STRATEGIC PLANNING AND PERFORMANCE OF MICRO AND SMALL FAMILY BUSINESSES IN GHANA. THE RESOURCE BASED APPROACH

BY

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DECLARATION

I hereby declare that this thesis is my own work towards the fulfillment of the requirements for the award of Master of Business Administration (Strategic Planning and Corporate Strategy). To the best of my knowledge, it contains no material which has been accepted for the award of any other degree of the university, except in places where references of other people's work have been cited and full acknowledgement given.

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DEDICATION

This work is dedicated to God's only son, Jesus Christ. He is able to make all things abound to us who believe in Him. Also dedicated to those of you who are disadvantaged in life

whether physical, economic or social status. Believe you can do all things through Christ who strengthens you. This is yours.

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ABSTRACT

Particularly among small and medium–sized businesses throughout the world, family firms constitute the prevalent form of business (Westhead & Howorth, 2007). For instance, a study by Timmons and Spinelli (2009: 596) found that over 90% of businesses in the

United States of America are family owned. The story is not different from what pertains in other parts of the world. Hence family businesses form a strong backbone for most economies. In spite of the advantages MSFBs offer to every economy, majority of them do not survive especially in their formative years. In line with this, this study sought to examine the effect of strategic planning on the performance of MSFBs in Ghana, the moderating effect of Organizational capabilities (i.e. Managerial and Innovative capabilities). Using structured self- administered questionnaires to sample response from owner-mangers or Chief Executive Officers of MSFBs a sample size of 200 was administered with 194 fully responded to employing the convenience sampling method. To ensure a higher reliability and validity of the constructs, Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) were performed using LISREL 8.5. To determine the causal relationship between the constructs, a hierarchical multiple regression (HMR) analysis was employed. The result of the study showed that strategic planning has a positive effect on the performance of MSFBs both operational performance and financial performance. It showed that managerial capability did have a positive moderated effect on the relationship between strategic planning and performance of MSFBs in Ghana. It showed that managerial capability did not show significant moderation between strategic planning and operational performance of MSFBs in Ghana. With regards to the above result, the study recommended an improvement of the managerial and innovative capabilities of MSFBs in Ghana.

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CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

Strategic planning means a series of taking predictable steps that involves defining mission, objectives, performing environmental analysis, strategy formulation, implementation, and control (Hofer, 1979). A strategy integrates the goals of the organization's, policies and sequence of actions into a cohesive whole. It is the leader's compass for running an organization. Not many organizations can survive without a wellcrafted plan focused on the long term. Strategic planning can achieve three main goals (Koteen, 1997). Firstly, what the organization intends to achieve can be understood during the planning process. Secondly, a strategic plan involves the formation of a comprehensive step by step guide for achieving outlined goals. Finally, strategic planning has a primary purpose to set priorities and provide direction for the organization's future (Zhao et al, 2008).

The largest group of businesses in the world are family firms (Basco, 2014). These firms dominate what is universally known as the Small and medium-sized enterprise (SME) landscape in the world (Patel et al., 2012). Micro and Small Family Businesses, sometimes referred to as SMEs have seen different definitions based on the context of the research Steel and Webster (1990), Masakure et al (2009). In this study however, we choose the definition cited by (Acquaah and Agyapong, 2015) because it suits the Ghanaian context. It defines micro and small family businesses as those with less than 30 employees. More than 90% of all businesses worldwide are family firms (Acquaah,

2013). The position occupied by family businesses in terms of percentages in some of the important economies are : Australia–75%, Germany – 60%, USA-96%, Brazil – 90%, Belgium

– 70%, Netherlands – 74%, Finland – 80%, (Timmons & Spinelli, 2009: 596). Family-firms might be the oldest type of business organizations, however it is just in late decades have their advantages and roles in world economies been inquired into. More than 70 percent of organizations in many nations are family possessed. Family-owned companies have various favorable circumstances. They include: ego identification with the business, status, expectation of present and future wealth, entrenched core value system; unequaled steadfastness and responsibility of relatives to the venture; inclination to uprightness and moral behavior in administrations etc.

In the European Union, these firms generate nearly 60% of the GDP of the (EC, 2012). However, micro and small family businesses (MSFBs) including SMEs are increasingly afflicted by crisis. Research shows that only 50% of businesses do survive the first five years of their existence and any unforeseen economic crisis definitely increases this number (Karel et al. 2013).

In today's modern business environment, companies are being challenged to adopt business models that enable them to address strategic and security risks facing their businesses. This includes Micro and Small Family Businesses (MSFBs), especially in sub-Saharan Africa in Transition economies such as Ghana which has about 70% of its work force in the Small, Micro and Medium (Acquaah 2013).

Penrose's (1959) Resource-Based View (RBV) argues that firm growth is influenced by the amount of resources the firm possesses, meaning, the amount of assets managed by the firm has an influence on the future growth of the firm. Therefore, businesses with more resources tend to grow faster and bigger than those without similar resources. Resources

are defined largely as physical, financial and human capital. Many researchers have widely used RBV to examine why businesses perform differently (Ireland et al., 2003).

Traditionally, historically paradigmic common method used by management was through three stages of setting goals and objectives, determining alternative solutions and strategy formulation, implementation and feasible alternative (Kipley et al., 2012). According to Volberda et al. (2010) strategic plan will focus on long-term forecasts, and aid firms to anticipate future challenges and opportunities. A good strategy should be linked to the goals that track. According to Kotler and Keller (2007) argue that strategy should explain the basic idea of the way that corporate objectives will be achieved. The importance of strategy for the development of innovation and competitiveness of companies is stressed many authors (Glaister 2008, Skokan 2010, Volberda et al. 2010, David 2013) .In general companies can be divided (including MSFBs) in terms of their business strategy development in three categories (Šebestová, Nováková 2013):

1. Firms that have well laid out plans and comprehensive written document based strategy (business plan). Such documents give detailed outline of key areas of the business including human resources, market analyses and marketing goals, product development and innovation, production technology and services, etc. A comprehensive strategic document should make use of modern management techniques and methods as PEST, Porter's five forces, marketing mix, SWOT and others. The strategic document covers future period of at least three years and is often compared to the actual situation and updated when the need arises.

2. Businesses that have a strategic document drawn up in some text but concise form, with insufficient information in all relevant chapters. Many of these firms only briefly Mission and Vision with some exception strategic issues, such as production, marketing or finance; however other important chapters unelaborated.
3. Businesses with no written strategic document. There is never a clear strategy. Any resemblance of this is kept in the mind of top management (eg owner manager entrepreneurs), some pieces are the subject of corporate culture or does not exist at all.

In line with the above understanding, we set out to investigate and make a contribution to the literature in the planning-performance debate in general and particularly in the Ghanaian context. Against this background, this study is carried out first to better understand the nature of the influence planning has on MSFBs performance in Ghana and help us find empirical evidence on the planning-performance relationship.

1.1 Problem Statement

In spite of the important role played by Micro and Small Family Businesses (MSFBs), it is common knowledge that majority of them are unstable. The survival of MSFBs and their subsequent superior performance in the business environment in today's competitive world is crucial for economic development in most transition countries. Some factors however work against the survival and performance of MSFBs especially in Africa.

These factors include limited resources and capabilities (including human capital, financial capital, and capabilities) and poor access to market information (LibermanYaconi et al) and lack of strategic planning activities. What has worked against the growth of MSFBs is their lack

of adherence to focused strategic planning and development of their managerial and innovative capabilities and how these capabilities are used to leverage strategic planning activities to enhance performance. Empirical studies of prior research show that strategic planning improves performance of MSFBs
(Acquaah & Agyapong, 2015).

This study aims at filling in on what is missing by examining the role strategic planning plays in the performance of MSFBs in Ghana. Insight from this study would help significantly the planning-performance literature. In this study we take the position that organizational capabilities will positively moderate the influence of strategic planning on performance of Small Family Businesses in Ghana. We focus on the interaction effect of managerial capability and innovative capability on the strategy planning-performance relationship. The reasons for this study which focuses on MSFBs is that they dominate the economies of most countries including sub-Saharan countries, MSFBs have severe resource constraints and relatively very little has been done on MSFBs in Africa in general and Ghana in particular.

Within the planning–performance relationship, evidence abounds that strategic planning does have a positive influence on performance of firms (Govinda Sharma, 2011, Ayyagari et al., 2011; Kanyabi& Devi, 2011). Andersen (2000) provides evidence that strategic planning (which emphasizes the common elements of strategic management process) is associated with high performance in all industrial environments. The performance impact of strategic planning does not vary significantly between the various segments of the industries studied. Thus, strategic planning is a key performance driver in all industrial

environments, and enhances both economic performance and innovative organization. According to Song (2011), evidence abounds that more strategic planning and more new product development projects result in superior performance of the firm.

The research, therefore, will apply managerial and innovative capabilities to moderate the strategy-performance relationship. The complementary roles of managerial capability and innovative capability interaction is important for Micro and small family businesses, but their implication for the implementation of the business strategy and the achievement of better performance is limited particularly in transition economies like Ghana. MSFBs provide an attractive environment to explore how relationships among business strategy, moderated managerial capability and innovative capability to influence the performance of family businesses. According to Habbershon, Williams and MacMillan (2003) and Miller et al.,(2009) cited in (Acquaah 2012) family businesses have a strong sense of loyalty, identity, unique social system, integrity, and commitment to building lasting relationships.

Most of the studies available so far have focused on advanced countries with virtually no significant study in Sub-Saharan Africa. This study aims to examine the relationship between strategic planning and firm performance using different levels of managerial and innovative capabilities within the context of MSFBs in Ghana. The objectives of the study are three fold: 1.Examine the planning-performance relationships of MSFBs in Ghana. 2. We also take a careful look the moderating effect of strategic planning and managerial capability on firm performance of MSFBs in Ghana. 3. Finally, we carefully look at the moderating effect of strategic planning and innovative capability on firm performance of MSFBs in Ghana. The existing literature will be enriched by the examination of the

strategic planning - performance relationship using data from Ghana. Again, the study carefully looks at the moderation roles of managerial and innovative capabilities in strategic planning-performance relationship.

1.2 Objectives of the Research

The study seeks to examine the relationship between strategic planning and firm performance using different levels of organizational capabilities (ie managerial capability and innovative capability) within the context of Micro and Small Family firms in Ghana.

The specific objectives are:

1. To examine the planning-performance relationships of MSFBs in Ghana.
2. To examine the moderating effect of planning and managerial capability on firm performance of MSFBs in Ghana.
3. To examine the moderating effect of strategic planning and innovative capability on firm performance of MSFBs in Ghana.

1.3 Research Questions

This study seeks to answer the following questions:

1. Is there a relationship between strategic planning and firm performance in MSFBs in Ghana?
2. Does managerial capability moderate the strategic planning and firm performance link?
3. Does innovative capability moderate the strategic planning and firm performance link?

1.4 Significance of the Study

The result of this study is very important to Ghana's developmental agenda. According to Abor & Damas (2010) cited by (Acquaah & Agyapong 2015), an estimated 92% of all businesses in Ghana are MSFBs and they contribute about 70% to Ghana economy. Therefore, any credible investigations that unearth and recommend how to increase the performance these enterprises will have a generational impact for this transition country. Of course, the success of Ghana will be a success for Africa in general and West Africa in particular because of the similar economic environment in these countries. It will help Ghana reduce its dependence on Cocoa which is its main source of foreign currency and also on crude oil. Again, the results of this study it is hoped will help set the national agenda for policy makers to significantly develop this sector. This is because Micro and Small Family Business (MSFBs) are essential to reduce poverty, increase employment and national development.

Although there exist a preliminary study (Oppong et al 2012, M. Acquaah 2013, Acquaah&Agyapong 2015, G. Agyapong 2015), there is still a need for more empirical evidence mainly to investigate using Resource Based View and focusing the organizational Capabilities of Managerial capability and Innovative capability in Ghana.

This is important knowledge and literature gap that this study aims to fill.

1.5 Scope of the Study

Theoretically, the study aims at investigating the planning-performance relationship is limited to MSFBs within the Ghanaian context with important lessons learnt from previous

studies in other countries. The investigation will cover only Managerial Capability and Innovative Capability within the Resource Based View. As much as possible the data collected will cover the entire country. Our attempt to investigate the above topic will be constrained by time as well.

1.6 Limitations of the Study

1.6.1The limitations of this research will include the following:

The study will rely on the responses of only one informant, the Chief Executive Officer or owner-manager in each MSFB. This limits the validity of the results because multiple informants from same firm would have been preferable even though the use of single informant is a proven research method used in the past especially in Africa (Aquaah and Agyapong, 2015). The study will rely completely on data picked from Ghanaian MSFBs. Therefore there can be no generalization of the findings and application to other jurisdiction especially in Africa unless the said African country has similar environmental, social and economic features as the context of this study.

1.7 Organization of the Study

The study is organized into five chapters. Chapter one introduces the study in general. This details the background of the study, the research problem, the research objectives, questions, hypotheses, significance of the study, scope, overview of methodology, limitation of the study and organization of the study. Chapter two presents literature review. It involves definition of terms, the conceptual framework, hypotheses, empirical reviews, theoretical background and perspectives. Chapter three details out the methodology used for this study. Specifically, the study discusses the research design, research approach,

research purpose, population, sampling techniques, sources of data, data collection instruments, data collection procedure and analysis, research quality, ethical issues involved in research and profile of the research context. Chapter four addresses the results, findings and discussions. The profile of the informants will be presented first followed by the descriptive results, the validity and reliability test results, structural model results and estimation, hypotheses evaluation and finally the findings are discussed. Chapter 5 will summarize the study. The conclusions and the recommendations will end the study.

1.8 Overview of Methodology

The methodology for this study is categorized into six sections namely research design, research philosophy, research approach, purpose of the research, sources of data, population, sampling techniques, instruments for data collection and data analysis techniques. The researcher's main sources are based on both qualitative and quantitative techniques and will use mainly primary data in gathering relevant information. The sample size would be300 Chief Executive Officers or owner-managers of MSFBs in Ghana. All the participants will be chosen purposively due to their specialist knowledge of the research topic and their likelihood to generate useful data for the project.

CHAPTER TWO

LITERATURE REVIEW

2.0 Strategic Planning

A strategic plan is an outline of steps planned with the objectives of the whole firm overall as a top priority, instead of with the objectives of particular divisions or offices in the firm. It includes the measures taken to give an expansive picture of what must be accomplished and in which order, including how to sort out a framework fit for accomplishing the general objectives.

Strategic planning is a widely used tool in management with which to approach the topic of strategy formulation (Rigby, 2001). It involves those who are assigned this responsibility to collect data, understand it, conceptualize, model, and strategize for unpredictable alternative future situations, evaluate them and find answers to key questions concerning the actual and desired position of the firm (Boyd, 1991). Strategic planning can be defined in several ways even though the available literature reveals some commonalities in these definitions. Strategy can be defined as action taken by senior management of a firm, after the resources, skills and environmental risks of the firm have been considered (Hofer, 1978).

For Schendel and Hofer (1979) strategic planning is a step by step process that involves the crafting of an organization's mission, identifying long-term objectives, scanning of the environment, formulation of organizational strategy, strategy implementation, and control. Strategic Planning has also been explained as "a disciplined effort to produce basic

decisions and actions that shape and guide what the organization is, what it does, and why it does it" (Bryson, 2004, p. 6).

Strategic planning aims at influencing direction of the firm within a defined time period and to coordinate and integrate processes including future strategic decisions. A wide range of activities including strategic reviews, meetings, generation of strategic plans etc are all designed to achieve the purpose of strategic planning.

This study defines strategic planning as a step by step set of goals of the entire organization or firm which spells out what has to be done to achieve the aims of the organization often with the experience of the past as a helpful guide.

2.1 Strategic Planning and Performance

The strategy –performance relationship has attracted more attention and study than any other topic in strategic planning (Brews & Hunt, 1999). Michael Porter (1980) argues that the aim of strategy is "choosing to perform activities differently than rivals do". In the years 1980 to 1990 the planning-performance relationship was the focus of attention for most researchers (Whittington &Cailluet, 2008). These studies varied from examining the direct relationship between strategic planning and performance to those assessing performance in light of contingencies in the external environment and internal environment of the firm. In general, the impact of planning on performance points to a positive impact of formal strategic plans, but the results leaves much for doubts and several unrelated interpretations (C. Miller & Cardinal, 1994). A major source of inconsistent results and controversy was in the area of methodological differences (Boyd,

1991).

Strategic planning as a process of management involves formulation of long-term organizational goals, allocation of resources for realizing the set goals, and their development and implementation. Strategic planning seeks to create competitive advantage by enabling the organization to achieve its goals and gain growth and profitability as efficiently as possible compared to its competitors. Strategy is the major business plan or action undertaken by management to realize performance and profitability for an organization (Seedee R. 2012). Corporate strategy is, therefore, made up of the product-market choices of firm managers in outlining the fundamental steps to follow in realizing set organizational objectives (Wang, Walker & Redmond, 2011). A strategic plan is also important for management in guiding achievement of long-range goals including sales and profitability, workforce efficiency and motivation, and corporate responsibility. Strategic planning is common in MSFBs that display better performance in terms of higher sales, returns on assets and profitability, and employee productivity. Awareness of the operating environment, ability to assess the implications of changes in the market and implementation of appropriate strategy to deal with specific situations is crucial for profitability, growth, and sustainability of small businesses (Wang, Walker & Redmond, 2011, p.5). Extant literature has confirmed the planningperformance relationship both in small and large economies of the world (Spanos et al., 2004, Bel&Yasai-Ardekani, 2000; Campbell-Hunt, 2000) cited by Acquaah (2013). If the right strategy is implemented it can improve on a firms performance and competitiveness (Seedee, 2012). Ansoff et al (1970), Wood and LaForge, (1979); Welch,

(1984), Robinson and Pearce (1983) cited in (Rhyne, L., 1986), all confirm that strategic planning ensures a superior performance in organizations. The correct measure of firm performance is the change in shareholder value argues Rappaport (1981).

2.2 The Resource Based View of the Firm

Understanding how firms gain competitive advantage has been research focus since the 1960s (Penrose, 1959, J. Barney, 1991, Kelliher & Reinl, 2009, DeSarbo et al., 2007). Researchers then used a single framework for their works (Hofer1978, Ansoff, 1965).Past researchers recommend that competitive advantage is gained by firms utilizing their strengths and neutralizing the external threats (Porter, 1980, 1985). Previous work has centered on a company's opportunities and threats inside the competitive environment (Caves &Porter, 1977).

In any case, the RBV analyzes the connection between a firm's internal qualities and its performance. The Resource Based View states that a firm's capabilities and unique resources is the basis for the development of a strategy. For firms to best exploit the opportunities that exist in their external environment it is important an appropriate strategy is chosen which allows the firms to make utmost use of their core competences. There is consensus among researchers that firms that use different strategies would moderate the relationship between best business practices and performance (Seedee, 2012). Basically, two alternative substitutes are made in understanding why some firms have competitive advantage over others. First, firms from the same industry should be heterogeneous with regards to the strategic resources they control. Second, if the resources are not perfectly mobile across the firms, it ensures a lasting heterogeneity (J.

Barney, 1991).

A firm's resources incorporate all assets, abilities, hierarchical procedures, firm traits, information, knowledge which is controlled by a firm to empower it comprehend and execute strategies to enhance its efficiency and effectiveness (J. Barney, 1991).

J. Barney (1991) contends that these resources can be gathered into three: Physical Resources which includes the physical technology utilized as a part of the firm, plants and equipment of the firm, accessibility to raw materials and the geographical area of the firm. The Human resources include experience, judgment, training, relationships, knowledge and insights of individual workers of the firm.

Not all attributes of a firm are strategically important to empower a firm gain and maintain competitive advantage. Those features of a firm's physical, human and organizational capital that enables a firm to envision and achieve strategies to enhance its efficiency and effectiveness are firm resources (J. Barney, 1991).

The RBV of the firm is the tendency and ability of firms to compete on the basis of unique resources and capabilities. This view affirms that superior and sustained competitive advantage is a result of accumulation and deployment of strategic resources, managerial choices, risk management of market imperfections, and management understanding of industry factors (Tokuda, 2005). Firms compete in their ability to acquire and deploy some unique categories of resources, which are physical, financial, human, organizational, technological, and firm reputation resources for conducting production and marketing operations.

The resource-based view of firms developed by Penrose (1959) and Demstez (1973) recognizes the importance of specific strategic resources for enhancing business performance (Tokuda, 2005, p.126). This approach considers acquisition, development, and effective deployment of the inputs that go into the firm's production processes, which include financing, capital assets and equipment, workforce, management talent, patents, and supply contacts. As opposed to market structures, organizational performance is influenced by firm-specific resources and proprietary assets that set the business apart from others in the same industry market. The resource-based view focuses on enhancing strategic resources and core competencies to achieve greater business profitability and enhanced competitive advantage. Strategic resources enable organizational capability for performing operations in an integrated manner for creating market. Essentially, resources include tangible and intangible assets (Mok 2009).

Resources are the visible and invisible assets of a firm; capabilities however, are a way of accomplishing different activities, depending on available resources (Kelliher & Reinl, 2009). For the purpose of this research we define resources as assets controlled by a firm whereas capabilities are the abilities to combine, employ and deploy resources through an organization's routines to achieve the targets.

2.3 Organizational Capability

Organizational capability refers to activities such as planning, coordinating, efficient allocation of resources and information management (Barbero et al 2011).

Organizational capability refers to the business's ability for conveying tangible and intangible resources and assets for the performance of particular activities connected to offering excellent

services to clients, and developing and delivering new innovative items (Mok, 2009). The strategic management of workforce and capital resource assets of the firm forms the premise for organizational capability and competitive advantage for the firm. Management encourages organizational ability to perform production and marketing operations through different business functions including working environment organization, designation of funds to operations, managing human asset, advertising, and research advancement (Mok, 2009). Numerous capabilities have been referred to in the existent literature (Song et al, 2007). Notwithstanding, many recent studies have recommended that the accompanying five capabilities are of outmost importance for examining sustainable advantage and long haul achievement (Song et al,

2007, DeSarbo et al, 2005). Namely innovation, market connecting, promoting,

Information Technology and administration related capabilities.

A distinctive theoretical perspective proposed by previous studies in the strategic planning literature in the performance of firms is the Resource Based View (Acquaah and Agyapong, 2015). The RBV argues that a firm's superior performance include ownership and organization of assets and capabilities, which are heterogeneous, unique, stationary, incomparable, and intangible. Inputs are considered as part of resources and they enable a firm to do its activities while capabilities suggest a firm's capacity to join resources, through definitive schedules, in order to satisfy its objectives. Capabilities are typically seen as operational, specialized capabilities organized into individual aptitudes or particular various leveled capacities (Ortega, 2010). Capacities include individual employee abilities,

aptitude, and implied gathered knowledge that are installed in a firm's schedules, administrative procedures, advertising correspondences, and culture.

The capacity to create organizational capability to perform its operations is a noteworthy step for supporting development and profitability. Organizational capability encourage development and distribution of a wide scope of items, special promotion of the firm's items, fast and timely delivery of products, production of quality and of value and superior items, and consistency in quality and distribution speed (Spriggs et al.; 2012). Organizational Capability is additionally connected with effective response to market dynamism, capacity to quickly change product designs, adaptability for managing unexpected changes in working environment, rivalry on price and costs, contribution of line managers and employees in decision making at top levels in the firm, and provision of after-sales service and client relations management (Barbero et al.; 2011). Organizational performance can be measured by various criteria. Research available suggests that firm performance is usually measures effectiveness, efficiency, development and profitability (Mok.2009). Marketing capability, innovative capability, managerial capability, customer service capability, manufacturing capability, new product development are all part of organizational capabilities (Acquaah and Agyapong

2015).

2.4 Managerial Capability

Graves and Thomas (2006) the expertise, management capacities and processes that firms possess in order to plan and implement programs and activities to achieve superior performance is known as managerial capability. The proper deployment of an

organisation's social, human and cognitive abilities in order to make use of its tangible and intangible resources involves managerial capability (Acquaah & Agyapong 2015). Several studies have suggested that the quality of the top management has a positive effect on managerial capability (Fernandez& Nieto, 2005, Adner & Helfat, 2003). Acquaah (2003) argues that to efficiently integrate the capabilities and use resources in an utmost way managerial capability is crucial. Managerial capability has positive influence on firm performance (Littunnen, 2003, Daily &Dollinger, 1993).

2.5 Managerial Capability and Performance

Research has repeatedly demonstrated the importance of managerial capability comprising general education and managerial training and skills, and practical management experience as having a greater influence than finances on success or failure among MSFBs (Temtime & Pansiri, 2005, p. 27). Management functions of MSFBs differ significantly in magnitude as well as in their nature from those of large corporations. Management of small businesses especially MSFBs has been found to emphasize on short-term profitability compared to large organizations. Management in MSFBs is characterized by rigid decision-making, constant fear of bankruptcy and failure, low utilization of external management consultants, risk aversion, and low interest in non-financial rewards. Small firms will often focus their business strategies on specific market niches in continuous efforts for production and innovation.

Managerial capability is also characterized as the skill, and procedures in the authority of firms that are attracted to implement projects and exercises to accomplish superior implementation and managerial capacities (Graves and Thomas, 2006). The extent to

which an organization utilizes its group encapsulated heterogeneous aptitudes, limits, and insights base that have been delivered after some time to generate rents is its managerial capability (Acquaah, 2003). A managerial capacity, in this way, includes the cognitive capacities, social, human capacities used to send and coordinate tangible and intangible organisational resources. Adner and Helfat (2003) proposed that the attributes of the key leadership of a company are a noteworthy enabler to the growth of managerial abilities which guarantees sustained superior performance. Fernández and Nieto (2005) contend that growth in the quality of management increases managerial abilities.

Managerial capability enables a firm to incorporate capacities emerging from specialized, conceptual, and skills, in order to have the capacity to improve utilization of assets by doling out employees as well as different resources to territories where they have higher efficiency (Acquaah, 2003). Barney and Hesterley (2006) contend that managerial capability can be used in controlling and observing hierarchical frameworks for basic execution of strategic activities in organizations for effective management. Some other research has demonstrated that managerial capability does impact the firm's performance (Acquaah, 2003; Day, 1993; Littunen, 2003).

2.6 Innovative Capability

Innovation is a multidimensional construct and must remain a continuous process in firms. Previous research suggests that innovation in firms is influenced by the features of the firm and leadership within the firm, attributes of the innovation and environmental or external factors (Damanpour & Schneider, 2009, Damanpour & Aravind, 2011). Many researchers have conceptualized innovation in many different ways. For instance, at the organizational

level, it has been defined as the development and implementation of new ideas (Damanpour & Aravind, 2011). The successful outcome of innovation is technology, service, a product, or practice that is largely new to the firm (Damanpour & Wischnevsky, 2006).

Innovation is the capabilities utilized by the firm to recognize opportunities, behaviours, routines, openly share information, promote discussion and implement new ideas that results in new products, processes and organizational forms (Spriggs et al, 2012). Innovative capability is the holistic potential within the entire organization to promote new forms of market value in ways that results in superior performance for the firm. Innovation provides a mechanism for adapting to dynamic and competitive market environments, advancing technology and different modes of competition. Innovation broadly covers the strategic features of an organization in the form of creative management ideas, change mechanisms, marketing opportunities, and value creation in the product. Innovation refers to new products or services, production processes, organizational structure or administrative systems. Innovation capability is a multifaceted construct referring to the ability for continuous transformation of knowledge and ideas into new products, systems and processes that create additional value for the organization's stakeholders.

An organization's capability to innovate is important in facilitating an innovative culture characterized by internal promoting activities and in facilitating organizational members to understand and respond appropriately to the external market environment. Innovation capacity extends the need for firms to acquire and utilize existing and emerging

technologies to develop better products and to update existing products to meet broader needs of the market. Innovation creates new market opportunities for the organization by facilitating the development and adaptation of new ideas to production processes to bring about greater business success or adaptation to changes in the operating environment (Minna, Sanna & Juhani, 2014, p.235).

Innovation capacity can be addressed from two management approaches, which are technological factors and human factors. Innovation within the organization is likely the result of a mixture of strategic planning and managerial initiatives, worker participation, and industry relations and cooperation. Key determinants of innovation capability have been identified to be participatory leadership management culture, ideation organizing structures, workplace wellbeing and climate, knowledge development, regeneration of ideas, acquisition of external knowledge, and individual employee autonomy for creativity.

So also, innovativeness is seen as an exceedingly significant part of entrepreneurial orientation in the family firm context (Nordqvist et al. 2008; Zellweger and Sieger 2012). Innovation can be characterized as the viable use of new products and processes intended to benefit the firm and its partners (West and Anderson 1996; Wong et al. 2009). As indicated by Damanpour (1996), innovation is a method of transforming an organization in light of changes in the outside environment or, proactively, to impact the environment. Taking into account a multidisciplinary investigation, recent researchers proposed an integrative meaning of innovation as a multistage process in which firms change thoughts into new or enhanced products, services, or procedures to compete and differentiate themselves in the market (Baregheh et al. 2009, Gundry et al).

2.7 Innovative Capability and Performance

The competitive urge in today's business environment is innovation, supported by speed and flexibility, quality and efficiency. Organisations with strength in innovation dictate and control the direction of their industries (Lawson& Samson, 2001). Innovation must affect both the process and systems of operation within the organization to improve existing products and adding value to customers. Some studies have argued that to lead in innovations firms must have a consistent culture of encouraging, expecting and reward innovation everywhere within the organization. Promoters of this idea link organizational learning to knowledge in technologies, mainstream capabilities to products and processes (Lawson & Samson, 2001).

Modern managers accept that innovation and development of new products is a priority of their organisations (Porter, Stern & Council on Competitiveness, 1999). Innovation can be a new structure or administrative system, new product or service, or a new production process (Hult et al, 2004). A company's innovative capability has been defined differently by several studies (Neely et al, 2001, Lawson & Samson 2001; Olsson et al., 2010). We can group innovation capability into three namely knowledge, organization, and human factors (Martınez-Roman et al., 2011)

Innovation capability is different from one organization to the other and enabled by several factors (Silva et al., 2012). For MSFBs to reap maximum benefit they must continue to develop, communicate, and cultivate a culture of innovation (Rosenbusch et al., 2011). If MSFBs desire superior financial performance they need to have an innovation orientation (Saunila, 2013). Innovation capability and performance have a relationship (Bowen et al., 2010).

Recent studies suggest that the constitution of a family firm ownership influences how innovation is perceived and adopted. For instance, family firms owned by a single person have been linked to higher performance (Springgs et al, 2012).

2.8 Overview of Strategic Planning in Micro and Small Family Businesses (MSFBs)

Strategic Planning and Performance of MSFBs

Overall strategies adopted in business enterprises have a moderating effect on the performance of the organization in terms of leveraging its managerial and innovative capacity for increasing and sustaining performance. Research evidence extensively confirms the positive effect between strategic planning and superior performance in MSFBs as well as large firms. Formal strategic planning provides management with a decision-making framework that enables a long-term view of the business, and yields objective criteria for measuring progress in attaining set organizational goals (Seedee, 2012, p.138). Development and adoption of a formal strategic plan influences and enhances growth in size and capability for the enterprise.

Considering that informal management has an advantage for encouraging creativity and innovation within organizations, excessive formalization can, however, create ignorance of strategic thinking and creativity needs of the workforce. According to Gibb and Scott (1985) and Mintzberg (1994), cited in Wang, Walker and Redmond (2011, p.7), high formality of the effective strategic plan may not be the best for small businesses as it suppresses innovation and spontaneity of creativity. In the absence of a formal strategic plan, a more appropriate strategy may emerge from situations and opportunities presented to management. Most strategic planning in small enterprises is largely informal and

unstructured, and thus is irregular in occurrence and based on insufficient informational support utilizing reactive data that is obtained informally. Deliberations in strategic thinking are mostly informal due to inadequate time, costs involved in formal strategic planning, lack of management skill and expertise, and inadequate information. The internal dynamic capabilities acquired by an organization through innovation development are an essential moderating factor on the performance of management effort in guiding organizational performance. The changing role of strategic planning provides greater flexibility for innovation in defining a positive direction for the organization in dealing with market dynamism and competition. Strategy formulation facilitates the complex task of innovation for addressing uncertainty and dynamism in the operating environment (Wang, Walker & Redmond, 2011). The increasing volatility of business resulting from changing competition and uncertainty of the market environment in turn complicates the process of systematic strategy formulation.

Previous studies have recognized that strategic planning can contribute to the longevity and financial success of especially using their innovative abilities of the family firm life and prosperity of the family firm (Blumentritt, 2006, McCann, Leon- Guerrero & Haley, 2001). As a consequence of that they can also improve the ability to quickly pursue opportunities in the market and gain market recognition (Chrisman, Chua, &Steier, 2005)

2.9 Overview of Micro and Small Family Businesses in Ghana

Since there is no universally agreed definition for family firms, it has lent itself to several definitions. In an attempt to define family business, some studies have focused on characteristics such as the motive for setting up the firm (eg family employment),

intergenerational sustainability; and family ownership and management of the firm (Chrisman 2004). Villalonga &Amit (2006) argue that any business which has more than 20% stake held by a family is a family firm. In this research work we adopt the definition of Acquaah (2011) who takes the position that any business which is formed, managed by a recognized family and where family members are involved in the management of the business is qualified to be called a family firm. All over the world family firms can be found everywhere and their activities dominate the general business environment. They make significant contribution to economies especially in Sub-Saharan African in the areas of job creation, entrepreneurship, community development and economic growth (Acquaah, 2011). Laporta et al (1999) argue that in Asian economies especially in countries such as Singapore and South Korea, family firms make up about 60% of all publicly listed firms. Though not much has been done in terms of research on family firms in Sub-Saharan, almost all Micro, Small and Medium-size businesses are foundered by families and are made up of about 90% of all businesses (Acquaah, 2011). Most small, micro and medium-size businesses (SMMEs) in Sub-Saharan Africa are family businesses. About90% of all businesses in Ghana are SMMEs. Because of the low level of institutional support for family businesses in Ghana, they would need to leverage on their resources including human and financial argues Robson et al (2009). Not much is known about family businesses especially in transition countries.

Experts have argued that family firms have unique features that distinguish them from non-family businesses. These features include: First, FBs have organized clan cultures in where employees are hired for the long-term and treated generously. Second, FBs have more commitment towards customer relationships. Third, they are more flexible in their business

activities and decision-making processes. Fourth, there is paternalistic between owners and employees. Fifth, they also have unique capabilities that ensure trust, motivation and commitment among the employees. They have higher levels of

trustworthiness and lower overall transaction costs. Finally, family firms give priority to family members in top management and are sensitive and selective in their recruitment procedures (Anderson & Reeb, 2003). Family firms are mostly poor in financial resources, innovation, and most have ineffective management systems including nepotism, family conflicts, lack of professional management etc (Schulze, Lubatkin, Dino &Buchholtz, 2001 and Astrachan 2010). By their unique configuration and inherent cohesiveness in family businesses are able to create long-lasting relationships with their employees and that engenders trust, inspiration, motivation and commitment. Family firms lower recruit cost by filling key positions (Agyapong & Boamah, 2013). When family businesses combine ownership and management it reduces agency problems which produces greater decision-making flexibility for managers and enhances effective resource distribution (Agyapong & Boamah, 2013).In recent studies it has been shown that firms managed by family members perform better than nonfamily-controlled firms(Villalonga & Amit, 2006).

2.10 Research Hypotheses Development

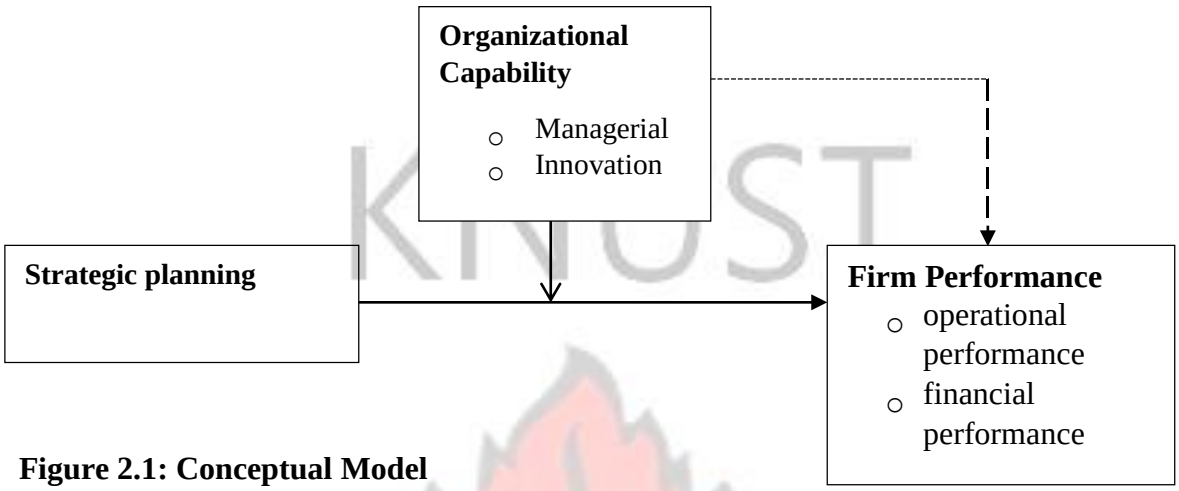

Figure 2.1: Conceptual Model

2.10.1 Relationship between Strategic Planning and Performance of MSFBs Available management literature extensively documents the importance of MSFBs for economic development, asserting the strong representation of small business enterprises as the largest business sector in every economy around the world. MSFBs, firms employing less than 200 employees, dominate the economic landscape world over and are key drivers for employment and growth. MSFBs dominate most key industry sectors including retail, construction, and service provision, and provide crucial forward backward linkage for supply chains in the automotive, maritime, mining, and defense sectors that are dominated by larger firms (Gundry et al. 2014). Small business organizations often occupy fragmented niche markets that are either uneconomical or characterized by unattractive risk and return for large corporations. Small businesses contribute positively to innovative capacity for economies despite their disproportionately small investments in research development. There is need for governments to promote and support the growth of MSFBs as part of an overall national strategy for economic development (Gundry et al. 2014).

Despite their key role in facilitating economic development, MSFBs are significantly affected by poorer performance and profitability, and have higher failure rates compared to large organizations. Numerous studies have sought to investigate why some MSFBs are more successful than others. Numerous research studies in organization management have identified the presence or absence of strategic planning as a key determinant of business success for MSFBs. Available research evidence consistently shows that majority of MSFB's fail to adequately incorporate strategic planning in organizational management. Management in MSFB's is accused of being strategically myopic and mostly lacking a long-term vision of where their organizations are headed (Wang, Walker & Redmond, 2011, p.12). These studies consistently indicate the need for enterprises to actively plan for future operations and growth for them to effectively compete and survive in contemporary market environments.

H1: There is a positive effect of Strategic planning on firm performance in the MSFBs in Ghana

2.10.2 Effect of Managerial Capability on Performance of MSFBs

Besides market-related factors, many of the problems faced by MSFBs relate to the entrepreneurial and management prowess or lack thereof. Poor management has often been blamed for the high failure rate among family-owned businesses and other MSFBs, which is largely linked to access to adequate management competence. The performance of family businesses is largely dependent on the owners' characteristics, management behavior, and entrepreneurship influence (Lawson & Samson, 2001). Managerial

excellence is significant for solving most performance problems in small organizations for better directing strategic resources into production.

H2: The relationship between strategic planning and performance of Micro and Small Family Businesses in Ghana will be positively moderated by managerial capability

2.10.3 Effect of Innovative Capability on Performance of MSFBs

The presence of an innovation strategy is an important determinant for effectiveness in achieving the overall vision and mission for the organization. Technical and managerial innovation are among key factors in improving performance within the organization, with innovative firms enjoying higher and sustainable productivity and growth compared to non-innovating firms. Management or organizational innovation provides essential conditions for increasing performance and the value of the firm even in the absence of technological innovation (Lawson & Samson, 2001, p.81).

Hypothesis 3: Innovative capability will positively moderate the relationship between strategic planning and performance of Micro and Small Family Businesses in Ghana.

2.10.4 Interactive Effect of Strategic Planning and Managerial Capability on Performance of MSFBs

Strategic planning is a deliberate, rational, and systematic process that analyses conditions in the market and operating environment and selects the most suitable strategy for achieving desired organizational ends. Formal planning is a priority and a prerequisite for achieving performance in the contemporary competitive management environment.

The complexity of the market may result in creation of emergent strategy that does not necessarily pursue explicit objectives or formal approaches, but rather progresses through trial and error in a flexible and incremental manner that strives to keep up with market dynamism (Temtime & Pansiri, 2005). This is essential especially for small organizations faced with unstable and often uncontrollable market conditions. Small enterprises are faced with uncertainties concerning organizational competencies that will remain relevant into the future owing to changing technology, political and economic trends, and shifting consumer preferences. A flexible strategy is more desirable for small enterprises for facilitating speedy response to unstable operating environments and adaptability to market complexity while integrating management action into an overall formalized business strategy.

MSFBs and family-owned businesses face various challenges in management capability that include inadequate education and training in management practice, low articulation of strategic vision, informal organizational structure, challenges in human resource management, low growth development, and lack of defined competitive strategy. Lack of human resource management in MSFBs is manifest in the absence of formal hiring and recruitment procedure, lack of training and development for employees, inadequate benefits policies, and inability to attract and maintain competent skilled and managerial staff (Temtime & Pansiri, 2005). Management in MSFBs is affected by negligence in empowering employees through training and development, inaccessibility or lack of lowcost facilities and funds to train employees, a shortage of skilled staff in the labor market accessible to MSFBs, and reliance on family relatives for labor.

Small businesses and family-owned enterprises are also faced with organizational design and development challenges that affect their short-term and long-term performance. The absence of a proper organization structure results in lack of open communication, and low standardization and formalization of management processes and operating procedures. The lack of managerial knowledge and skills, and absence of formalized management policies cause many owner/managers to perform poorly in most areas of management including financial bookkeeping, costing, inventory warehousing and stock control, quality control, production scheduling, and marketing (Temtime & Pansiri, 2005, p.28).

Hypothesis 4*: The interaction between strategic planning and managerial capability will positively impact on the performance of MSFBs in Ghana.*

2.10.5 Interactive Effect of Strategic Planning and Innovative Capability on Performance of MSFBs

Technology innovation is inherently uncertain in its implementation and in its potential for increasing profitability performance for organizations. Strategic management systems as well as financing are important for effective management and marketing of innovations on an international scale. Purposeful planning increases the implementation and lessens uncertainty of innovation and management strategy. Strategic plans for growing innovation can therefore yield both intended and realized management strategies for conditional resource allocation and decisions for achieving specific organizational objectives (Gundry et al. 2014). Innovation is thus a core strategic endeavor that calls for broad perspectives for goal-setting and planned course of action in coordinating organizational capabilities for maintaining a competitive market edge.

An innovation strategy supports the development of organizational capabilities for purposefully integrating resources, activities, and competencies into production. Planning for an innovation strategy enables development of dynamic capabilities for unique production processes that result in greater market competitiveness for the organization. Small firms often lack the economies of scale, human and financial resources, and adequate organizational structures that are important for effectively managing the introduction of new innovations into the market (Gundry et al. 2014). Many MSFBs involved in creative innovation lack systematic mechanisms and strategic management for measuring and maximizing the market impact and risk-profit potential for their innovations.

Hypothesis 5: *The interaction between strategic planning and innovative capability will positively impact on the performance of MSFBs in Ghana*

CHAPTER THREE

RESEARCH METHODOLOGY

The step by step analysis of the methods used in a field of research is described as Research Methodology. This research methodology has been put into six large groupings: source of data, research design, sampling techniques, population, data analysis techniques and data collection instruments. Primary data was the source of data for the research. The sample size was 300. Informants were chosen based on their specialized knowledge of the research topic. Convenience sampling technique was used.

3.1 Research Design

The choice of a proper research design is key to every researcher. It enables the researcher to arrive at valid findings, comparisons and conclusions (Ranjit Kumar, 2014). Its function is to help the researcher decide, justify and explain how the research questions will be answered (Ranjit Kumar, 2014).

It forms the plan for measurement and analysis of data collected. Because of this, the research design includes what the researcher will focus on from the hypothesis, operational implications and finally to analysis of data (Kothari, 2004). In summary, Kothari (2004) argues that research design must communicate first the research problem; data gathering procedures and techniques to be used, the population of the study; and data analysis methods. Research design helps in the smooth implementation of the research project. It is also needed to help in advance of data collection. It further helps to know the various methods to be adopted for the study.

Hypothesis-testing research design, descriptive research design and exploratory research design are the common types of research designs.

Also known as formulative research design, exploratory research is concerned with identifying a problem for investigation. Descriptive design is focused on describing the characteristics of an item (Saunders et al.; 2012). Diagnostic research, tells the regularity with which an event occurs or its relationship with another. A key requirement here is to be able to define clearly what is to be measured. Explanatory research establishes causal relationships between variables. The purpose is to minimize bias and increase reliability. The type of study being undertaken influences the choice of design and therefore the

strategy to use. Some of the designs include ethnography, action research, experiment, archival research, case study, survey and grounded theory (Saunders et al.; 2012).

This study adopted survey and cross-sectional designs. Using a survey is a popular in management and business research that involves structured data collection from a sizeable population. People the researcher identified as possessing appropriate characteristics were given self- administered questionnaires and their responses recorded for analysis (Neuman, 2006). To efficiently obtain data for analysis capable of generating patterns for comparisons the survey method was employed (Bell, 2005). Though it is often used to describe the collection data using questionnaire, it also involves structured observation and structured interviews. Surveys using questionnaires allows for collection of standardized data in an economic way, and allow for easy comparison. Surveys are perceived to be authoritative by most researchers and easy to explain and understand (Saunders et al.; 2012).

3.2 Research Philosophy

Epistemology is the researcher's understanding of what constitutes acceptable knowledge (Saunders et a., 2012). Research philosophy focuses on knowledge acquisition and the nature of the knowledge acquired (Saunders et al.; 2012). Philosophy therefore helps in understanding knowledge. Information is crucial in knowledge development. Information ought to be gathered, analysed, interpreted, and reported appropriately (Saunders et al.; 2012).

Saunders et al (2012) argues as follows: If a researcher considers data on resources needed, such as a researcher will be more aligned with the natural scientist. Realism relates with scientific investigation. It is similar to positivism because it uses scientific approach in

knowledge development. The interpretivism focuses understanding differences in humans as social actors. The pragmatism supports the argument that concepts are relevant where they support action (Saunders et al.; 2012:130).

Most recent works reviewed for this study in the area of the strategy and performance relied on methodologies that relied more on the positivist stance. They follow a step by step approach to reporting results in an objective manner. Hence, this study has been related to the existing empirical findings. The positivist view was adopted in this study to enhance the researcher's ability to collect data, analyze, and report the findings in line with stated proposition.

3.3 Research Approach

Humans employ three types of reasoning to help them understand the world around them: inductive, deductive and the combined inductive-deductive ways of reasoning (Cohen et al.; 2007: 25). Deductive reasoning depends on hypotheses and conclusions driven by empirical findings. Inductive reasoning is concerned with hypothesis building and investigation of a phenomenon.

Some researchers however, complement deductive reasoning with inductive reasoning bringing about what is known as the inductive-deductive methodology (abduction). Because this study took the positivist position as discussed earlier, a deductive methodology was utilized to help ascertain the theory underlying the planning-performance relationship of MSFBs in Ghana and how this relationship is moderated by both innovative and managerial capabilities.

3.4 Research Purpose

This study was to assess the effect of strategic planning on the performance of MSFBs in Ghana. Research can be carried out to achieve three main goals: Either to Describe (give accurate profile of an object or situation), Explore (to understand a phenomenon) or to Explain (to explain a phenomenon).

How to obtain an accurate profile of the object(s) of study is the focus on descriptive studies, events and situations studied. Some studies may lay emphasis on gaining deeper insights or enquire into details about a phenomenon to gain new insights. It involves critically review of existing literature. Explanatory studies explain the occurrence of a phenomenon. It involves developing causal relationships (Kothari, 2004). This study therefore is an explanatory research.

The researcher chose questionnaire method over others such as observation and semistructured or unstructured interviews, examination of secondary sources, because it is more related with the explanatory strategy chosen and because the questions were closedended (Robson, 2010). Explanatory research allowed for effective examination and explanation of the relationships between the variables in this study.

3.5 Population of the Study

Population in a research study is all individuals of interest to the researcher (Marczyk et al.; 2005). Group of objects with varying characteristics of interest to the study is known as the target population. The study's target group was MSFBs in Ghana. No particular industry was preferred for this study. Data was collected from different industries including Manufacturing, Food and beverages, Pharmaceuticals, Agri-business, Restaurants, and Cosmetics etc. Owners or Chief Executive officers of MSFBs in Ghana were our

respondents. The respondents were from the following regions/provinces in Ghana: Ashanti, Northern, Brong Ahafo, Eastern, Western, Volta Region, Central,

Greater Accra, Upper East and Upper West Regions.

3.6 Sample Size

The sample is the subset of the population which is of interest to the researcher. Saunders et al.; (2012) argued, the larger the size of a sample is the lower the possibility of error in generalizing to the population. They further argued that a researcher's choice of a sample size should be guided by the following: First, the researcher's own confidence in the data collected. Second, the margin of error that the particular research can tolerate. Third, the particular analyses to be adopted by the researcher and finally the size of the total population from which the sample is taken. For years researchers have debated the topic of what really constitutes appropriate sample size (Khine, 2013, Westland, 2010). Whilst some researchers such as Singh (2006) have taken the position that there is no agreed rule on what constitutes a suitable sample size, others including Pallant (2007) have argued that the larger the sample size, the better. A sample of 300 owner-managers or chief executive officers of the target firms were chosen.

3.7 Sampling Technique

There are ten administrative regions or provinces in Ghana. The researcher used convenience sampling technique, the researcher settled on MSFBs in all the regions in Ghana. 300 questionnaires were given to owners and or care-takers of MSFBs who were all carefully chosen. The next step was to ask the owners and or care-takers to state number of employees in their individual firms. If a firm has between 2 and 30 employees they were

deemed to be qualified and were subsequently selected for the research. The questionnaires were personally administered with the help of 11 recent graduates from the various universities in each region. The questionnaires were collected a few hours after administering them. 200 questionnaires were finally collected with 194 of them fully answered.

3.8 Research Method

This section focused on the sources of the data collected and the techniques used in collecting them.

3.9 Sources of Data

This study relied solely on primary data. This type of data is normally collected afresh for a specific purpose. They are normally original in nature (Kothari, 2012).

3.10 Data Collection Technique

We used questionnaire as the main data collection instrument. Questionnaire was selfadministered in line with adopted. All the questions were closed-ended. To help the respondents provide clear answers and for ease of coding the answers, the items on the questionnaire were categorized into 5 broad headings including: Strategy and related issues, owners' locus of control, capability, business performance and firm background.

3.11 Data Gathering Procedure

The questionnaires administered to the sampled group were structured. 11 undergraduate students were used to help administer and take informants through the questionnaires.

The questionnaire was grouped into five areas. Part A contained respondent's Strategic plan. Part B contained the owners' locus of control while C was on the managerial and innovative capabilities of the family firm. D was on business performance and part E focused on the firm's background.

3.12 The Field Study

The questionnaires were distributed by appointment with the CEOs of the firms. The informants responded to the questionnaire instantly. This ensured that a good response rate. Of the 300 self-administered questionnaires given to owner-managers and/or chief executive officers 194 responses were fully answered. First a letter of introduction was used to convince those who were skeptical about responding to questions related to their firms. They feared our study was meant to seek information on their businesses for tax purposes.

3.13 Data Analysis

After the data collected was prepared the statistical Programme for social sciences 20 (SPSS) was then employed for the statistical analysis. Both descriptive and inferential analytical methods were used to analyse the data. Multivariate and correlation analysis were used to evaluate the effects of various factors on the performance of MSFBs in Ghana. Results obtained are presented in chapters four and five.

3.14 Unit of Analysis

The organizational level was the basis for all the investigations and the test of the models used. This is because all the responses were related to the organizations and its strategic plan and performance. All references were made in the context of the firms used.

3.15 Data Analysis Procedure and Technique

We followed three simple steps in generating and analyzing the data. This included the preliminary step of generating the data, Descriptive Analysis, Exploratory and Confirmatory Factor Analysis, and Inferential Analysis. Inferential Statistical Procedures and Tools were used to test the study's model. In addition, the researcher depended on the use of Frequencies and percentages to items considered on the firm. Others included means and standard deviation to ascertain the level of moderation by Managerial and Innovative Capabilities. We employed Cronbach Alpha to check reliability of the data collected instrument. Same was used to measure the constructs and check the internal consistency of scales used (Pallant, 2007). A hierarchical Regression was used to estimate hypothesized paths.

3.16 Quality of the Study

Four items formed the basis for assessing quality of the study: the level of knowledge of respondents, honesty in the responses given, ability of the respondents and method bias. This was done to guarantee the suitability of data gathered.

3.17 Validity and Reliability Test

Validity ensures that results obtained from the analysis of the data are true representations of the study. Mouly and Sankaran (2004) argue that the validity of the questionnaire data is dependent on the capacity and willingness of the informants to give the required information.

Reliability measures the how consistent the instruments used are. Its measurements are consistent. The reliability of a standardized test is typically communicated as a correlation coefficient, which measures the quality of relationship between variables. Such coefficients change between - 1.00 and +1.00 with the former showing that there is perfect negative reliability and the latter demonstrates that there is perfect positive reliability, which is an ideal situation.

3.18 Exploratory Factor Analysis

Table 3.1: Strategic planning-Rotated Component Matrix[a]

Variables	Component			Extraction
	1	2	3	
Have broad range goals known to all managers	0.303	**0.749**	0.392	0.808
Have specific goals known to all managers	0.153	**0.783**	0.389	0.787
Have long-term goals known to all managers	0.234	**0.599**	0.537	0.702
Have short-term goals known to all managers	0.254	**0.825**	-0.054	0.748
Firm's actions are based more on formal plans than on intuition	0.11	0.307	**0.785**	0.722
Have a manager or department devoted exclusively to formal planning	**0.777**	0.367	0.132	0.756
Hold regular managers' meetings to discuss overall strategy	**0.631**	0.332	0.435	0.698

Use mathematical and computer models as planning aids	**0.833**	0.345	0.086	0.819
Have a written plan for the next 12 months	**0.739**	0.442	0.126	0.757
Our planning outlook is more long-term than short-term	0.418	0.219	**0.635**	0.626
Search systematically for information about our competitors	**0.603**	-0.021	0.406	0.529
Use special market research studies	**0.813**	0.191	0.294	0.783
Search systematically for new products, acquisitions, and investments	**0.589**	-0.045	**0.553**	0.655
Total	**7.000**	**1.379**	**1.011**	
% of Variance	**53.849**	**10.609**	**7.777**	
Cumulative %	**53.849**	**64.458**	**72.236**	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	**0.912**			
Extraction Method- Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				

Source: Field Study, 2016

Table 3.2: Capability: Rotated Component Matrixa

	Component		Extraction
	1	2	
Ability to support and drive new ideas and their implementation	0.385	**0.695**	0.631
Has skills in offering a service/product that offers new features	0.207	**0.812**	0.703
Has capability to apply the appropriate processes to produce new products and services	0.246	**0.847**	0.778
Has ability to adapt product/service and process technologies to meet future needs	0.231	**0.801**	0.695
Has ability to respond to unexpected opportunities arising from change in competitor activities	0.296	**0.619**	0.471
Has skills in developing a clear operating procedures to run the business successfully	**0.719**	0.286	0.599

Has ability to allocate resources (e.g. financial, employees) to achieve the firm's goals	**0.781**	0.229	0.663
Has ability to coordinate different areas of the business to achieve results	**0.719**	0.33	0.626
Has ability and expertise to design jobs to suit staff capabilities and interest	**0.736**	0.235	0.597
Has ability to attract and retain creative employees	**0.771**	0.244	0.654
Has ability to forecast and plan for the success of the business	**0.745**	0.233	0.61
Has ability to implement policies and strategies that achieve results	**0.69**	0.241	0.534
Total	**6.154**	**1.405**	
% of Variance	**51.287**	**11.711**	
Cumulative %	**51.287**	**62.998**	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	**0.887**		
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			

Source: Field Study, 2016

The exploratory factor analysis showed sample adequacy where the KMO test value was 0.887>0.70 recommended by Hair, (2010) and communalities were all high except the capacity to respond to unexpected opportunities arising from change in business environment. The extracted factors explained the extraction by 63 percent.

The first factor was loaded with seven variables which were; has skills in developing a clear operating procedures to run the business successfully, has ability to allocate resources (e.g. financial, employees) has ability to coordinate different areas of the business to achieve results, has ability to achieve the firm's goals, has ability and expertise to design jobs to suit staff capabilities and interest, has ability to forecast and plan for the success of the business, has ability to attract and retain creative employees ability to implement

policies and strategies that achieve results. This factor explained the amount of variation accounted for by 51.29 percent with total eigenvalues of 6.15 without rotation.

The second factor was loaded with five variables which described innovation. These variables were; has skills in offering a service/product that offers new features, has capability to apply the appropriate processes to produce new products and services, has ability to support and drive new ideas and their implementation, has ability to adapt product/service and process technologies to meet future needs and has ability to respond to unexpected opportunities arising from change in competitor activities. It accounted for 11.71 percent of the variation in the factor with eigenvalues of 1.41.

Table 3.3: Component Matrix (Operational Performance)

	Component	Extraction
	1	
Extent of flexibility in production/service delivery processes	0.811	0.658
Time it takes to serve customers	0.741	0.549
Consistency in meeting the needs of customers	0.821	0.674
Extent of variety in products/services offered to customers	0.791	0.625
Nature of product/service support to customers	0.801	0.642
Resource utilization (e.g. human skills, time)	0.766	0.586
Cost of production/operation	0.754	0.568
The time it takes to introduce new products/service offerings	0.783	0.613
The Extent of product returns/service failure	0.656	0.431
The Ability to handle varied customer/market needs	0.811	0.658
Total	**6.005**	

% of Variance	**60.055**	
Cumulative %	**60.055**	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	**0.918**	
Extraction Method: Principal Component Analysis.		

Source: Field Study, 2016

Firm performance; financial as a construct was observed to qualify for factor analysis (KMO=0.918>0.70) recommended by (Hair et al, 2010). The total variance was 6.005 which explained the extracted factor by 60 percent. The firm performance was unidimentional which means that all the variables load on one factor. It suggested that the measurement items together measured the firm's performance. This also enhanced the reliability of the data (construct).

Table 3.4: Component Matrix (Financial Performance)

	Component	Extraction
	1	
Sales volume	0.880	0.774
Profit levels	0.900	0.809
Growth in sales	0.912	0.832
Growth in profitability	0.914	0.836
Return on investment (ROI)	0.901	0.811
Return on sales (ROS)	0.914	0.836
Market share	0.888	0.789
Growth in ROI	0.902	0.814
Growth in ROS	0.901	0.812
Growth in market share	0.895	0.802
Total	**8.114**	

% of Variance	**81.14**
Cumulative %	**81.14**
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	**0.954**
Extraction Method: Principal Component Analysis.	
a. 1 Components extracted.	

Source: Field Study, 2016

Financial performance was measured using ten measurement items. Factor analysis was conducted after checking for the value of KMO and was satisfied (KMO=0.954). Total eigenvalues of the extracted component was 8. 114.The amount of variation accounted for by the extracted factor was 81 percent (highly significant).The result indicated financial performance was unidimensional (one factor extraction).

Table 3.5: Validity and Reliability Test Result (Full Model Results)

	Factor Loadings	t-value
Strategic Planning (CA=0.927; CR=0.936; R=0.709; AVE=0.656) Have		
broad range goals known to all managers	0.895	(Fixed)
Have specific goals known to all managers	0.829	(14.715)
have long-term goals known to all managers	0.775	(13.193)
Have short-term goals known to all managers	0.710	(11.591)
Have a manager or department devoted exclusively to formal planning	0.810	(Fixed)
Hold regular managers' meetings to discuss overall strategy	0.816	(12.277)
Use mathematical and computer models as planning aids	0.828	(15.464)
Planning outlook is more long-term than short-term	0.682	(9.931)
Search systematically for information about our competitors	0.525	(7.222)
Use special market research studies	0.800	(11.994)
Capabilities (CA=0.894; CR=0.943; R=0.688; AVE=0.650)		
Ability to support and drive new ideas and their implementation	0.761	(Fixed)
Have skills in offering a service/product that offers new features	0.774	(10.812)
Have capability to apply the appropriate processes to produce new products and services	0.857	(12.032)
Have ability to adapt product/service and process technologies to meet future needs	0.779	(10.897)
Have ability to respond to unexpected opportunities arising from change in competitor activities	0.611	(Fixed)
Have skills in developing a clear operating procedures to run the business successfully	0.774	(10.583)
Have ability to allocate resources (e.g. financial, employees) to achieve the firm's goals	0.774	(10.524)

Have ability to coordinate different areas of the business to achieve results	0.770	(9.553)
Have ability and expertise to design jobs to suit staff capabilities and interest	0.705	(10.019)
Have ability to attract and retain creative employees	0.733	(9.498)
Have ability to forecast and plan for the success of the business	0.693	(0.693)
Operational Performance (CA=0.923; CR=0.921; AVE=0.653) Extent		
of flexibility in production/service delivery processes	0.759	(Fixed)
Consistency in meeting the needs of customers	0.821	(11.791)
Extent of variety in products/services offered to customers	0.770	(11.102)
Nature of product/service support to customers	0.775	(11.213)
Resource utilisation (e.g. human skills, time)	0.732	(10.497)
Cost of production/operation	0.703	(10.035)
The time it takes to introduce new products/service offerings	0.793	(11.317)
The ability to handle varied customer/market needs	0.797	(11.564)
Financial Performance (CA=0.974; CR=0.974; AVE=0.806) Sales		
volume	0.847	(Fixed)
Profit levels	0.889	(19.532)
Growth in sales	0.892	(19.635)
Growth in profitability	0.894	(16.96)
Return on investment (ROI)	0.885	(16.594)
Return on sales (ROS)	0.902	(17.233)
Market share	0.872	(16.2)
Growth in ROI	0.906	(17.371)
Growth in ROS	0.900	(17.166)
Growth in market share	0.883	(16.558)

CA=Cronbach's Alpha; CR=Composite Reliability, CFI=Comparative Fit Index, IFI=Incremental Fit Index, RMSEA=Root Mean Square error of Approximation; AVE=Average Variance Extracted

The minimum advisable level of reliability was 0.7 (Nunnally.1978; Zhang, 2000; Saraph et al., 1989) for new instrument. From table 3.5 above, reliability coefficients ranges from 0.911 to 0.974 which is greater than the minimum recommended value of 0.7. From the analysis above it indicated that the scales or constructs were reliable, consequently, the instrument developed for measuring strategic planning and performance of micro and small family businesses; strategic planning, innovative capability, managerial capability and performance were judged to be reliable.

The survey used multiple-item measure for each of the constructs. Reliability tests were performed to determine how much the measured items were related to the construct. The statistical approach employed to determine the reliability of the constructs was the use of Cronbach's alpha method. This was performed before the confirmatory analysis which was considered as original reliability test of the construct.

Confirmatory factor analysis was performed for all the constructs (factors) to confirm that the hypothesized model provides a good fit to the data. The results in table 3.1 showed acceptable fit of the models; with the use of incremental fit and absolute fit measures. Comparative fit index (CFI) values greater than the minimum of 0.90 suggested by (Benlter, 2005), an acceptable level of fit to be $CFI > 0.9$ and a good fit of$CFI > 0.95$, Root Mean Square error of Approximation (RMSEA) less or equal 0.08 was acceptable and all the RMSEA were within the threshold.

The factor loadings for constructs were all high and significant. This suggested the measurement items significantly measure the constructs of micro and small family businesses. The value of composite reliability test showed good reliability of the construct.

Table 3.6: Model Fit Indices

	χ^2	Df	CFI	IFI	RMSEA
	75.862	31	0.963	0.963	0.062
		41	0.956	0.957	0.080
Financial Performance	73.925	30	0.982	0.982	0.062
Strategic Planning Capabilities	91.893				
Operational Performance	46.944	18	0.969	0.976	0.060

Source: Field Study, 2016

Confirmatory factor analysis was performed to confirm that the hypothesized model provides a good fit to the data. The results in table 3.6 showed acceptable fit of the models. The chi-square (χ^2) values were significant, p-value>0.05. chi-square is sensitive to sample size and therefore other model fit indices were used to assessed the model fitness; incremental fit and absolute fit measure. Comparative fit index (CFI) provided 0.963>0.95 and incremental fit index (IFI) ranged from 0.957 to 0.982 which were greater than 0.95 suggested by (Benlter, 2005), an acceptable level of fit to be $CFI > 0.9$ and a good fit of$CFI > 0.95$. the model fit well.

Table 3.7: Inter-construct correlations and shared variance

	GS	A	S	IC	MC	OP	FP	SP
Goal setting (GS)		0.452	0.434	0.212	0.219	0.185	0.135	0.687
Analysis(A)	.672**		0.937	0.379	0.224	0.220	0.259	0.899
Scanning(S)	.659**	.968**		0.434	0.279	0.253	0.278	0.935
Innovative capabilities(IC)	.460**	.616**	.659**		0.386	0.253	0.180	0.417
Managerial capability(MC)	.468**	.473**	.528**	.621**		0.333	0.194	0.304
Operational(OP)	.430**	.469**	.503**	.503**	.577**		0.448	0.269
Financial(FP)	.367**	.509**	.527**	.424**	.440**	.669**		0.266
Strategic planning(SP)	.829**	.948**	.967**	.646**	.551**	.519**	.516**	

Note: correlations and shared variance are respectively below and above the principal diagonal

Source: Field Study, 2016

Table 3.7 above shows the inter-construct correlation and the shared variance. The AVEs were higher than the shared variances of each of the pair of constructs (Table 3.1) indicating acceptable level of discriminant validity (Hair et al., 2012).

3.19 Ethical Considerations

Ethics is explained as "getting the informed consent of those you are going to be interviewed, questioned, observed or take materials from. It involves reaching an agreement about the use of the data, and how its analysis will be reported and disseminated. And it is about keeping to that agreement when they have been reached" (Blaxter et al.; 2006:158-9). In keeping with the ethical standard only firms who were contacted and had expressed interest in answering the questions were contacted. A letter of introduction from the supervisor was added to authenticate the process. Data was used for academic purposes only.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

In chapter four we analyse the data and discus the results. It was divided into subheadings to throw more light on the objectives of the study. Basic frequency with percentages was

carried out on the respondents' information and firms' background, Pearson correlation analysis was used to measure relationship. To estimate the interaction effects and factor analysis (Exploratory and Confirmatory), the study used the hierarchical multiple regression analysis method as the statistical tool. Statistical software used for the estimations was Statistical Package for Social Science (SPSS) version 20 and Microsoft Excel Spreadsheet for editing of the results for clearer presentation especially the figures. Results were presented in tables and figures.

4.2 Background Information

This section of the analysis presented the firms' background information. This consisted of the sector of the firm, ownership of the firm, number of years firms have existed and firm size using employees as an indicator. Background information also presented the gender, respondents' information; age, current position and number of years respondents have been in the current position.

4.2.1 Business Information

Table 4.1: Business Information

Variable	Category	Frequency	Percent
This firm is mainly	Manufacturing organisation	30	15
	Service organisation	103	53
	Others	61	31

Type of Business	Joint ventures/partnership	2	67
	Public limited liability company	1	33
	N	**Mean**	**Std. Dev.**
Business's Years of Experience	194	13.87	8.724
Employees' Size	193	11.15	7.569

Source: Field Study, 2016

Table 4.1 showed the operational area of the firms. The observation was that, 53 percent of the respondents indicated their firms were mainly service organisations, 15 percent referred to their firms as manufacturing organisation and 31 percent indicated others. This meant most of the firms in the study were service organisations.

In table4.1 how long firms have existed/operated in the industry was observed. Average number of years firms existed/operated to be 13.87 years with standard deviation of 8.724 years. The firms in the study have existed for quite a number of years. The study observed that the average number of employees firms have kept over the past three years was 11.15 as indicated in the table4.1 above. The standard deviation was 7.569 employees.

4.2.2 Respondents Information

Table 4.2: Personal Information

Variable	Category	Frequency	Percent
Gender	Male	130	72
	Female	51	28
Age of respondents	Less than 20 years	8	4
	20 to 29 years	38	20
	30 to 39 years	66	34

	40 to 49 years	56	29
	50 and above	24	13
Current position in this firm	Owner-manager	83	43
	Executive	31	16
	Manager	80	41
	N	**Mean**	**Std. Dev.**
Respondents' Experience in Current Position	194	8.34	5.997

Source: Field Study, 2016

The gender of the respondents in the study was presented in table 4.2.It was shown that 72 percent of the respondents were male while 28 percent were female. This result showed that the respondents were dominated by male gender.

The study identified 34 percent of respondents were in the age group between 30 to 39 years. Respondents who were in the age group of 40 to 49 years were about 29 percent, 13 percent were 50 years and above. The age group 20 to 29 years and less than 20 years were respectively 20 percent and 4 percent. The ages of the respondents were mainly from 20 years to 50 years. Current positions of the respondents in the firm were 43 percent owner-managers and 41 percent managers who were not owners. There were 16 percent respondents who were executives of the firms. This suggested most of the respondents were owner-managers and managers. The average number of years

respondents have held their current position in the firms was 8.34 and standard deviation of 5.997. Respondents have averagely held position for a reasonable number of years (rich experience).

4.3 Characteristics of Micro-and Small-Enterprises in Ghana

The internal characteristics of the surveyed micro-and-small-enterprises by examining strategic planning, capabilities and firm performance was analysed in this section. A descriptive presentation of the results is made in Table 4.3 and Table 4.6.

Table 4.3: Strategy- Descriptive Statistics

	N	Min	Max	Mean	Std. Dev.
			7		
Have broad range goals known to all managers	194	1		4.65	1.613
Have specific goals known to all managers	194	1	7	4.93	1.611
Have long-term goals known to all managers	194	1	7	4.72	1.630
Have short-term goals known to all managers	194	1	7	4.61	1.746
Firm's actions are based more on formal plans than on intuition	193	1	7	4.81	1.379
Have a manager or department devoted exclusively to formal planning	194	1	7	4.10	1.961
Hold regular managers' meetings to discuss overall strategy	194	1	7	4.46	1.852
Use mathematical and computer models as planning aids	194	1	7	3.77	2.034
Have a written plan for the next 12 months	194	1	7	4.01	2.021
Planning outlook is more long-term than short-term	194	1	7	4.50	1.658
Search systematically for information about our competitors	194	1	7	4.68	1.645
Use special market research studies	194	1	7	4.06	1.900
Search systematically for new products, acquisitions, and investments	194	1	7	4.91	1.615

Source: Field Study, 2016

Table 4.3 showed the descriptive statistics of strategic planning of MSFBs; mean and standard deviation. The mean scores for the measurements ranged from 3.77 with corresponding standard deviation of 2.034 to 4.93 with corresponding standard deviation of 1.611. The highest mean score observed for the measurement items of the strategic planning of micro and family business was the assertion that respondents have specific goals known to all managers. It scored mean of 4.93 with standard deviation 1.611 which

was above 50 percent of the scale showing that having specific goals known to all managers was accurate. The second was searching for new products, acquisitions, and investments with mean score of 4.91 with standard deviation of 1.615. The other measurement items of strategic planning showed accuracy of strategic planning except the use of mathematical and computer models as planning aids. The mean score was 3.77 and standard deviation was higher of 2.034; the mean score was below 50 percent of the scale.

Table 4.4: Capability (Innovative & Managerial)-Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Has ability to support and drive new ideas and their implementation	193	1	7	4.98	1.262
Has skills in offering a service/product that offers new features	193	1	7	4.97	1.423
Has capability to apply the appropriate processes to produce new products and services	193	1	7	4.94	1.504
Has ability to adapt product/service and process technologies to meet future needs	194	1	7	4.91	1.540
Has ability to respond to unexpected opportunities arising from change in competitor activities	193	1	7	4.83	1.459
Has skills in developing a clear operating procedures to run the business successfully	193	1	7	5.08	1.247
Has ability to allocate resources (e.g. financial, employees) to achieve the firm's goals	194	1	7	4.96	1.279
Has ability to coordinate different areas of the business to achieve results	194	1	7	5.05	1.279
Has ability and expertise to design jobs to suit staff capabilities and interest	192	1	7	4.98	1.193
Has ability to attract and retain creative employees	194	1	7	5.02	1.299
Has ability to forecast and plan for the success of the business	194	2	7	5.31	1.182
Has ability to implement policies and strategies that achieve results	194	1	7	5.32	1.170

Source: Field Study, 2016

The table above showed the capabilities of the MSFBs in terms of innovative and managerial capabilities. Development of how to have a clear operating procedure to successfully manage the company; capacity to implement policies and strategies that

achieve results; capacity to forecast and plan for the success of the business and the capacity to coordinate the various areas of the business to achieve expected goals. Respondents ranked these capabilities with mean scores ranging from 5.02 to 5.32, showing respondents had some high level of capabilities. The other capabilities were equally indicated by respondents as high level of capabilities which were above 50 percent of the scale. Respondents indicated capability generally as high showing mean scores from minimum of 4.83 to maximum of 5.32.

Table 4.5: Operational Performance-Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The extent of flexibility in production/service delivery processes	194	1	7	5.09	1.173
The time it takes to serve customers	194	1	7	5.27	1.179
The consistency in meeting the needs of customers	192	1	7	5.36	1.131
The extent of variety in products/services offered to customers	194	1	7	5.22	1.219
The nature of product/service support to customers	194	1	7	5.37	1.155
Resource utilisation (e.g. human skills, time)	194	1	7	5.29	1.166
Cost of production/operation	194	1	7	5.06	1.192
The time it takes to introduce new products/service offerings	193	1	7	5.01	1.409
The extent of product returns/service failure	194	1	7	4.9	1.44
The ability to handle varied customer/market needs	194	1	7	5.38	1.229

Source: Field Study, 2016

The results of the operational performance showed that the businesses were doing better than their key competitors. The mean scores ranged from 4.9 to 5.38 which showed the business were doing quite better than their key competitors. The operational performance measure that

contributed much in relation to the others was the ability to handle varied customer/market needs, followed by the nature of product/service support to customers.

The least among the measurement items was the extent of product returns/service failure.

Table 4.6: Financial Performance-Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Sales volume	193	1	7	5.09	1.396
Profit levels	194	1	7	5.14	1.465
Growth in sales	194	1	7	4.96	1.36
Growth in profitability	194	1	7	4.95	1.386
Return on investment (ROI)	193	1	7	5.05	1.367
Return on sales (ROS)	194	1	7	4.94	1.294
Market share	194	1	7	4.89	1.455
Growth in ROI	194	1	7	4.86	1.407
Growth in ROS	194	1	7	4.89	1.432
Growth in market share	194	1	7	4.96	1.457

Source: Field Study, 2016

The financial performance indicators that showed high performance were; profit levels, sales volume and return on investment (ROI) with mean scores of 5.14, 5.09 and 5.05 respectively. Other performance indicators that also observed to be better in relation to their competitors were growth in sales with mean score of 4.96 (1.36), growth in market share with mean score 4.96 (1.457) and growth in profitability with mean score of 4.94 (1.294). The last three financial performance indicators had mean scores of 4.89 for market share and growth in return on investment each and growth in investment with mean score of 4.86 (1.407).

4.4 Correlation and Descriptive Statistics

The highest mean scores was recorded by managerial capability, (mean=5.10 and std. dev.=0.972), which showed managerial capability was indicated averagely as better compare to competitors.

Table 4.7: Correlations and Descriptive Analysis

	1	2	3	4	5	6	7	8	M	SD
1. FI	1								0.15	0.363
2. FA	.148*	1							13.87	8.724
3. FS	0.000	.333**	1						0.7	0.459
4. SP	0.069	0.052	.215**	1					4.48	1.281
5. MC	0.074	0.137	0.032	.551**	1				5.1	0.972
6. IC	0.129	0.082	0.132	.646**	.621**	1			4.92	1.173
7. OP	0.062	.148*	0.044	.519**	.577**	.503**	1		5.19	0.951
8. FP	0.033	.273**	.245**	.516**	.440**	.424**	.669**	1	4.97	1.261

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

FI=Firm industry, FA=Firm Age, FS=Firm size, SP=Strategic planning, MC=Managerial capability, IC=Innovative capability, OP=Operational performance and FP=Financial Performance

The table above shows the Pearson correlation analysis of the independent variables, moderator an dependent variables and ends with the control variables; firm size, firm industry and firm age. This was to examine the relationships among the variables, especially the independent variables. The inter-correlation among the correlated variables ranged from –0.338 to 0.669 indicating absent of multicollinearity among the variables. According to Hair et al., (1998), correlation coefficient above 0.80 demonstrated some presence of multicollinearity (i.e. $r > 0.80$). The correlation coefficients among the variables did not show value close to 0.80 and hence the model is free from multicollinearity. Again multicollinearity was checked using variance inflation factor (VIF) and collinearity diagnostics. VIF value below 10 was recommended by (Nunnally, 1978) as absent of multicollinearity and the study observed VIF=1.437<10.

4.4.1 Strategic Planning and Operational Performance

Positive correlation was observed between strategic planning and operational performance, ($r = 0.519$, $p < 0.01$) and showed significant relationship at 0.01 level of significant. Strategic planning and financial performance showed positive significant relationship with financial performance, ($r = 0.515$, $p < 0.01$). Strategic planning and innovative capability had positive correlation significantly, $r = 0.646$, $p < 0.01$. It was observed that strategic planning had positive relationship with managerial capability ($r = 0.551$, $p < 0.01$), innovative capability ($r = 0.646$, $p < 0.01$), operational finance ($r = 0.519$, $p < 0.01$) and financial performance ($r = 0.516$, $p < 0.01$). However, the interaction variable SP*MC and SP*IC had negative relationship with strategic planning.

4.5 Regression Analysis

This section of the analysis delve to examine the interaction effect of strategic and capabilities on performance (operational and financial).

Table 4.8: Regression Results

Variables	Standardized Coefficients Operational Performance				Standardized Coefficients Financial Performance				VIF
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	
Controls									
Firm industry	0.040(.547)	-0.007(-0.115)	-0.019(-0.337)	-0.022(-0.383)	-0.007(-0.007)	-0.051(-0.845)	-0.058(-0.965)	-0.058(-0.973)	1.049
Firm size	-0.004(-.049)	-0.129(-1.938)	-0.077(-1.232)	-0.077(-1.238)	0.170(2.325)	0.054(0.842)	0.081(1.261)	0.084(1.302)	1.222
Firm age	0.143(1.854)	0.163(2.490)		0.107(1.739)	.218(2.937)	0.236(3.705)	.206(3.241)	0.203(3.189)	1.200
Hypothesised									
Strategic planning		0.540(8.602)	0.263(3.366)**	0.266(3.402)		0.501(8.204)	0.357(4.407)	0.354(4.387)	1.931
Managerial capability			0.344(4.534)**	0.289(3.531)			0.177(2.249)	0.127(1.503)	2.123
Innovation			0.124(1.511)	0.163(1.844)			0.067(0.067)	0.127(1.394)	2.458
Interaction									
(SP*MC)				-0.130(-1.756)				-0.111(-1.442)	1.743
(SP*IC)				0.082(1.093)				0.133(1.709)	1.785
R_2	0.023	0.299	0.409	0.418	0.101	0.338	0.367	0.378	
□R_2	0.023	0.276	0.109	0.010	0.101	0.237	0.029	0.011	
Adjusted R^2	0.008	0.284	0.390	0.393	0.086	0.324	0.347	0.351	
F-Statistics (DF)	1.511 (189)	20.068 (188)**	21.427 (186)**	16.551 (184)**	7.055(189)**	23.974(188)**	17.987(186)**	13.980(184)**	
□F-Statistics	1.511	73.987	17.22	1.544	7.055	67.305	4.321	1.606	
Durbin-Watson	1..912				1.693				

*. Regression is significant at the 0.05 level. **. Regression is significant at the 0.01 level. **Source:**

Field Study, 2016

To ensure the absent of multicollinearity on its effect, Aiken and West (1991) procedure of centering the independent variable and the moderator were followed. The mean for each variable; main independent variable which is strategic planning and the moderators (managerial and innovative capabilities) were generated and the corresponding means were subtracted means from their main score to form the centered scores. The strategic planning centered and the managerial and innovative centered were multiplied to get the interaction term (SP*MC) and (SP*IC). Where SP*MC represents interaction between strategic planning and managerial capability and SP*IC represents strategic planning and innovative capability. This procedure enhances interpretation and probing of significant observed interactions (Chan, 2004).

The study carried out hierarchical regression model, four steps were taking; in the first step the control variables were entered into the regression equation; step two added the main independent variable (strategic planning), step three included managerial and innovative capabilities and the moderators (the interaction) variables were added. Significant interaction was not observed and therefore chart was not added. Table 4.8 presented the result of the estimation. The study conceded four step hierarchical regression analysis using three control variables (firm size, firm age and firm industry) as stated earlier.

The result in table 4.8 shows that, the four steps hierarchical model resulted in about 42 percent of the variance that was accounted for by the variables (R^2=0.418, $p < 0.01$). The presence of the interaction variable accounted 0.01 percent shown in model 4(ΔR^2=0.01, $p > 0.05$) change in the variance effort, and this was not significant. This result suggested that managerial capability did not show significant moderation between strategic planning and superior performance of MSFBs in Ghana.

4.6 Discussion

Prior studies have shown that when there is an organized strategic plan it results in superior performance of firms whether these firms are large or small (Barney, 1991; Acquaah & Agyapong, 2015). As already noted, this study examined the planning- performance relationship among MSFBs in Ghana using data from 194 of such firms. Again, the study also explored the moderating/interacting roles of organizational capability with focus on managerial and innovative capabilities. (Barney 1991, Acquaah and Agyapong 2015, Kelliher & Reinl, 2009) and others provide evidence in literature that supports the Resource Based View (RBV) of the firm.

The RBV has been used in many studies to understand the relationship between a firm's performance/profitability vis-à-vis its resources and capabilities (DeSarbo et al., 2007). It focuses on resources and capabilities as inimitable, valuable and rare. These qualities ensure a firm is able to build and sustain its performance. The proponents of RBV further argue that a firm's long-term firm survival is contingent on that firm's' unique offerings, and the development of this uniqueness over time through nurturing the firms' score competences. It suggests that firms have a mixed bag of resources, and therefore the valuable ones should be included in a set of workable policies and activities to maximize a business' potential for success in Kelliher & Reinl (2009). In RBV it is significant to ask which capabilities are most closely impacting a firm's performance/profitability since this may differ across firms (DeSarbo et al.; 2007).

It hypothesized that Strategic planning will correlate positively with superior firm performance in the MSFBs in Ghana. It was also hypothesized that a positive interaction will result from the relationship between strategic planning and performance of Micro and

Small Family Businesses in Ghana. Again, the study hypothesized that innovative capability will positively moderate the strategic planning and performance relationship among Micro and Small Family Businesses in Ghana. A fourth hypothesis was that the interaction between strategic planning and managerial capability will positively impact on the performance of MSFBs in Ghana. Finally, we hypothesized the interaction between strategic planning and innovative capability will positively impact the performance of MSFBs in Ghana. Survey data from 194 MSFBs in Ghana was used to test the entire hypothesis above.

Our findings corroborate extant studies which examined the relationship between strategic planning and performance of MSFBs in emerging economies like Ghana (Winston & Dadzie, 2012). The findings of this study also confirm the firm capabilityperformance relationship in MSFBs which revealed that both managerial and innovative capabilities positively enhance performance.

A few notable findings were made. First the study showed that strategic planning has a positive relationship with superior performance. This was a confirmation of previous studies which have observed this relationship. The findings in this study confirm the organizational capability-performance relationships in micro and small firms (Acquaah & Agyapong, 2015). Even though both managerial and innovative capabilities had impact on firm performance, it was found that managerial capability had a greater impact than innovative capability on performance.

Regarding the effects of moderation of organizational capabilities on performance the following results were yielded. Managerial capability was found to positively moderate the performance of the MSFBs in Ghana. When managerial capability was used to

moderate the strategic planning on financial performance relationship it was negative and statistically insignificant. It was further found that innovative capability augments the effect of strategic planning on firm performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This study aimed at evaluating the impact of strategic planning on the performance of Micro and Small Family Businesses in Ghana. A detailed study of the results and findings of the field study and discussion of findings was presented in chapter four. Chapter five has a summary of the findings presented. The chapter ends with conclusions of the study and recommendations worthy of note to contemporary managers.

5.1 Summary of Findings

To address the research questions and the objectives of the study, data from 194 micro and small family firms were collected in all ten administrative regions in Ghana. It was revealed that 53% of the firms were service firms, 15% were manufacturing and 31% represented other industries. All the 194 businesses were family firms. 91% (174 firms) were controlled by family members. The study observed average number of years firms existed/operated to be 13.87 years. The data was collected from single informants in each firm; all of them were either owner managers or managers of the firms. Firms have kept an average number of 11.5 employees within three years. Only 27% of the firms had research departments and 73% did not have that. 72% were males and 28% females.

5.1.1 The relationship between strategic planning and firm performance of MSFBs in Ghana

The first objective of this study was to examine the relationship between strategic planning and firm performance in Micro and small family businesses in Ghana. It was observed that

significant positive correlation existed between goal setting and operational performance and financial performance. The correlation coefficients and significant values were; goal setting and operation performance ($r=0.430$, $p=0.000 < 0.05$) and goal setting and financial performance ($r=0.367$, $p=0.000<0.05$). Goal setting and overall performance was highly significant ($r=0.431$, $p=0.000<0.05$), results.

Analysis and financial performance had statistically significant positive relationship. Analysis and firm performance had significant positive relationship. Scanning and operational performance, financial performance and firm performance were highly significant. It was the variable with the highest significant positive relationship. It was established from the above discussion that all the sub-constructs of strategic planning and firm performance had significant positive relationship between them. The overall correlation between strategic planning and firm performance showed strong positive relationship and showed highly significant. The correlation coefficient between them was 0.566 and p-value was $0.000<0.05$,

5.1.2 The interaction effect of strategic planning and managerial capability on firm performance of MSFBs in Ghana

The second objective aimed at examining the interaction effect of strategic planning and managerial capability on the performance of MSFBs in Ghana.

As shown in table 4:8, the interaction between strategic planning and managerial capability accounted for insignificant variation after inclusion, R-square change was 0.01 percent, $p >.0.05$. This change showed there was no significant moderation between strategic planning and managerial capability on firm performance. The analysis showed that a unit change in strategic planning would increase firm performance by 0.54times. The inclusion

of managerial and innovative capability increase the amount of variation ($\Delta R^2 = 0.01$) in firm performance by 11 percent. Interaction effect in model 4 reduce the degree of effect on performance (-0.072, p > 0.05) and showed no statistically significant. The effect of strategic planning with the inclusion of interaction increased the degree of effect on firm performance, ($\beta = 0.354, p < 0.01$) in model 8. The impact of managerial capability on firm performance was also found to be significant, showing higher degree of effect than strategic planning($\beta = 0.181, p < 0.01$).

The result showed managerial capabilities exerted statistically insignificant moderating effect on the relationship between strategic planning and firm performance.

5.1.3 The interaction effect of strategic planning and innovative capability on firm performance of MSFBs in Ghana

The study's last objective was to examine the interaction between strategic planning and innovative capability accounted for significantly more variance than only strategic planning, R-square change was($\Delta R^2 = 0.01, p > 0.05$). This change showed there was no statistically significant moderation effect between strategic planning and innovative capability on firm performance.

Strategic planning had a statistically significant effect on firm performance (model 8; $\beta = 0.354, t = 4.407, p < 0.01$).The interaction effect showed no statistically significant moderation between the effect of strategic planning and innovative capability on performance.

Hypotheses formulated, Results and conclusions

1. **Hypothesis 1:** *There is a positive effect of Strategic planning on firm performance in the MSFBs in Ghana*
2. **Hypothesis 2:** *Managerial capability will positively moderate the relationship between strategic planning and performance of Micro and Small Family Businesses in Ghana.*
3. ***Hypothesis 3:*** *Innovative capability will positively moderate the relationship between strategic planning and performance of Micro and Small Family Businesses in Ghana.*
4. **Hypothesis 4*:*** *The interaction between strategic planning and managerial capability will positively impact on the performance of MSFBs in Ghana*
5. **Hypothesis 5:** *The interaction between strategic planning and innovative capability will positively impact on the performance of MSFBs in Ghana*

Table 5.1: Summary of the Hypothesis Testing using the Results of the Analysis

No	Hypothesis	Decision
H_1	There is a positive effect of Strategic planning on firm performance in the MSFBs in Ghana	Failed to reject
H_2	Managerial capability will positively moderate the relationship between strategic planning and performance of Micro and Small Family Businesses in Ghana.	Failed to reject

H_3	Innovative capability will positively moderate the relationship between strategic planning and performance of Micro and Small Family Businesses in Ghana.	Failed to reject
H_4	The interaction between strategic planning and managerial capability will positively impact on the performance of MSFBs in Ghana	Failed to reject
H_5	The interaction between strategic planning and innovative capability will positively impact on the performance of MSFBs in Ghana	Failed to reject

Source: Author's Construct, 2016

The study revealed positive significant relationship between strategic planning and firm performance. The correlation coefficient was positive and this supported the hypothesis that, there is positive correlation between strategic planning and firm performance. It was revealed that, the interaction between strategic planning and managerial capability positively impacted the performance of MSFBs in Ghana. This means that, MSFBs in Ghana which have higher levels of managerial capability, the positive association between strategic planning and financial performance would be strengthened relative to those who have lower levels of managerial capability. However, the interaction effect has no statistically significant effect on the relationship between strategic planning and operational performance.

The interaction between strategic planning and innovative capability positively impacted the performance of MSFBs in Ghana. This means that, MSFBs in Ghana with have higher levels of innovative capability, the positive association between strategic planning and firm performance would be strengthened relative to those with lower levels of innovative capability. However, this interaction is not statistically significant.

5.2 Conclusion

A few previous studies have examined the relationship between strategic planning and performance especially regarding firm specific organizational capabilities such as managerial capability, marketing capability, technological capability and innovative etc. However, very little has been done in same areas specifically studying the strategic planning-performance relationship using the Resource based view among MSFBs in Ghana. The study investigated the strategic planning-performance relationship moderating with managerial and innovative capabilities among micro and small family businesses in Ghana.

Judging from the outcomes, the research study has confirmed that a strong relationship exists between strategic planning and performance of Micro and Small Family Businesses in Ghana. This confirms the strategic planning-performance relationship observed by previous researchers. A significant part of this study was that most Micro and Small Family business owners and managers do not use strategic planning in their business dealings. However, strategic planning is very important for informal businesses too as much as it is for large corporate organizations.

The study made the following conclusions: First, it reveals that most MSFBs in Ghana do not have research units and therefore do not have strategic plans. Second, strategic planning correlates positively with firm performance. Third, the interaction between strategic planning and managerial capability does positively impact performance of MSFBs in Ghana.

The findings have several implications for the development of theory and practice in MSFBs in Ghana. Theoretically, the findings of this study contribute to the literature on

how MSFBs in Ghana in particular and in general perform when they apply strategic planning in their businesses whether such businesses are informal or not. This study therefore provides an empirical investigation of the role of strategic planning activities of MSFBs to create superior firm performance and stir competitive advantage. From managerial practice perspective, the findings reveal that it is important for owners of MSFBs in Ghana to educate themselves on strategic planning activities to improve on their performance.

5.3 Limitations and Recommendations for Further Studies

Notwithstanding the vast knowledge and insight gained in this study, it also comes with some limitations. To begin with, subjective performance measures were used instead of more objective ones. Though objective measures are widely preferred in studies of this nature, the suspicions of most of our informants to releasing information for people they entirely do not know made it very difficult if not impossible to use the objective measures. However, both subjective and objective measures have been found to correlate strongly by previous studies. The validity of subjective performance measures is in no doubt (Acquaah, 2011). It is recommended that future research would use firms which would be more open to the objective performance measures.

Second, this study used cross-sectional data which makes it difficult to draw conclusive conclusions about the cause and effect relationships. It is recommended that future research will depend more on longitudinal data to examine the strategy- performance relationship.

Third, the study was limited to only Micro and Small Family Businesses in Ghana which is a relatively small country in sub-Saharan Africa. Therefore, it may affect how the findings would be applied in large transition economies such as Indonesia, Nigeria, Latin American etc. although most of the indicators are similar to that of Ghana. Future studies can focus on using data from other sub-Saharan countries which have similar institutional and economic conditions to confirm or otherwise this findings. Fourth, though the study took enough steps to minimize common method bias, it is noteworthy that all responses to the study's constructs were all obtained from only a single informant in each MSFBs were surveyed.

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APPENDIX

Kwame Nkrumah University of Science and Technology

School of Business

Department of Marketing and Corporate Strategy

Survey Instrument@2016

Brief background of the study

This study focuses on marketing and strategic management practices (as well as environmental and operational issues) among firms in Ghana.

The goal of this study is to examine how the performance of these firms are affected by the issues mentioned earlier. Not only is the study aimed at contributing to knowledge but also, it seeks to come out with strategies to help firms in these sectors to improve and sustain their performance.

The study is purely academic-oriented, as such we would like to assure you that your responses would not be used for any other purpose other than those stated before. For the purposes of improving the quality of the study, we humbly request you to take your time to read and understand the items on this instrument before you respond to them. Objective responses offered will be highly appreciated.

Please read the instruction(s) under each section of the instrument to assist you in your responses.

Questionnaire ID: _____

Thank you so much for your willingness to participate in this study.

SECTION A: STRATEGY AND RELATED ISSUES

*Kindly use a 7-point scale measuring from "**1=not accurate at all" to "7=very accurate"** to provide responses to the items under SA1 and SA2:*

SA1: STRATEGIC PLANNING

What is the extent of accuracy concerning your company's marketing activities?	**1**	**2**	**3**	**4**	**5**	**6**	**7**
G1. We have broad range goals known to all managers	☐	☐	☐	☐	☐	☐	☐
G2. We have specific goals known to all managers	☐	☐	☐	☐	☐	☐	☐

G3. We have long-term goals known to all managers	☐	☐	☐	☐	☐	☐	☐
G4. We have short-term goals known to all managers	☐	☐	☐	☐	☐	☐	☐
A1. Our firm's actions are based more on formal plans than on intuition	☐	☐	☐	☐	☐	☐	☐
A2. We have a manager or department devoted exclusively to formal planning	☐	☐	☐	☐	☐	☐	☐
A3. We hold regular managers' meetings to discuss overall strategy	☐	☐	☐	☐	☐	☐	☐
A4. We use mathematical and computer models as planning aids	☐	☐	☐	☐	☐	☐	☐
A5. We have a written plan for the next 12 months	☐	☐	☐	☐	☐	☐	☐
A6. Our planning outlook is more long-term than short-term	☐	☐	☐	☐	☐	☐	☐
S1. We search systematically for information about our competitors	☐	☐	☐	☐	☐	☐	☐
S2. We use special market research studies	☐	☐	☐	☐	☐	☐	☐
S3. We search systematically for new products, acquisitions, and investments	☐	☐	☐	☐	☐	☐	☐

SA2: CEO/Head's LOCUS OF CONTROL

What is the extent of accuracy concerning your own values and attitudes?	**1**	**2**	**3**	**4**	**5**	**6**	**7**
L1. Becoming a success is a matter of hard work; luck has little or nothing to do with it	☐	☐	☐	☐	☐	☐	☐
L2. Getting ahead largely means being at the right place at the right time	☐	☐	☐	☐	☐	☐	☐
L3. I have found that I can control my firm's environment to a large extent	☐	☐	☐	☐	☐	☐	☐
L4. Many times I feel I have little or no influence over what happens inside my firm	☐	☐	☐	☐	☐	☐	☐
L5. For the most part, my firm's success is controlled by forces too complex to understand or control	☐☐☐			☐☐		☐☐	

SA3: DIFFERENTIATION (Ds) AND LOW COST (Ls) STRATEGY

*Please use a 7-point scale measuring from "**1=much less" to "7=much more"** to provide responses to the ff. items:*

Assess the extent to which your company has placed emphasis on the various business practices for the past three years:	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Ds1. Developing new products or services	☐	☐	☐	☐	☐	☐	☐
Ds2. Upgrading or refining existing products	☐	☐	☐	☐	☐	☐	☐
Ds3. Emphasising products or services for high priced market segments	☐	☐	☐	☐	☐	☐	☐

Ds4. Improving existing customer service	☐	☐	☐	☐	☐	☐	☐
Ds5. Innovation in marketing products and services	☐	☐	☐	☐	☐	☐	☐
Ds6. Adverting and promotion of products and services	☐	☐	☐	☐	☐	☐	☐
Ds7. Building and improving brand or company identification	☐	☐	☐	☐	☐	☐	☐
Ds8. Offering specialty products	☐	☐	☐	☐	☐	☐	☐
Ds9. Effective control of distribution channels	☐	☐	☐	☐	☐	☐	☐
Cl1. Offering a broad range of products or services	☐	☐	☐	☐	☐	☐	☐
Cl2. Operating efficiency	☐	☐	☐	☐	☐	☐	☐
Cl3. Offering competitive prices for products and ☐services	☐	☐	☐	☐	☐	☐	☐
Cl4. Forecasting market growth in sales	☐☐	☐	☐	☐	☐	☐	☐
Cl5. Emphasizing control of operating and overhead ☐costs	☐	☐	☐	☐	☐	☐	☐
Cl6. Innovation in production process or service ☐offerings	☐	☐	☐	☐	☐	☐	☐
Cl7. Emphasizing high quality standards or high ☐ quality service	☐☐☐☐☐☐☐						

SECTION B: COMPETITION AND RELATIONSHIPS

*Using a 7-point scale where "**1=very little"** and **"7=very intensive"** to provide responses to items in Tables SB1 and SB2:*

SB1: COMPETITIVE INTENSITY

Indicate the extent to which the following activities have taken place in your firm's industry for the past three years:	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Ci1. Increase in the number of major competitors	☐	☐	☐	☐	☐	☐	☐
Ci2. Use of package deals for customers	☐	☐	☐	☐	☐	☐	☐
Ci3. Frequency of new products/service introductions	☐	☐	☐	☐	☐	☐	☐

Ci4. The rate of change in price manipulations	☐	☐	☐	☐	☐	☐	☐
Ci5. Increase in the number of companies that have access to the same marketing channels	☐	☐	☐	☐	☐	☐	☐
Ci6. The frequency of changes in government regulations affecting the industry	☐	☐	☐	☐	☐	☐	☐

SB2: SOCIAL NETWORKING RELATIONSHIPS

Please indicate the extent to which top managers in this firm have developed and used personal and social networking relationships for the past three years with….	**1**	**2**	**3**	**4**	**5**	**6**	**7**
SNc1. Local kings/chiefs (or at least their representatives)	☐	☐	☐	☐	☐	☐	☐
SNc2. Religious leaders (e.g. pastors, imams, priests)	☐	☐	☐	☐	☐	☐	☐
SNc3. Leaders of other social organisations such as fun clubs	☐	☐	☐	☐	☐	☐	☐
SNp1. City councils politicians (mayor and council members)	☐	☐	☐	☐	☐	☐	☐
SNp2. District council politicians (the district chief executive and rs of membe district council assembly)	☐	☐	☐	☐	☐	☐	☐
SNp3. Regional government politicians	☐	☐	☐	☐	☐	☐	☐
SNp4. National government politicians (e.g. ministers and parliamentarians)	☐	☐	☐	☐	☐	☐	☐
SNb1. Civil/public service officials in regulatory and supporting institutions (e.g. IRS, the central bank, EPA, etc.)	☐	☐	☐	☐	☐	☐	☐
SNb2. Officials in investment and industrial institutions (e.g. Investment Board, Export Promotion Council, the Stock Exchange)	☐	☐	☐	☒	☐	☐	☐

SECTION C: CAPABILITY (INNOVATIVE, MARKETING, & MANAGERIAL)

AND INNOVATIVENESS

*Please use a 7-point scale which measures from "**1=much weaker"** to **"7=much***

***stronger"** to indicate the strength of your firm in terms:*

	1	**2**	**3**	**4**	**5**	**6**	**7**
Ic1. Ability to support and drive new ideas and their implementation	☐	☐	☐	☐	☐	☐	☐
Ic2. Skills in offering a service/product that offers new features	☐	☐	☐	☐	☐	☐	☐

Ic3. Capability to apply the appropriate processes to produce new products and services	☐	☐	☐	☐	☐	☐	☐
Ic4. Ability to adapt product/service and process technologies to meet future needs	☐	☐	☐	☐	☐	☐	☐
Ic5. Ability to respond to unexpected opportunities arising from change in competitor activities	☐	☐	☐	☐	☐	☐	☐
Mkc1. Developing marketing information about specific customer needs	☐	☐	☐	☐	☐	☐	☐
Mkc2. Pricing the firm's products/services and monitoring prices in the market	☐	☐	☐	☐	☐	☐	☐
Mkc3. Designing products/services that can meet customer needs	☐	☐	☐	☐	☐	☐	☐
Mkc4. Focusing on customer recruitment and retention	☐	☐	☐	☐	☐	☐	☐
Mkc5. Providing better after-sales services	☐	☐	☐	☐	☐	☐	☐
Mc1. Skills in developing a clear operating procedures to run the business successfully	☐	☐	☐	☐	☐	☐	☐
Mc2. Ability to allocate resources (e.g. financial, employees) to achieve the firm's goals	☐	☐	☐	☐	☐	☐	☐
Mc3. Ability to coordinate different areas of the business to achieve results	☐	☐	☐	☐	☐	☐	☐
Mc4. Ability and expertise to design jobs to suit staff capabilities and interest	☐	☐	☐	☐	☐	☐	☐
Mc5. Ability to attract and retain creative employees	☐	☐	☐	☐	☐	☐	☐
Mc6. Ability to forecast and plan for the success of the business	☐	☐	☐	☐	☐	☐	☐
Mc7. Ability to implement policies and strategies that achieve results	☐	☐	☐	☐	☐	☐	☐

SECTION D: OTHER EXTERNAL MARKET CHARACTERISTICS

(DYNAMISM, COMPLEXITY, & MUNIFICENCE)

*Please use a 7-point scale which measures from "**1=very low**" to **"7=very high"** to indicate the extent to which each of the following item characterises this firm's operating environment for the past three years:*

	1	2	3	4	5	6	7
Dc1. Frequency of change in customer needs/market	☐	☐	☐	☐	☐	☐	☐ demand
Dc2. The degree of radical change in market structure							☐☐☐☐☐☐☐
Dc3. Frequency of product/service innovation in the industry							☐☐☐☐☐☐☐

Dc4. Customer pressure shown through radical changes in attitude ☐☐☐☐☐☐☐
Dc5. Unpredictability of challenges presented by changes in the industry ☐☐☐☐☐☐☐
Dc6. Degree of radical change in technology ☐☐☐☐☐☐☐
Dc7. Degree of social, political & cultural changes that influence the industry's instability ☐☐☐☐☐☐☐
Cm1. Number of competitors in the industry ☐☐☐☐☐☐☐
Cm2. Range of customers/consumers in terms of their purchasing patterns/habits ☐☐☐☐☐☐☐
Cm3. Range of suppliers ☐☐☐☐☐☐☐
Cm4. Extent of the presence of differentiated products within the industry ☐☐☐☐☐☐☐
Me1. Abundance of resources (e.g. human skills & expertise, technology, funds) ☐☐☐☐☐☐☐
Me2. Growth in the market size ☐☐☐☐☐☐☐
Me3. Degree of environment unfriendliness among industry players ☐☐☐☐☐☐☐
Me4. Risks characterising business operations ☐☐☐☐☐☐☐

SECTION E: FIRM INNOVATIVENESS & INTERNAL CHARACTERISTICS

SE1: CEO'S/LEADER'S PERCEPTION ON INNOVATION

*Using a scale of 1 to 7; where **1=totally disagree;** to **7= totally agree;** to what extent do you agree or disagree that innovation makes a firm.*

	1 2 3 4 5 6 7
1. Have upper edge over competitors	☐☐☐☐☐☐☐
2. Enhance its financial outcomes (e.g. sales, profit, return on investment)	☐☐☐☐☐☐☐
3. Be unique in the industry	☐☐☐☐☐☐☐
4. Deliver superior value to stakeholders (e.g. shareholders, customers)	☐☐☐☐☐☐☐

5. Deploy its resources effectively	☐☐☐☐☐☐☐
6. Efficient in its processes	☐☐☐☐☐☐☐
7. Satisfy the needs of employees by valuing and tapping into their initiatives	☐☐☐☐☐☐☐
8. Sustain its business performance	☐☐☐☐☐☐☐
9. Grow in the industry	☐☐☐☐☐☐☐

SE2: INNOVATIVENESS

*Please using a scale of **1=worse than competitors;** to **7=much better than competitors**, how would you rate this firm's innovativeness along the items shown in the table below:*

PROCESS	**1**	**2**	**3**	**4**	**5**	**6**	**7**
1. Improvising new methods when you cannot solve a problem using conventional methods	☐	☐	☐	☐	☐	☐	☐
2. Developing new processes to deliver products/services to customers	☐	☐	☐	☐	☐	☐	☐
3. Introducing new service delivery processes to add value	☐	☐	☐	☐	☐	☐	☐
4. Pursuing continuous improvement in operational processes	☐	☐	☐	☐	☐	☐	☐
BEHAVIOURAL							
1. Welcoming new/unconventional ideas	☐	☐	☐	☐	☐	☐	☐
2. Seeking out novel ways to tackle problems/challenges	☐	☐	☐	☐	☐	☐	☐
3. Implementing new ideas within the firm	☐	☐	☐	☐	☐	☐	☐
SOLUTION							
1. Presenting clients with unique solutions they may not have considered	☐	☐	☐	☐	☐	☐	☐
2. Presenting innovative solutions to clients	☐	☐	☐	☐	☐	☐	☐
3. Solving clients' problems in very innovative ways	☐	☐	☐	☐	☐	☐	☐
4. Providing innovative ideas and solutions to clients	☐	☐	☐	☐	☐	☐	☐
5. Coming up with new ideas to provide innovative solutions to customers' problems	☐	☐	☐	☐	☐	☐	☐
6. Being industry leaders in providing innovative solutions	☐	☐	☐	☐	☐	☐	☐
PRODUCT/SERVICE							
1. Developing new products that enhance service to customers	☐	☐	☐	☐	☐	☐	☐
2. Delivering cutting-edge services/products that are not delivered by competitors	☐	☐	☐	☐	☐	☐	☐
3. Promoting new product offerings	☐	☐	☐	☐	☐	☐	☐
4. Constantly experimenting with new products/services	☐	☐	☐	☐	☐	☐	☐
IT CAPABILITIES							
1. Relying on information technology in pursuing innovation	☐	☐	☐	☐	☐	☐	☐
2. Adopting the latest technology in the industry	☐	☐	☐	☐	☐	☐	☐

3. Relying on new technology to stay ahead of competition	☐	☐	☐	☐	☐	☐	☐
4. Bringing on board employees who have IT expertise while pursuing innovative activities	☐	☐	☐	☐	☐	☐	☐
TRAINING FOR MANAGERS							
1. Providing in-house training for managers while initiating and ☐implementing new ideas	☐	☐	☐	☐	☐	☐	☐
2. Sponsoring managers to attend workshops that focus on ☐process/product improvement	☐	☐	☐	☐	☐	☐	☐
3. Providing ad-hoc/standing assistance to managers while pursuing ☐innovative activities	☐	☐	☐	☐	☐	☐	☐
4. Creating a platform for managers to enhance their initiative and ☐innovative skills	☐	☐	☐	☐	☐	☐	☐

SECTION F: BUSINESS PERFORMANCE

Using a scale of 1 – 7 ***[where 1=much worse; 7=much better],*** *indicate this firm's performance in relation to that of key competitors for the past 3 years:*

SD1: OPERATIONAL PERFORMANCE

	1	**2**	**3**	**4**	**5**	**6**	**7**
Op1. The extent of flexibility in production/service delivery processes	☐	☐	☐	☐	☐	☐	☐
Op2. The time it takes to serve customers	☐	☐	☐	☐	☐	☐	☐
Op3. The consistency in meeting the needs of ☐☐☐☐☐☐☐customers							
Op4. The extent of variety in products/services ☐☐☐☐☐☐☐offered to customers							
Op5. The nature of product/service support to ☐☐☐☐☐☐☐customers							
Op6. Resource utilisation (e.g. human skills, time)	☐	☐	☐	☐	☐	☐	☐
Op7. Cost of production/operation	☐	☐	☐	☐	☐	☐	☐
Op8. The time it takes to introduce new ☐☐☐☐☐☐☐ products/service offerings							
Op9. The extent of product returns/service failure	☐	☐	☐	☐	☐	☐	☐
Op10. The ability to handle varied ☐☐☐☐☐☐☐customer/market needs							

SD2: FINANCIAL PERFORMANCE

	1	**2**	**3**	**4**	**5**	**6**	**7**
Fp1. Sales volume	☐	☐	☐	☐	☐	☐	☐

Fp2. Profit levels	☐	☐	☐	☐	☐	☐	☐
Fp3. Growth in sales	☐	☐	☐	☐	☐	☐	☐
Fp4. Growth in profitability	☐	☐	☐	☐	☐	☐	☐
Fp5. Return on investment (ROI)	☐	☐	☐	☐	☐	☐	☐
Fp6. Return on sales (ROS)	☐	☐	☐	☐	☐	☐	☐
Fp7. Market share	☐	☐	☐	☐	☐	☐	☐
Fp8. Growth in ROI	☐	☐	☐	☐	☐	☐	☐
Fp9. Growth in ROS	☐	☐	☐	☐	☐	☐	☐
Fp10. Growth in market share	☐	☐	☐	☐	☐	☐	☐

SECTION G: FIRM BACKGROUND & RESPONDENT'S INFORMATION

1. This firm is mainly a… ☐Manufacturing organisation ☐Service organisation ☐ Otherwise
2. Is this firm a family-owned business? ☐Yes ☐No
3. If you answered "yes" to (2) above,
   - Do family members control the business? ☒Yes ☐ No
   - Are family members involved in the business as directors? ☐Yes ☐No
   - Are family members involved as employees? ☐Yes ☐No
   - Are you a family member? ☐Yes ☐No
4. If this firm is not a family owned-business, which of the following categories best describes it?

   ☐Joint-venture/partnership ☐ Public limited liability company ☐

other……

5. How long has this firm existed/operated in the industry?.....Years

6. On the average, how many employees has this firm kept over the past three years?.....Employees
7. Does this firm have a research and development unit? ☐Yes ☐No
8. Please indicate your **gender** ☐Male ☐Female
9. Please indicate your **age** (years) ☐Less than 20 ☐20 to 29 ☐30 to 39 ☐ 40 to 49 ☐50+
10. Please indicate your **current position** in this firm ☐Owner-manager ☐Executive ☐Manager
11. Please indicate the **number of years that you have held your current position** in this firm……

*Using a scale of **1 – 7** [where **1=strongly disagree; 4=indifferent; 7=strongly agree**], indicate the extent to which you agree or disagree to each of the following:*

	1	**2**	**3**	**4**	**5**	**6**	**7**
	☐	☐	☐	☐	☐	☐	☐
1. You have adequate knowledge on the issues you provided responses ☐on							
2. You clearly understood all the items you provided responses on	☐	☐	☐	☐	☐	☐	☐
3. You are very confident in the responses that you provided	☐	☐	☐	☐	☐	☐	☐
4. You are sure that the responses you provided represent the realities in this firm	☐	☐	☐	☐	☐	☐	☐

Total Variance Explained (Strategic planning)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.000	53.849	53.849	7.000	53.849	53.849	4.034	31.034	31.034
2	1.379	10.609	64.458	1.379	10.609	64.458	2.954	22.721	53.755
3	1.011	7.777	72.236	1.011	7.777	72.236	2.402	18.480	72.236
4	0.872	6.710	78.946						
5	0.514	3.954	82.899						
6	0.407	3.127	86.026						
7	0.370	2.846	88.873						
8	0.306	2.353	91.225						
9	0.298	2.289	93.515						
10	0.256	1.966	95.481						
11	0.222	1.705	97.185						
12	0.201	1.548	98.733						
13	0.165	1.267	100.000						
Extraction Method: Principal Component Analysis.									

Total Variance Explained (Operational Performance

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Extraction
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
1	6.005	60.055	60.055	6.005	60.055	60.055	0.658
2	0.829	8.289	68.343				0.549
3	0.762	7.621	75.965				0.674
4	0.499	4.993	80.958				0.625
5	0.434	4.34	85.297				0.642
6	0.399	3.989	89.286				0.586
7	0.31	3.098	92.385				0.568
8	0.293	2.931	95.316				0.613
9	0.261	2.607	97.923				0.431
10	0.208	2.077	100.000				0.658
Extraction Method: Principal Component Analysis.							

Total Variance Explained (Financial Performance)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Extraction
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
1	8.114	81.14	81.14	8.114	81.14	81.14	0.774
2	0.432	4.323	85.463				0.809
3	0.269	2.694	88.157				0.832
4	0.249	2.492	90.648				0.836
5	0.24	2.402	93.05				0.811
6	0.186	1.865	94.915				0.836
7	0.159	1.585	96.5				0.789
8	0.128	1.281	97.782				0.814
9	0.121	1.209	98.99				0.812
10	0.101	1.01	100				0.802
Extraction Method: Principal Component Analysis.							

Total Variance Explained

Component	Initial Eigenvalues	Extraction Sums of Squared Loadings	Rotation of Squared Sums Loadings

	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.833	59.166	59.166	11.833	59.166	59.166	8.129	40.644	40.644
2	2.411	12.056	71.222	2.411	12.056	71.222	6.116	30.578	71.222
3	0.872	4.359	75.581						
4	0.708	3.542	79.123						
5	0.553	2.764	81.888						
6	0.427	2.137	84.025						
7	0.408	2.042	86.067						
8	0.393	1.966	88.033						
9	0.368	1.841	89.873						
10	0.316	1.582	91.455						
11	0.28	1.401	92.856						
12	0.237	1.185	94.041						
13	0.229	1.147	95.188						
14	0.2	1	96.189						
15	0.171	0.853	97.041						
16	0.152	0.76	97.801						
17	0.128	0.638	98.439						
18	0.114	0.571	99.011						
19	0.106	0.528	99.539						
20	0.092	0.461	100						

Extraction Method: Principal Component Analysis.

Overall performance (Rotated Component Matrix)

	Component		Extraction
	1	**2**	
The extent of flexibility in production/service delivery processes	0.417	**0.696**	0.658
The time it takes to serve customers	0.251	**0.701**	0.555
The consistency in meeting the needs of customers	0.188	**0.822**	0.711
The extent of variety in products/services offered to customers	0.204	**0.781**	0.652
The nature of product/service support to customers	0.237	**0.774**	0.656
Resource utilisation (e.g. human skills, time)	0.331	**0.691**	0.587
Cost of production/operation	0.449	**0.616**	0.581
The time it takes to introduce new products/service offerings	0.377	**0.690**	0.619
The extent of product returns/service failure	0.342	**0.550**	0.419
The ability to handle varied customer/market needs	0.156	**0.828**	0.710
Sales volume	**0.804**	0.344	0.765
Profit levels	**0.846**	0.308	0.810
Growth in sales	**0.837**	0.358	0.828
Growth in profitability	**0.845**	0.341	0.831
Return on investment (ROI)	**0.863**	0.259	0.812
Return on sales (ROS)	**0.865**	0.291	0.834
Market share	**0.848**	0.266	0.790
Growth in ROI	**0.865**	0.265	0.818
Growth in ROS	**0.866**	0.251	0.814
Growth in market share	**0.823**	0.343	0.795
Total	**11.833**	**2.411**	
% of Variance	**59.166**	**12.056**	
Cumulative %	**59.166**	**71.222**	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	**0.954**		
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			