# Financial bootstrapping and survivability in family firms: A resource-based perspective

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## ABSTRACT

Financial bootstrapping (FB) is a resource-dependent management strategy within the contingencies of organizing in small businesses. In this regard, the notion of start-up and operational capital has become an important ingredient in the performance of family businesses, particularly in resource-scarce environments. Drawing on the resource-based view theory (RBV) and a multiple case study design, we examine the various bootstrapping strategies of family businesses in the context of relatively underdeveloped institutions and markets. Following family businesses being at the convergence point of resource constraint, we show why some family businesses are more likely to survive than others. Our data evidence suggests that to ensure financial sustainability, longevity, survivability, and competitive advantage in family businesses, the use of both inward and outward bootstrapping strategies is crucial. Nevertheless, the use of personal and family financial resources is widely practised in resource-scarce environments. We conclude by delineating some relevant implications of our study to policy and research regarding the survival of family businesses.

***Keywords*:** Bootstrapping; Family Business, Ghana; Resource-Based View, SMEs

# 1. Introduction

There is a growing awareness of the crucial role of financial bootstrapping strategies in the contemporary management of family businesses that are less likely to access adequate financial resources from mainstream financial institutions. Researchers have therefore offered insight into how family businesses could use creativity, ingenuity, thriftiness and cost-cutting strategies in manoeuvring their financial resource scarcity issues (Barringer & Ireland, 2010). Financial bootstrapping as a resource-dependence management strategy refers to the creative acquisition of financial resources in a non-traditional way (Miaoa et al., 2017). Similarly, Fatoki (2014) defined the concept as the use of highly creative ways of acquiring the use of resources without borrowing money or raising equity financing from traditional sources. Nevertheless, there is no consensus among scholars on the right financial bootstrapping strategies to be adopted by family firms and the wider SME sector (Vanacker et al.,2011). Recent entrepreneurship research lends credence to the creativity, cost-cutting, and ingenuity of entrepreneurs in organizing financial resources without necessarily depending on long-term external debt (Cornwall, 2010; Grichnik et al. 2014).

However, some other strands of literature reveal that about 80% of SMEs fail within the first five years of operation due to their failure to obtain the right mix of financing to undertake operational and expansion activities (Van Scheers, 2010; Jones & Jayawarna, 2010; Atiase et al. 2018). A review of family businesses also reveals that only 30% survive into the second generation and less than 15% survive into the third generation (Stamm & Lubinski, 2011). This reflects the situation in Ghana where the majority of SMEs which constitute a sizeable number of family businesses have high attrition rates (Belenzon et al. 2017).

This failure is highly acute among firms in the retail and food production sectors (Kgosana, 2013; Zwane et al, 2014). In addition, many researchers have argued that family firms and the SME sector generally in Ghana do not receive the necessary financial support and training from government and private sector development partners (Herrington et al. 2009; Atiase et al., 2019). The reasons for the lack of access to financial services from the mainstream institutions have been argued to be the inability of family firms to provide collateral to back their loan demands, high transaction cost as well and information asymmetry issues (Jensen & Meckling, 1976; Atiase et al. 2019). Therefore, in light of the financial challenges as indicated above, internal equity has inevitably become the principal source of funding for family firms hence the ability to deepen knowledge on bootstrapping strategies in the family firm becomes crucial (Brown et al, 2017). It, therefore, behoves the family business owner to master three key strategies of developing a clear vision; effective cashflow management, bootstrapping and having the ability to persuade others in committing resources to their venture (Brush, 2008; Rutherford, 2015). This ostensibly improves their chances of survival and growth (Ebben & Johnson, 2006). In managing these financial resources adequately, it is argued that family business owners need to acquire other types of resources including technological, social and human capital management skills.

Considering the consensus in the literature on financial inadequacies associated with family businesses and SMEs widely, and notwithstanding the importance of these studies in illuminating our understanding of the dynamics and issues on SME financing, this study seek to close some identified gaps. First, the concept of bootstrapping has not been documented well enough in the small business literature (Amankwaa et al., 2016). Even though many researchers have produced an enormous amount of studies on family business discourse in Africa, there is a strategy gap in the area of bootstrapping which is a key element in the growth and survival of family businesses. Secondly, even with the little bootstrapping research that has been done on African family businesses, there is a paucity of work on the financial bootstrapping strategies particularly for startups considering the scarcity of resources in the entrepreneurial environment in Ghana. Finally, over the past decade, Ghana has witnessed a proliferation of necessity entrepreneurs largely in the form of family businesses that are struggling to survive with limited exploration of financial bootstrapping strategies for growth purposes.

This paper addresses the aforementioned gaps by examining the financial bootstrapping strategies of selected indigenous Ghanaian family businesses in their quest for sustainability and survival. The major contribution of this study is to illuminate the practical knowledge of financial bootstrapping strategies in the context of a developing economy. The study also provides a distinct understanding of the emergence of localised bootstrapping strategies and their impact on the survival and growth of the family business landscape in the wave of entrepreneurial transitions currently sweeping across Ghana (Aktas et al., 2015). The paper equally unpacks normative suggestions for strategic financial bootstrapping development and non-financial bootstrapping coupled with institutional strengthening) to facilitate a deeper understanding of how bootstrapping presents a unique platform for SME innovation (Belenzon et al., 2017). Specifically, we develop a conceptual model to map-out the financial bootstrapping strategies most used by SMEs in Ghana (Baños-Caballero et al., 2014; Mun & Jang, 2015). Beyond the theoretical value, this knowledge is also important for policymakers to address the lack of and inadequacy of working capital syndrome for SMEs that hold back business growth and innovation in Ghana (Lefebvre, 2020). The study, therefore, argues for the important need for stakeholder engagement in strategic as a vital ingredient to contributing to the "below the radar" innovative sources of financing that are cost-effective, localised and community-oriented (Lamb et al.,2017).

The remainder of the paper is structured as follows. First, section 2 presents the background to the study, followed by the theoretical framework in section. Whiles section 4 presents the methodology of the study, section 5 discusses the three case studies of family businesses in Ghana. Section 6 presents the findings and discussions. Finally, section 6 concludes the paper.

## 2.Background to the study

## 2.1 Defining a family business

In the extant literature, there is no consensus on the exact definition of family businesses. Therefore providing a concise definition is a task that is yet to be achieved by researchers (European Commission, 2009). Researchers have, therefore, relied on opinions and perceptions of SME owners and experts in an attempt to define family business in specific contexts (Gomez-Mejia et al., 2011; Arregle et al. 2016). Birdthistle (2003) defines family business as any form of business where the majority ownership is held by the family and family members are employed in the business and/or the family is represented on the board of directors of the firm. In the Ghanaian context, family businesses represent SMEs with majority ownership held by the family and depends on family members in managing the affairs of the firm (Poza, 2010; Amankwaa et al., 2016). Family-owned businesses account for two-thirds of all businesses worldwide and represent the oldest and most prevalent type of business organisations worldwide (Ibrahim et. al, 2009). They predominate the small business sector and are more prevalent in less developed markets such as Ghana (European Commission, 2009; Villalonga, et al. 2016). One of the major characteristics of family businesses is the fact that they exist in severely resource-constrained environments and are noted for the propensity to be managed based on trust (Wiltbank et al., 2015; Lacovone et al. 2019). More importantly, family businesses seek to maximize their 'socioemotional wealth' rather than their financial wealth (Gómez–Mejía et al., 2011). Considering the significant roles family businesses play in developing economies, financial bootstrapping has become crucial and inevitable for managing start-up and expansion costs (Spinelli & Adams, 2012).

There is a significant variation in family firms across industries, as documented by Villalonga and Amit (2010). Family ownership is higher in industries in which the minimum efficient scale is small; where the need to monitor employees is higher, coupled with long term investment horizons. Since family businesses are alluded to predominate the SME sector, there is the need to digress from what seems to be the "status quo" in SME promotion and consider researching into their bootstrapping strategies. An attempt to explore the concept of family businesses and their bootstrapping strategies in the Ghanaian context, therefore, is not only likely to stimulate family business management discussions but would also trigger the identification of a roadmap to financial engineering strategies for SME development in general. This is expected to stimulate a broader agenda-setting platform in promoting family businesses in Ghana.

## 2.2 SME financial bootstrapping strategies

The bootstrapping literature shows that between 80–95 per cent of small ventures carry out some form of bootstrapping activity (Harrison et al. 2004; Winborg & Landstro¨m 2000). Although there are multiple ways in which emerging ventures bootstrap (Jones & Jayawarna, 2010), the intensity of these behaviours are captured by Winborg and Landström's (2000) framework. This includes customer-related bootstrapping referring to the practice of keeping accounts receivable and inventory at the lowest levels possible; delayed payments, refusal to use external finance, and joint utilization of resources. Bootstrapping strategies are particularly important for resourcing new ventures (Jones & Jayawarna, 2010). Researchers have identified the types of bootstrapping adopted by SMEs with various orientations. Vanacker et al. (2011) identified three types of bootstrapping options namely product bootstrapping; business development bootstrapping and financial bootstrapping. Nevertheless, Lahm and Little (2005) explain bootstrapping strategies to include the acquisition and control of both tangible and intangible resources in the firm as well as the efficient use of resources to finance enterprise growth.

The literature on bootstrapping is consistent with the widely implemented lean business model methodologies (Jones & Jayawarna 2010; Ries, 2011). Therefore, the ability of the entrepreneur to innovatively implement bootstrapping strategies depends on the ability to be highly adaptable and operate on a lean budget. The bootstrap strategies are therefore built on fiscal discipline.

Tomory (2011) argue that financial bootstrapping is a highly creative process of acquiring resources without raising equity finance from traditional sources. Financial bootstrapping, therefore, allows family businesses to create new financial resources or stretch existing resources without using debt, a venture capitalist, or other external sources of funding (Schofield, 2015). Winborg (2009) indicated that the most common motive for using bootstrapping is to lower the operational cost of managing an enterprise. However, SME owners bootstrap critical but scarce resources through a variety of methods including alliances (Salazar et al. 2017; Horvath, 2018), personal sources (Ensign & Woods, 2016) and social networks (Heuven & Groen 2012; Jonsson & Lindbergh, 2013). Contrary to the widely held notion of the benefits of bootstrapping and its associated strategies, bootstrapping techniques are held to be adopted by design rather than a necessity, as increasing capital efficiency is the principal intention rather than compensating for lack of resources (Ries, 2011; Winborg, 2009; Grichnik et al., 2014).

# 3.Theoretical Framework

## 3.1 The Resource-Based View (RBV) and Family Businesses

The Resource-Based View (RBV) has become one of the most widely used theoretical frameworks in the management literature (Runyan et al., 2006). According to Pfeffer and Salancik (1978), resources are vital to the existence of an organisation. The focus of RBV is to generate a competitive advantage for the firm with its unique set of resources and capabilities. Accordingly, the RBV theory stresses that strategic resources are the cornerstone of firms to gain a competitive advantage that enables them to outperform their competitors (Kraaijenbrink, Spender & Croen, 2010). The premise of the RBV theory as documented in the literature is the fact that firms gain a competitive advantage when they possess certain unique resources. This position is consistent with the conclusion of recent scholars of strategic management that, a firms' competitive advantage is as a result of possessing internal resources which their competitors lack (Kraaijenbrink et al, 2010).

The RBV emphasizes that to obtain a sustained competitive advantage, the resources of the firm must be valuable, rare, inimitable, and non-substitutable which is mainly exhibited by tacit skills and complex organizational processes (Barney, 1991). Hunt and Derozier (2004) categorized the resources of a firm into three distinct forms including human capital; physical capital; and financial capital. Ideally, a firm combines different sets of resources to achieve a competitive advantage (Pearson, Pitfiel & Ryley, 2015). Accordingly, value is thus found if the resource increases customers' willingness to pay for services. Rareness gives the firm the potential to command a premium and avoid a perfectly competitive market situation (Newbert 2007). Inimitability, which can arise, for example, from the social complexity of the resource, making it difficult for others to copy creates the potential for sustained advantage. Finally, resources and capabilities within an organization are embedded in the organization, and the degree to which they can add value may depend upon the presence of complementary assets and supporting routines (Kraaijenbrink et al., 2010).

This view suggests that to establish and sustain competition, the entrepreneur needs to have access to different types of resources, each playing different, but equally important roles during the life cycle of the firm. In furtherance of the RBV discourse, Campbell and Park (2017), offer one of the most comprehensive applications of the RBV to the family business domain by distinguishing between five discrete resources of a family firm. These are human capital, patient capital, social capital and survivability capital, and governance structure. This discussion is further advanced by Saranga, Geaorge, Biene & Arnold (2018) who contend that each firm possesses different resources and capabilities and the way the firm acquires, develops, maintains and applies these resources lead to superior performance thereby having a competitive advantage over time. Thus, not only do firms' resources become strategic when they are valuable, difficult to be copied by competitors, non-transferable or have no close substitutes. However, these resources will result in competitive advantages and superior firm performance only if managed purposefully and efficiently (Pearson et al., 2015).

## 4. Methodological Note

Following previous research on bootstrapping (Bhaird & Lynn, 2015; Miaoa, et al. 2017; Malmström, 2014; Fatoki, 2014), a case study methodology was used in this study whereby three family businesses in Ghana were explored based on the available literature (Fouche & Delport, 2002; Fletcher, Massis, & Nordqvist, 2016). Following Yin (2013), the study also drew relevant information from various reports and journal articles. As Rowley (2002) noted, a multiple case study approach is often preferred, as it enables the researcher to identify and use similarities and contrasts across the cases to establish robust evidence linking a set of theoretical propositions with field data. In line with this, the study adopted a multiple case study approach.

Following a review of the extant literature and an outline of the empirical context, we selected three case studies from the retail sector and one case from the service sector as indicated in Table I below to explore the potentials and impacts of bootstrapping strategies, focusing on the owners and family resources, trade credit and debtors management, the use of low-cost office space and delayed payments leading to sustainability, longevity and survivability. The study selected three cases that have survived the intricacies of young retail enterprises and graduated into the growth stages in their life cycles. This criterion is very important because the authors believe that the adoption of the right bootstrapping strategies is an important factor in entrepreneurship development in Ghana. Finally, the study selected cases that have adopted both financial and non-financial bootstrapping strategies in their funding activities since we believe the two are linked to the success of the firm.

**Table I: Profile of selected Cases**

| Case | Year of establishment | Type of Product/Service | Type of customers | Ownership Structure |
|---|---|---|---|---|
| Inter-City Laundry | 2013 | Laundry and Cleaning | Individual and corporate | Limited Liability |
| Topman Books Centre | 1976 | Books and stationery | Individual and corporate | Limited Liability |

| | | | | |
|---|---|---|---|---|
| Lauretta Investments | 19 70 | Sale of assorted cosmetics | Individual and corporate | Limited Liability |

## 5. Case studies.

## 5.1 Inter-city laundry Limited

*Background*

The Inter-city laundry Limited is one of the oldest and successful laundry service providers in the Volta Regional Capital, Ho, in Ghana. The laundry started its first operation in 2013 and has been in existence for a decade with a large customer base. The laundry provides services, to individuals, hotels, the public sector and other businesses in the clothing business. The major goals of the laundry are targeted at value creation for the family, family harmony and maintaining the continuity of family control over the firm. This family-managed firm is characterized by a long-term orientation and a superior ability to accumulate social capital.

*The use of personal and related financial resources*

Inter-City Laundry Limited relied heavily on internal financing in the initial stages of the firm's life cycle. More importantly, a cursory observation of the business suggests that it was principally financed with personal savings and donations as well as grants from relatives and friends. The management of the firm is in a unique position to sustain it over this long period since they are free from external shareholder pressures and creditors to maximize short-term returns. The impact of the reliance on personal savings at the initial stages reduced the stress associated with debt financing and facilitated absolute control over the management of the firm without any external interruptions. It is important to indicate, however, that as the business grows, the need for additional financing became inevitable and thus the firm had to resort to debt financing from the banks.

*The use of low-cost office space*

Through personal sources, the owner of Inter-City Laundry Limited had mobilized enough savings to rent the current space at a relatively cheaper location from the onset. Relatedly, the demand for below-market or low-cost office space has been paramount in the retail as well as other service sectors in Ghana. Indeed, the cost of space, especially in a prime location, is one of the major factors that militate against SME expansion decisions in, Ghana. In Ghana, for instance, the cost of goodwill for a prime location is sometimes three hundred per cent over the actual rent of the facility. Similarly, the duration for rent advance for space in any prime location in the capital city of Ghana is a minimum of five years which is inimical to the growth and survival of small businesses that are already financially constraint.

*The use of preferential charges*

Inter-City Laundry enjoys discounts from suppliers and engages in advance payment as well due largely to its positive liquidity position. This development results in competitive and relatively lower prices it charges its customers which leads to increased demand for their services with its attendant high profitability. These flexible terms of trade enhanced its operations and improve its profits to facilitate expansion. Special terms with suppliers such as discounts and pre-payments for services from clients resulted in significant savings in all categories of the business. The length of prepayment and discounts linked to advance payment were important financing decisions for the laundry.

*Delayed payments and debtor management*

Extended credit payment to suppliers contributes significantly to cost reduction which is one of the tenets of bootstrapping. Similarly, effective debtor management equally improved the liquidity position of the laundry. The eventual benefits are access to own funds in contrast with expensive external funding with its attendant high-interest charges. This bootstrapping strategy permits the customers to turn over their limited working capital severally through supplies and sales in a profitable manner. Inter-City Laundry, in contrast, does not enjoy extended credit terms because of its stable liquidity position coupled with the fact that its main supplies are detergents. More so, laundry services are not traded on credit and thus the firm does not grant credit to its customers.

*Deferred/reduced salaries and wages*

Family firms largely pay lower and reduced salaries and wages to their employees. Presumably, this philosophy has become one of the principal strategies of bootstrapping used by family business owners in Ghana. More so, family business owners usually delay the payment of salaries and wages to themselves and employees to allow for constant operation of the business which is the paramount aim. Inter-City Laundry adopted the same strategy at the initial stages of the business. Additionally, direct family employees were not placed on any competitive salary at the initial stages apparently to accumulate enough savings for reinvestment. InterCity Laundry does not as well engage in any unbridled drawings from the firm. This strategy was generally accepted by family employees because of their commitment to family goals. As a result of this strategy, Inter-City Laundry has been on a steady growth trajectory.

## 5.2 Topman Books Centre

*Background*

The Topman Books Centre is one of the oldest and successful bookshops that have been in existence for close to four decades. It started its operation in 1976 with just one employee and currently with over 10 employees. Topman Book Centre supplies books and stationery to both primary and secondary schools in the Capital City of Accra and other regional capitals. It also supplies stationery to corporate organisations.

*The use of personal and related financial resources*

Topman Books Centre has relied heavily on the use of owner savings and family resources particularly at the initial stages of the business. The adoption of this bootstrapping strategy minimizes the level of external funding that is required. This has also relieved the firm from the high interest that is associated with bank financing. It is curious to note, however, that Topman

Books Centre has never engaged in external debt or equity financing from any financial institution or individuals. Its main source of working capital has consistently been personal and business savings exclusively. This strategy promoted absolute control and deep commitment to the business for survival devoid of external distractions.

*The use of low-cost office space*

Topman Books Centre, now one of the biggest bookshops indeed started from a mobile van along a major highway with heavy human traffic and graduated into a tiny shop in one of the biggest slum markets known as Agbogbloshie in Accra. The business then moved to an obscure corner in the central business district for close to a decade before moving to its current space. The business again mobilized enough savings to rent the immediate adjacent shop when it becomes available. Reflecting on the need for frugality in the management of family business funds for survival, the demand for below-market or low-cost office space has become crucial since the acquisition of expensive office space could erode the business of its financial gains.

*Delayed payment and short debtors terms*

Extended credit payment to suppliers contributes significantly to cost reduction which is one of the tenets of bootstrapping. Topman Books Center, however, does not take advantage of extended credit terms and neither does it grant credit to its customers. This is due to its stable liquidity position and resolves to remain strategically small albeit its positive impact on working capital management. Avoiding and reducing granting of credit to clients equally reduces the cost of recovery and results in the making of vital savings which culminates in the improvement of the liquidity position of the business. Indeed, this is Topman's orientation. Most of the retail family shops in Ghana sell solely on a cash and carry basis.

*The use of preferential charges*

The arrangement of special terms with suppliers such as discounts, pre-payments and larger deposits from clients to buy books resulted in significant savings for the business. Topman Books Centre enjoys discounts from suppliers as a result of his disdain for delays in supplies due to shortage of funds. The business also engages in advance payment for supplies largely due to its strong liquidity position and inturn enjoys lower prices. A smarter bootstrapping strategy the business adopts is to bargain for a higher percentage of commission receivable on cash purchases from suppliers and thereby making abnormal profits from sales.

*Deferred/reduced salaries and wages*

The available literature indicates that reduced wages or salaries to family employees have become one of the principal strategies of bootstrapping used by entrepreneurs in Ghana. Family firms pay lower wages compared to other institutions. Most family business owners, particularly at the initial stages, delay the payment of salaries and wages to family employees to allow for reasonable growth without the constraint of payroll expenses. In Topman Business Centre, direct family employees are not on a regular monthly salary but rather are paid stipends. Family employees were only put on fixed salaries when business cashflow becomes stable. This bootstrapping method facilitates and motivates reinvestment in the business. This eventually led to the current growth position of Topman Books Centre.

## 5.3 Lauretta Investments Limited

*Background*

Laureta Investments Limited is a fast-growing cosmetics shop that has been in existence for close to three decades and currently located in the Central Business District of Accra, the capital city of Ghana. The initial line of business is fashion and designing. However, the business has diversified into the sale of assorted cosmetics to a very wide target market in the city. Lauretta currently sells on both retail and wholesale basis.

*The use of personal and related financial resources*

New enterprises often depend on loans from family and friends for early-stage investments. Thus, family businesses typically rely heavily on the use of owner-related financing particularly in the early stages of the business. Lauretta Investment Limited was largely financed from personal and family-related savings. The diversification decision from the fashion and designing sector to cosmetics was informed by the steady increase in the middle class probably attributable largely to the benefits of the new educational policy that had shortened the number of years spent in schooling. More women were becoming financially empowered which culminated in the boom for the cosmetic industry.

*The use of low-cost office space*

Co-sharing of space resources is one of the major bootstrapping strategies at the earlier and growth stages of the business life cycle which impacts positively on cost reduction in an environment of scarce financial resources. Lauretta Investments Limited, now one of the biggest cosmetics shops in the Central Business District of Accra started from Agbogbloshie which is the biggest slums in the capital city of Accra. The business moved to its current shop fifteen years ago and now has two big shops and a spacious warehouse. This movement was facilitated by reasonable personal savings as well as savings made on goodwill payment. There was also family financial support in the area of office space acquisition. This form of financing resonates well with the concept of bootstrapping. Although the company never shared space with other entrepreneurs, the strategy resulted in the strategic saving of funds that would have been expended on the payment of goodwill and prohibitive rent in the city.

*Delayed payment and short debtors terms*

Lauretta Investments Limited used to be reliant on trade credit at the growth stages of the company's life cycle. The firm had built a solid social capital with its suppliers and delivered on its repayment obligations creditably and grants short term credit to its wholesale customers who cuts across the length and breadth of Southern Ghana. The adoption of this method of bootstrapping enabled the company to reduce drastically its reliance on external funding from financial institutions for working capital at their onboarding as well as growth stages of the family business. It is worthy of note, however, that the company now buys directly from the producers abroad and therefore could save a lot on the purchasing price. The company now has a steady credit line with the banks considering the volumes it deals with.

*The use of preferential charges*

Lauretta investments enjoy special terms with suppliers in the form of discounts, discounted advances, pre-payments, and larger deposits from clients which have resulted in significant savings for the business. Lauretta Investments Limited enjoys discounts from foreign suppliers as it buys in bulk to avoid a run-out of stock considering the company's huge clientele base. These flexible terms of trade go a long way to enhance its operations and improve its liquidity and profitability. The company equally extends credit to wholesale customers who are dotted all over the Regional and District capitals in Ghana. This development contributes significantly to cost reduction in its operational activities.

*Deferred/reduced salaries and wages*

In Lauretta investments, the director and direct family employees are not on a structured and formal monthly salary. The director, as well as all other family employees, are put on stipends which are sometimes delayed when the need arises. This is made in response to the need to raise enough financial resources to achieve the family goal of raising a family business.  However, it has been observed that the owner draws as much money as convenient from the business on the condition that the business liquidity position is not adversely affected. This situation concurs with the practice where family firms are notorious for withdrawing assets from the business for personal use which thereby undermines the firm's solvency. Table II below provides a summary of the bootstrapping strategies of the family businesses explored in this study.

**Table II: Application of bootstrapping strategies and survival outcomes**

| Cases | Bootstrapping strategy | Survival Outcomes |
|---|---|---|
| **Inter-City Laundry** | ▪ Reliance on personal finance & friends at initial stages<br>▪ Low-cost office space<br>▪ Enjoys discounts from suppliers through bulk purchases.<br>▪ Low and deferred salaries | ▪ Less external interference & interest payment.<br>▪ Savings from prohibitive rent advance<br>▪ Cost savings<br>▪ Improved liquidity. |
| **Topman Books Centre** | ▪ Exclusive reliance on savings and personal finance<br>▪ Use of alternative office space (mobile van)<br>▪ Engagement in cash-sales<br>▪ Discounts from bulk purchases<br>▪ Commissions from prepayments<br>▪ Exclusive cash sales | ▪ No external dilution of business interest<br>▪ No interest payments & dividend sharing.<br>▪ Savings from prohibitive rent advances<br>▪ Cost savings and improved liquidity.<br>▪ Huge margins and savings on debtor management |
| **Lauretta Investments** | ▪ Personal savings & family-related financing<br>▪ Low-cost starting Started from (slum in Accra)<br>▪ Initially, reliance on trade credit using goodwill.<br>▪ Short-term credit to wholesalers<br>▪ Bulk buying from suppliers<br>▪ Non-fixed salaries-(stipend dependent) | ▪ Savings on interest payment, dividend share & non-business dilution.<br>▪ Improved trade terms with available liquidity for investment<br>▪ Improved global network.<br>▪ Quick turnover<br>▪ Improved liquidity |

## 6. Findings and discussions

Bootstrapping strategies have been effective and efficient in starting and sustaining SMEs generally and particularly family businesses. Winborg (2009) identified three groups of bootstrapping entrepreneurs engaging in diverse uses of bootstrap activities, which were labelled as cost-reducing bootstrappers, capital-constrained bootstrappers, and risk-reducing bootstrappers. The situation in Ghana per the cases explored is consistent with the findings of Winborg (2009). From Table 1 above, the subject of owner savings and donations from friends and relatives featured prominently in the findings. All three cases studied confirmed that their initial working capital was acquired through personal savings and occasional support from families and friends. This finding is consistent with the findings of Vanacker et al., (2011), Crespí & Martin-Oliver (2015) and Khan, Saqib, & Ahmad, (2016) who contended that family businesses typically rely heavily on the use of owner-related financing particularly in their early stages of the business. This result could be attributed to inaccessibility to funding from universal banks and the scarcity of financial resources during their birthing stages. This development is also consistent with Winborg (2009) classification of capital-constrained bootstrapping associated with microenterprise development.

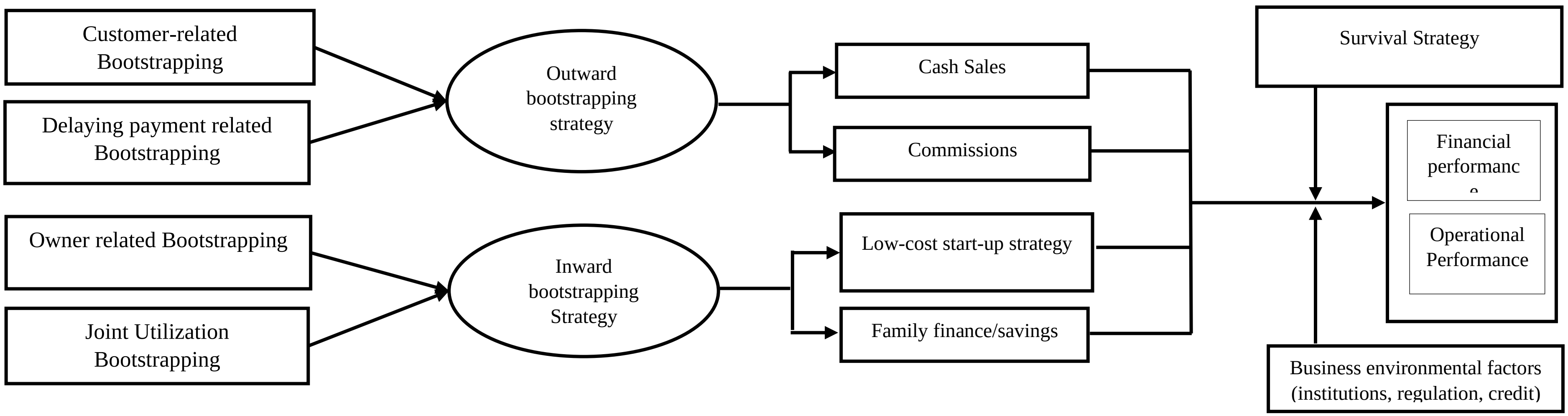
Co-sharing of scarce resources to reduce the initial cost of investments is rather alien to family businesses in Ghana per the cases studied. It can be observed from Table 1 above that none of the cases studied co-shared any resources with competitors or other firms. This is in sharp contrast with the findings of Ries (2011) and Taeuscher and Kietzmann (2017) who asserted that co-sharing of space resources is one of the major bootstrapping strategies for new businesses which impacts positively on cost reduction in an environment of scarce financial resources. However, this may be attributed to mistrust among businesses, fear of keen competition, the nature of products and services being sold which would not make marketing sense to co-share an office space. It may also be ascribed to the unbridled desire to be independent devoid of interference (Cruz, Berrone, & De Castro, 2011). Consequently, all the cases studied accumulated savings to secure their spaces to avoid future conflict among officer sharers. More so, the use of low-cost resources at the initial stages of the firm's life cycle was evident across all the cases studied.

On the subject of favourable credit and debtor bootstrapping strategies, it can be inferred from the findings that almost all the cases studied took advantage of extended trade credit which is consistent with the findings of Carbo-Valverde, Rodriguez-Fenandez & Udell (2016) who concluded that trade credit at the growth stages of the company's life cycle frees up working capital for consistent turnover over a period before meeting payment obligations. Relatedly, extended credit payment to suppliers also contributes significantly to cost reduction which is one of the tenets of bootstrapping (Schinck & Sarkar, 2012). In the same vein, effective debtors' management equally improves the liquidity position of firms (Knauer & Wöhrmann, 2013; Vanacker et al., 2011). However, in some cases, the firms are able to afford instant payment for supplies as well as not engaging in selling on credit with its associated challenges of debt recovery.

Similarly, the enjoyment of preferential charges is a major bootstrapping strategy adopted by the firms studied. Various discounts were enjoyed and given based on bulk purchases and cash-and-carry trade. This finding is consistent with the studies of Tavakoli and Taleizadeh (2017) and Lee et al. (2018) who conclude that special terms with suppliers and customers such as discounts, discounted advances, pre-payments, larger deposits from clients result in significant savings in all categories of businesses.

Salaries and wages are critical ingredients for the success of any venture as labour are indispensable. It is observed from the cases studied that all the family businesses adopted the practice of delayed and reduced salaries and wages at the initial stages of their business life cycles. This finding is consistent with the contention of Alvarado et al., (2020) & Bassanini et al. (2013) who argued that reduced or delayed wages or salaries in the business have become one of the principal strategies of bootstrapping by entrepreneurs. This strategy resulted in cost reduction leading to savings that could be reinvested in the business.  We leverage these findings to develop an integrative model as shown in Figure 1 below to map-out the bootstrapping strategies of family businesses in Ghana. Figure I below show both the outward and inward bootstrapping strategies in family firms.

**Figure 1. Family business financial bootstrapping strategies and survival model**



*The impact of bootstrapping strategies on family businesses in Ghana*

Conceivably, the application of financial bootstrapping strategies by family businesses accrues positive impacts on the growth and sustainability of their businesses. First, capital accumulation through savings made from low-cost capital, low-cost space, and enjoyment of flexible purchasing terms is an important step in navigating the financial difficulties of an SME. This, coupled with a high commitment from the owners and non-interference from external financiers improves business performance. Financial credibility is key to business success. Creditworthiness built over time by the cases studied has built a vital reputation to enjoy credit both long and short-term trade credit. Human capital is key to any successful venture. It is observed from the cases studied that family members' concurrent association with the business and family dimension has resulted in the acquisition of in-depth knowledge of the business which further promoted loyal behaviour, strong motivation and a strategic long-term perspective which is consistent with the findings of Miller and Le Breton-Miller (2005) and Sirmon and Hitt (2003).

*The challenges in the application of financial bootstrapping strategies*

While the benefits of financial bootstrapping strategies are undisputed, its application faces some challenges. First, the level of education and more importantly financial literacy of two of the family firm owners are quite low and this challenge militated against the exploration of more innovative and professional ways of applying the discussed bootstrapping strategies to gain more competitive advantages with its resultant benefits of improved profitability and lower cost of operations. The level of networks that can be built by a more financially literate family business owner is unarguably better than that of a low financially literate owner, which goes a long way to accumulate social as well as survivorship capitals. Secondly, the cooperative culture of business formation and management appears to be non-existence due probably to mistrust and greed, which makes co-sharing of space and other scarce resources that are easily accessible cooperatively at lower cost difficult. This may have accounted for the rapid failure of businesses including family businesses.

## 7. Conclusion

The business development challenges confronting Ghana currently does not seem to be surmounted in the immediate future. One of these challenges is how to institute a localised and innovative way of addressing working capital challenges by targeting those at the bottom of the pyramid (Kaplinsky et al. 2009; Botchie et al. 2017). With the financial resource constraints of family businesses in Ghana, the adoption of localised financial bootstrapping strategies has afforded distinct support particularly for start-ups for the growth of microenterprises. Family businesses are grappling with resource constraints and struggling to keep pace with the changing needs in the retail market. Our present study examines the financial bootstrapping strategies that are adopted and implemented by family businesses as a response to the financial constraints encountered in the Ghanaian business environment. We argue that financial bootstrapping strategies could generate competitive advantages, improve corporate governance and sustainability with the eventual generation of value to the entrepreneur and the economy.

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