

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

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## 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's 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 (2015) 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 venture. 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 as 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 a 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:

*H<sub>1</sub>: 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 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:

*H<sub>2</sub>: 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.

*H<sub>3</sub>: There is a positive significant relationship between strategic orientation and performance of small family firms.*

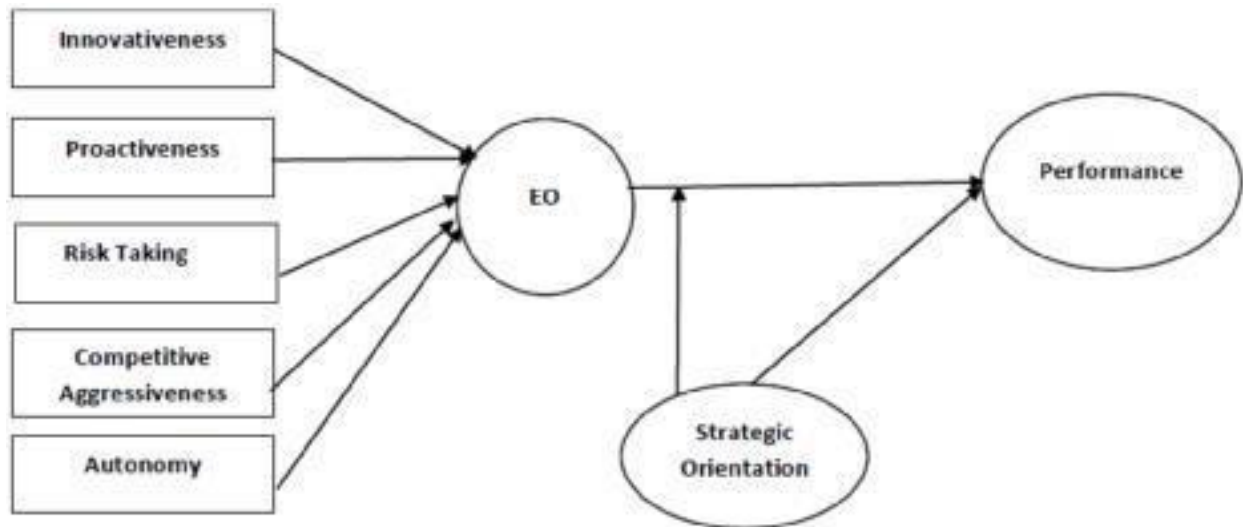
### **Entrepreneurship Orientation, Strategic Orientation and Performance**

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 that 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 (250) 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 was 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.

	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>	<b>Average Variance Extracted</b>
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.

	<b>EO</b>	<b>FG</b>	<b>Moderating Effect 1</b>	<b>SO</b>
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.

	<b>EO</b>	<b>FG</b>	<b>Moderating Effect 1</b>	<b>SO</b>
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



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

	<b>FG</b>	<b>Moderating Effect 1</b>
<b>FG</b>		
<b>Moderating Effect 1</b>	0.134	

### HTMT

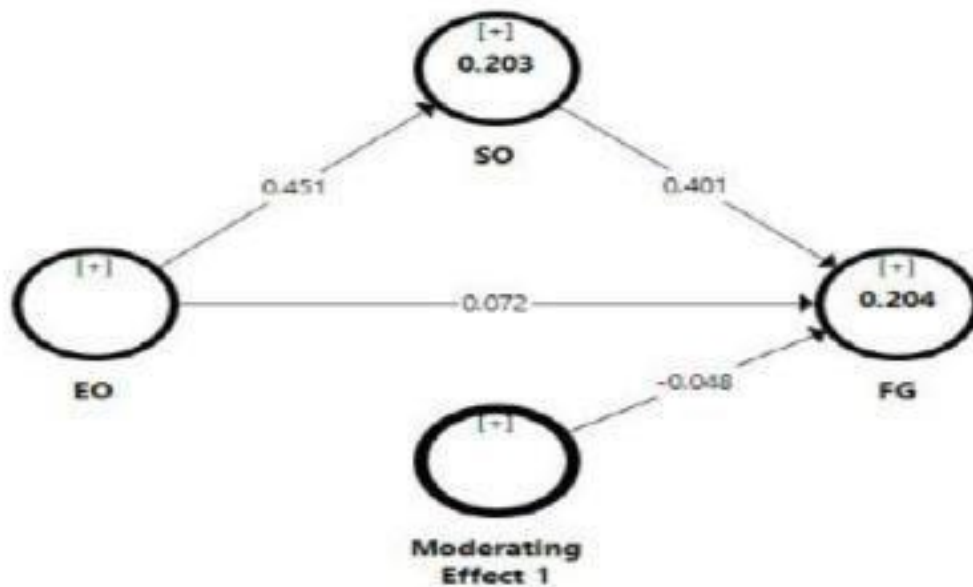
The Heterotrait-Monotrait (HTMT) Ratio, another means of determining the discriminant validity of a PLS-SEM model is presented in Table 4. According to Henseler, Ringle & Sarstedt (2015), a latent construct has discriminant validity when its HTMT ratio is below 0.850. As presented in Table 5, the HTMT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

	<b>EO</b>	<b>FG</b>	<b>Moderating Effect 1</b>	<b>SO</b>
<b>EO</b>		1.255		1.000
<b>FG</b>				
<b>Moderating Effect 1</b>		1.013		
<b>SO</b>		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  $R^2$  values in the structural model. It shows that, the endogenous constructs (Firm growth and strategic orientation) had  $R^2$  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 used, measurement of performance and context limits the generalization of the findings to other populations, geographic areas, and time periods.

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