurship: An explorative study. *Journal of Business Venturing*, 6, 259-285.
- Zahra, S.A. (1996). Governance, ownership and corporate entrepreneurship: The moderating impact of industry technological opportunities. *Academy of Management Journal*, 39(6), 1713-1735.
- Zahra, S.A. (2005). Entrepreneurial risk taking in family firms. *Family Business Review*, 18(1), 23-40.
- Zahra, S.A. & Covin, J.G. (1995). Contextual influences on the corporate entrepreneurship-performance relationship: A longitudinal analysis. *Journal of Business Venturing*, 10(1), 43-58.