Business Strategies And Competitive Advantage Of Family Hotel Businesses In Ghana: The Role Of Strategic Leadership

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ABSTRACT

Although family businesses contribute largely to the world output, little is known in literature about their mode of operations in the family hotels. The study aims to address the knowledge deficit on this critical component of the economy by investigating the experiences of family hotels in Ghana to gain a better understanding of the factors that facilitate the competitive positioning of family businesses. This paper investigates the moderating influence of strategic leadership on business strategies and performance of family hotel businesses in Ghana. The findings indicate that cost leadership, differentiation and strategic leadership enhance the performance of family hotel businesses in Ghana. It further showed that strategic leadership moderate the influence of both cost leadership and differentiation strategies on the performance of family hotel businesses

Keywords: Business Strategy; Competitive Advantage; Strategic Leadership; Family Businesses; Ghana

INTRODUCTION

In developing and emerging economies such as Ghana's, family businesses are widely considered important economic growth engines. Family businesses play a significant role in employment creation, community development, and other aspects of economic growth and development (Acquaah, 2011). However, the survival of family businesses in Africa greatly depends on their ability to create and sustain a competitive advantage, which depends in turn on their capacity to acquire and control financial, human, and other resources and capabilities. Family businesses in emerging economies such as Ghana face rapid environmental and institutional changes. A high level of market imperfection and weaknesses are inherent in the market-supporting institutions and contract-enforcing mechanisms, presenting serious challenges to family businesses' ability to obtain resources through arms-length transactions (Acquaah, 2011). Therefore, thriving in this volatile and competitive business environment requires a sustained competitive advantage via coherent business and competitive strategies. The literature indicates that family businesses gain a competitive advantage through their ability to develop and obtain organizational resources and capabilities, assume a strategic market position, and implement competitive strategies taking cognizance of the opportunities and threats in the external environment (see Acquaah, 2011).

Hitt et al. (2005) also argue the importance of strategic leadership in the attainment of business objectives through effective portfolio management and environmental scanning. This study examines family businesses in Ghana to explore the moderating effect of strategic leadership on the relationship between business strategy and performance. This study contributes to the literature on family businesses in several ways. First, though the significance of business strategy for organizational performance has been studied, little is known about its connection with family hotel businesses. Even though much research suggests that competitive strategies have a positive influence on general profitability, research focusing on the strategic activities of firms in emerging economies has only recently begun to take shape (Kim, Nam, and Stimpert, 2004; Spanos, Saralis, and Liouks, 2004; Acquaah and Yasai-Ardekani, 2007; Acquaah, Adjei, and Mensa-Bonsu, 2008). In addition, little is known about the competitive strategies of family businesses in emerging economies, despite their significant role, and little research has been done on family hotel businesses in Ghana.

This study includes a correlation analysis to examine the direction of the relationship between the observed variables—business strategy, performance, and concepts of strategic leadership—and other control variables. Subsequently, a regression analysis of these observed variables is conducted to ascertain the extent of the relationship and measure the moderating effect of strategic leadership on the main variables of interest. The regression is stepwise and estimates eight different models. The results show that strategic leadership can be beneficial to the implementation of business strategies and that, specifically, the business strategies of family hotel businesses are moderated by the strategic leadership concepts of reframing, reflecting, and system thinking.

The rest of the paper is organized as follows. Section two discusses the background literature. The research methodology is outlined in section three. The results of the empirical analysis are discussed in section four. Section five concludes the study with a discussion on the findings.

LITERATURE REVIEW

Business Strategy

The prime motive for every business is exploiting the resources within its domain cohesively and attractively to provide value to customers. Maintaining this value is crucial to any serious unit aiming to thrive in a competitive business environment. Indeed, maintaining quality and value requires a continuous effort to perform value adjustments and business reengineering. This requires the procurement of a well-defined value objective, a distinct assessment of internal resources, and a compelling familiarity with the challenges that impinge on the business objectives.

In a competitive environment, firms undercut each other in order to be the top value creator. This can be achieved in one of two ways: providing the same value at a lower cost (market efficiency) or providing a higher value at the same price (market effectiveness). In either case, the key is delivering to the customer a value per unit cost that is ahead of the competitors' (Miles and Snow, 1978; Miller and Friesen, 1986; Mintzberg, 1988; Porter, 1980, 1985).

Porter (1980) observes that firms pursuing market efficiency usually focus on price-led strategies by vigorously pursuing cost reduction across all activities, including R&D, personnel and customer management, services, and advertising; this requires the best production techniques and a deliberate assemblage of efficient-scale equipment. Among the strategies businesses use to do this is the cost leadership strategy proposed by Porter (1980). A cost leadership business draws market power through the benefits of producing goods and services at costs lower than the competitors'. By delivering the same value and quality at a lower cost, cost leader firms can offer lower prices than their competitors.

Furthermore, market effectiveness orientation is the development of unique merchandise that stands out from the competitors' either in reality or according to customer perception; this requires the targeting of specific market segments that competitors find nearly impossible to enter. One relevant strategy is differentiation, which focuses on developing and diversifying both markets and products by exploring inimitable and novel opportunities that will maintain the enterprise's competitiveness (Porter, 1980). This strategy requires substantial investment in product development and marketing; thus, businesses do not always create unique products or develop market niches that bring tangible value to customers. Some businesses create virtual value through strong advertising and marketing designed to cajole clients into making demand decisions in favor of the company (Mintzberg, 1988; Porter, 1985).

Invariably, the extent to which a differentiation approach (whether for product or market development) will be effective depends on whether the organization has clearly identified the strategic customers and competitors.

The literature shows that a business strategy's significance to an organization is very robust (Beal and Yasai-Ardekani, 2000; Campbell-Hunt, 2000; Aulakh, Kotabe, and Teegen, 2000; Kim et al., 2004; Spanos et al., 2004; Acquaah et al., 2008). Indeed, studies suggest that firms that do not pursue any strategy or who flip unsuccessfully between strategies run the risk of being "stuck in the middle" and performing at or below their industry's average profitability (Bowman and Asch, 1996), which may be considered a failure strategy (Johnson et al., 2008). A failure strategy is one that does not provide perceived value-for-money in terms of product features, price, or both.

Thus, Porter's (1980) cost leadership and differentiation approaches are the dominant strategic management practices (Campbell-Hunt, 2000), though other business strategies exist.

Family Businesses

It is difficult to obtain a universally acceptable definition of "family business." Common to all definitions, though, is the presence of well-established relationships and structures that have been tested over several generations; it is from these underlying relationships that family businesses form their basic core structures (Miller and Le Breton-Miller, 2005; Bertrand and Schoar, 2006). As these are tried and tested relationships, they generate inherent trust and belief in both the company's vision and the dependability of the members who are realizing it.

Broadly speaking, a family business has two main characteristics. First, it is owned and controlled by a specific family, with family members actively involved in management and decision making (Acquaah, 2011). Second, ownership is concentrated in one family unit (Litz, 1995), and business members strive to achieve, maintain, and increase intra-organizational family-based relatedness. The unique configuration and inherent cohesiveness of family businesses allow them to create long-term relationships with employees that engender trust, inspiration, motivation, and commitment (Bertrand and Schoar, 2006; Miller and Le Breton-Miller, 2005). These strong ties are inevitably extended to the customer through relationship-focused and flexible decision making (Tokarczyk et al., 2007; Miller et al., 2009), implying that family businesses tend to be efficient (Tagiuri and Davis, 1996). In addition, family businesses are configured to fill key positions, thus lowering recruitment costs (Bertrand and Schoar, 2006; Levring and Moskowitz, 1993). Hence, cost leadership seems to be a natural strategic position for family businesses. Family businesses have a distinctive characteristic of building long-term relationships with employees and customers to generate internal and external goodwill, and confidence, which leads to efficiency (Acquaah, 2010). Porter (1980) observes that, for a family business to effectively execute a cost leadership strategy, its structure, form, and internal resources must be in tune with, and reinforce, the strategy.

However, the nucleus of every family business is usually value creation (Ward, 1997). The coordination between the ownership and management of most family businesses reduces agency problems, producing greater decision-making flexibility for managers and enhancing resource distribution, which in turn permits the pursuit of research and development that will lead to greater quality and product or service differentiation (Carney, 2005). Hence, family businesses are not confined to cost leadership; their unique characteristics also make it possible to adopt differentiation strategies. Differentiation strategies lead to competitive advantage by creating entry barriers to new entrants based on factors other than cost. Family businesses pursuing a differentiation strategy harness their internal efficiencies to build unique product characteristics, such as quality, customer service, unique features, and brand image. Though price is the primary determinant of consumer choice, consumer preference for quality premium branding is growing, allowing family businesses to use customer loyalty and branding as a basis for differentiation strategies (Acquaah, 2011).

Strategic Leadership

Strategic leadership may be one of the most critical organizational issues due to its positive effect on organizational performance, particularly in the highly competitive global economy; it promotes the achievement of an operational context that supports organizational goals and has mechanisms for monitoring the external environment in order to harness opportunities and mitigate threats (Hitt and Ireland, 1999.

Strategic leadership allows one to anticipate, envision, and maintain flexibility and enables strategic change when necessary (Hitt et al, 2005). Decisions such as those concerning product and service selection, approaches to customer support, and marketing channel selection have long-term impacts on firm success; strong leadership is required to keep a team focused over the long haul (House and Ditya, 1997, cited in Pechlivanidis and Katsimpra, 2003). The leadership a business adopts must be able to perform strategic management—to firmly establish the process of ensuring a competitive fit between the organization and its environment. Strategic leadership is thus a complex of personal characteristics, thinking patterns, and effective management, all centering on the ability to think strategically. Accordingly, strategic leadership has the following features: sustaining a long-term vision, exploiting and maintaining core competence, developing human capital, and sustaining organizational culture. Hence, the main objective of strategic leadership is strategic productivity and developing an environment in which employees forecast the organization's needs in the context of their own jobs. The firm's management control systems should be tailored to support the business strategy and thus achieve competitive advantage and superior performance (Simon, 1987, 1990; Dent, 1990).

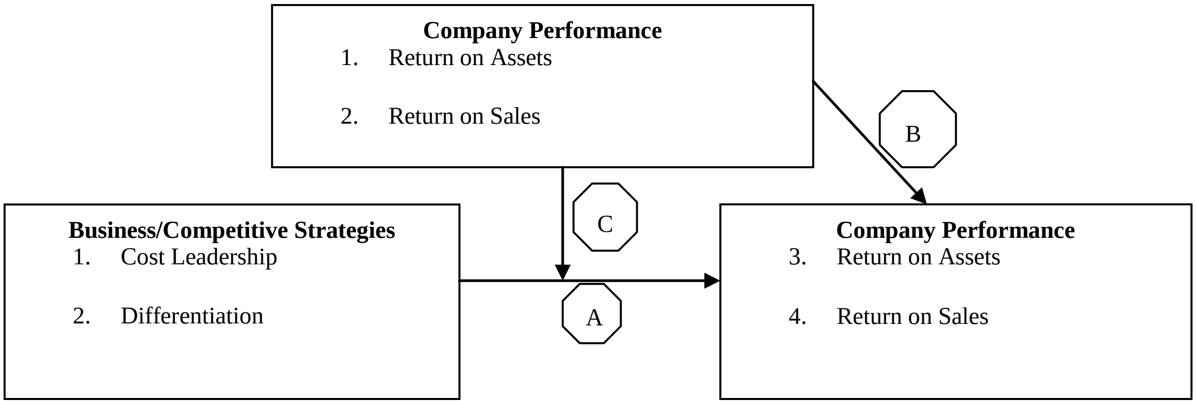
Therefore, strategic leadership helps family businesses express their vision to employees. Family businesses use customer-focused strategies to achieve competitive advantage and superior performance. According to Guilding and McManus (2002), customer-based strategies strongly affect competitive advantage, which is why businesses pursue them and why strategic performance philosophies have been established (Hyvonen, 2007).

Pisapia et al. (2005) describe three cognitive processes that entail strategic leadership: systems thinking, reframing, and reflection. Systems thinking picks up signals from the environment and organizes the feedback coherently to express meaning. It assumes the presence of inherent properties whose activities produce the volatility of the whole. Leaders who acquaint themselves with these properties can comprehend current behavior and anticipate future events. Hence, the environment is strictly engrafted in the processes that define the business outline. A good systems thinker can thus holistically assess the whole by recognizing the forces, properties, patterns, and interactions forming the nature of the whole and identify the best option for action. The value of systems thinking to organizational leadership is even greater in the current postmodern period, as it believed that organizations must be learning organizations to be successful (Pisapia et al., 2005).

Reframing is the act of cataloguing and interpreting new information, activities, and experiences within the business domain from multiple perspectives with the aid of metaphors, paradigms, cognitive models and frameworks to produce new insights and explore best options for action. Properly conducted, reframing allows leaders to diagnose their contexts, define critical issues, interpret, and communicate them in ways that empower their followers (Pisapia et al., 2005).

Reflection consists of a constant microscopic analysis of the modules, culture, conventions, practices, and perceptions by which business solutions are defined subject to present states in order to construct a new and better system of practice. This involves constant reevaluation and interpretation while seeking the best strategic action and forecast (Pisapia et al., 2005). According to Korthagen (1988), as cited in Pisapia et al. (2005), reflection is therefore a thinking and acting cycle composed of action, looking back on the action, learning its essential aspects, creating alternative actions, and performing a trial, which then begins a new cycle of reflection.

Thus, the significance for leadership of systems thinking, reframing, and reflection has been strongly indicated in the literature: the possession of these cognitive skills conditions leadership's impact on an organization's entire strategic performance. Leaders use the information gathered through systems thinking and reframing during reflection to make sense of situations and guide their actions; this helps leaders perceive events and problems in terms of useful concepts.



A: The effects of business/competitive strategies on company performance
B: The effects of strategic leadership on company performance
C: The moderating influence of strategic leadership on business/competitive strategies

Figure 1: Conceptual Framework

This framework expresses the view that using a business strategy either through cost leadership or differentiation strategies positively impacts the performance of the family business. Moreover, the advantages that strategic leadership taxonomies bring to the progress of the organization allow the expectation that, though the effect of any business strategy on company performance will be strong, their relationship can be enhanced through good leadership. Hence, what may distinguish among competing organizations pursuing the same strategy under the same context is the degree to which their leaderships exercise the cognitive skills of systems thinking, reframing, and reflection.

RESEARCH METHODOLOGY

This paper uses both primary and secondary data sources. Primary data were obtained through a survey designed to provide first-hand information from respondents. A total of 50 family hotel managers were selected for this study. The study used non-probability and convenience sampling to sample the 50 family hotel managers in Ghana, utilizing the definitions of Acquaah (2008). The study uses a 5-point Likert scale to measure respondents' views. To limit the effect of the scale's subjectivity, open-ended questions were added to give respondents the opportunity to clarify their positions on the issues. The questionnaire consists of two sections: the first extracts independent variables and demographic data about the respondents and their companies; the second consists of 58 close-ended and four open-ended questions providing information that addresses the research questions. These were broken down into four specific sub-questions in the following topic areas: industry competition, firm size, company performance, business strategy, and strategic leadership. All were adopted and measured using the definitions and scales of Acquaah (2011) and Pisapia (2005). Apart from the main observed variables (company performance, business strategy and strategic leadership), other control variables were included in the analysis: industry competition and firm size. Firm size was measured as the logarithm of the number of employees whilst industry competition was captured with four items (the rate of change in hotel prices, the speed with which new hotels are forming, the intensity to which hotels want to upgrade their star positioning and the frequency of changes in government regulation). The respondents were asked to show the extent to which these four items have taken place in the industry using the five-point Likert scale. The response data were then collated, and a reliability test was conducted to confirm a robust consistency among the questionnaire responses and to ascertain whether the collected data were reliable. The overall Cronbach alpha was $\alpha = 0.854$, indicating high reliability. Tests were conducted for each group variable, including industrial competition ($\alpha = 0.775$), firm size ($\alpha = 0.735$) differentiation ($\alpha = 0.801$), cost leadership ($\alpha = 0.679$), systems thinking ($\alpha = 0.795$), reframing ($\alpha = 0.793$), and reflecting ($\alpha = 0.772$).

Correlation analysis was then used to describe the strength of association between the observed variables. Regression analysis was employed to examine the extent of the relationship between performance and competitive strategy and the moderating effect of strategic leadership via eight different models.

DATA ANALYSIS AND RESULTS

Correlation Analysis

The correlation analysis shows significant relationships among some of the variables, especially between the business strategy variables and firm performance on one hand and strategic leadership and firm performance on the other. The results also show that managers are significantly involved in strategic activities designed to improve the performance of their organizations. The mean ratios for the competitive strategic activities of differentiation (3.4461) and cost leadership (3.3950) show a high orientation towards business strategies. This is also true for Return On Assets (ROA) and Return On Sales (ROS), the financial indicators for performance, as most top managers stated that their average financial performance was better for the three-year period between 2009 and 2012. The correlation analysis therefore showed a strong and positive relationship between the performance and business strategies indicators. Assessing the moderating effect of the strategic leadership indicators also shows a strong and positive relationship between business strategy and strategic leadership activities on one hand and performance and strategic leadership on the other, indicating that increased industrial competition may compel business executives to seek business strategies to improve performance but that the vehicles by which competitive strategies lead to enhanced business performance are the strategic leadership activities of system thinking, reflection, and reframing. The analysis also suggests that reframing has the strongest relationship with financial performance indicators, followed by systems thinking, and then reflection. The results of the correlation analysis are shown in the appendix.

Regression Analyses

The results of the regression models are presented in Tables 1 and 2, each containing four different models expressing a relationship between the observed variables. In models 1 and 5, we test the effect of industry competition and firm size on ROA and ROS respectively. The results show that industry competition is negatively related to performance for all the variants of performance (ROA for model 1 and ROS for model 5). In models 2 and 6, we added business strategy and strategic leadership variables to the control variables to examine the direct effect of business strategy and strategic leadership on performance. The results indicate that the business strategy variants of cost leadership and differentiation are both positively related to ROA and ROS for family hotel businesses, confirming the proposition that competitive strategies are positively related to performance. Moreover, while the strategic leadership skills of reflecting, reframing, and systems thinking are significantly and positively related to ROS, the cognitive skills of reflecting and reframing are positively and significantly related to ROA, while systems thinking is marginally related to ROA, thus providing evidence that strategic leadership enhances business progress.

Table 1: Regression Analysis with ROA as the Dependent Variable

Return On Assets (ROA)	Model 1	Model 2	Model 3	Model 4
Control Variables				
Constant	3.444 ***	2.306 **	4.572	4.284
Industry competition	-.089	-.279*	-.340*	-.446**
Firm size	.194	.200***	.203*	.568**
Independent				
Cost leadership (CL)		.282*	1.810 **	.278**
Differentiation (DS)		.312	.574*	.974**
Reframing		1.403***	2.590**	2.468**
Reflection		.492***	.640**	1.881**
Systems thinking		.523	.786**	.492*
Interactions				
Reframing * CL			1.047	
Reflection* CL			2.026**	
Systems thinking * CL			1.136*	
Reframing * DS				.846
Reflection* DS				.698***
Systems thinking * DS				.218**
Adjusted R-Squared	.257	.431	.627	.678

Table 2: Regression Analysis with ROS as the Dependent Variable

Return On Sales (ROS)	Model 5	Model 6	Model 7	Model 8
Control Variables				
Constant	3.573***	3.405***	6.661	8.611
Industry competition	-.043	-.217 (.173)	-.212	-.221
Firm size	.138	.229***	.256*	.255***
Independent				
Cost leadership (CL)		.562*	.870**	.553*
Differentiation (DS)		.392*	.361**	.501***
Reframing		.467***	.844***	.468***
Reflection		.521***	.443**	.611***
Systems thinking		.419***	.836**	.635***
Interactions				
Reframing * CL			.954***	
Reflection* CL			.222	
Systems thinking * CL			.971	
Reframing * DS				.754*
Reflection* DS				.536*
Systems thinking * DS				.527
Adjusted R-Squared	.179	.484	.544	.638

*** Correlation is significant at the 0.01 level (2-tailed).
** Correlation is significant at the 0.05 level (2-tailed).
* Correlation is significant at the 0.10 level (2-tailed).

In models 3 and 7, we included the interaction between cost leadership strategy and the strategic leadership variables (reflecting, reframing, and system thinking) with the variables in models 2 and 6; in models 4 and 8, we added the interaction between differentiation strategy and strategic leadership variables to models 2 and 6. This was done to examine the moderating effect of strategic leadership on the relationship between business strategy and firm performance for family hotel businesses. The results in models 3 and 7 indicate that the reflection strategic leadership skill positively moderates the relationship between cost leadership strategy and ROA ($\beta = 2.026$, $p < 0.05$) and that reframing positively moderates the impact of cost leadership on ROS ($\beta = 0.954$, $p < 0.01$).

In models 4 and 8, reflection significantly and positively moderates the relationship between differentiation strategy and both ROA ($\beta = 0.698$, $p < 0.01$) and ROS ($\beta = 0.536$, $p < 0.05$), suggesting that the degree of engagement in strategic leadership and in the cognitive processes of thinking, reframing, and reflection strongly determine the success of family businesses in Ghana.

CONCLUSION

This study is one of the few to examine the direct and interactive effects of business strategies and strategic leadership on the performance of family businesses. It reveals that family businesses can harness their unique characteristics to benefit from the implementation of both cost leadership and differentiation strategies. It also shows that strategic leadership equips family businesses with the "ability to anticipate, envision, maintain flexibility and empower others to create strategic change as necessary" Hitt et al. (2005). Thus, family businesses in Ghana need strategic leadership to survive their highly competitive business environment by implementing good business strategies. This study aims to examine the influence of competitive strategies on the performance of family businesses in Ghana and determine how strategic leadership moderates or influences these competitive strategies. The use of correlation and regression analysis was employed to identify the relationship between the observed variables. The regression was conducted in a stepwise manner with eight different models estimated.

These findings indicate that both cost leadership and differentiation enhance the performance of family hotel businesses in Ghana, with strategic leadership moderating their influences. Family businesses' reliance on their unique characteristics of paternalism, long-term employment relationships, stability, and consistent executive tenure enables them to be efficient in several business areas and thus benefit from their cost leadership strategy. Family businesses also leverage the advantages inherent in their unique characteristics of flexibility, paternalism, generosity, long-lasting relationships, and close and emotional employee ties to create a dedicated, motivated, and committed workforce. These employees are more likely to engage in innovative activities that enhance the quality of their products and services and focus on customers in order to build loyalty, thus providing significant benefits to family businesses that implement a differentiation strategy.

AUTHOR INFORMATION

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APPENDIX

Correlation, Mean, and Standard Deviation of Variables

	Mean	Std. Dev.	Industry competition	Cost leadership	Differentiation	Reflection	Reframing	System thinking	Firm Size	ROA	ROS
Industry competition	3.0532	.81250	1.00								
Cost leadership	3.3950	.58921	.415**	1.00							
Differentiation	3.4461	.66664	.327*	.637**	1.00						
Reflection	3.3413	.50490	.160	.284	.498**	1.00					
Reframing	3.2674	.54367	.245	.334*	.327*	.748**	1.00				
Systems thinking	3.3949	.46371	.341*	.467**	.303*	.516**	.632**	1.00			
Firm Size	2.4773	.68880	.019	.298*	.238	-.119	.056	.108	1.00		
ROA	3.6875	.68901	-.096	.328*	.481**	.322*	.599**	.390**	.084	1.00	
ROS	3.8000	.67006	-.043	.366*	.379*	.315*	.495**	.405**	.130	.492**	1

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

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

NOTES