COMPARING COMPETITIVENESS OF FAMILY AND NON-FAMILY SMEs IN TANZANIA

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ABSTRACT

This paper aims at examining competitiveness of family firms in comparison with non-family firms assessing the differences in the strategies applied by the two categories of firms. Using a sample of 341 SMEs, MANOVA was applied to compare competitiveness and the strategies of the firms studied. The findings show that family SMEs are generally more competitive than non-family SMEs in terms of financial indicators. However, in terms of market based-indicators, the difference in competitiveness is insignificant between the two groups of firms. The findings also show that family enterprises have a greater inclination and focus on the longer-term horizon, to implement cost-saving strategies and charging more competitive prices. This supports the view that family enterprises are unique requiring policies that encourage family entrepreneurship and provide the best possible conditions for the growth of family business activities. It shows that even though in the SME sector strategies are difficult to contextualise, the strategic behaviour and actions of the owner-managers are often identifiable.

INTRODUCTION

The significance of Small and Medium Enterprises (SMEs) for economic development is widely recognised in most economies (Olewale and Garwe, 2010). In African countries, SMEs account for a significant share of production and employment, and are therefore connected to poverty alleviation. Given that SMEs are the engine of growth, there has been a growing interest to research into the context in which they operate and compete. Notwithstanding the research interest into SMEs, the state of the sector in Tanzania has been deteriorating (Charles, 2009), perhaps due to the fact that most policies and studies do not recognise the heterogeneity of SMEs in order to address their specific needs. In essence, SMEs differ in many ways, covering dimensions such as management characteristics, ownership, resource utilisation and strategy choices (Albaladejo, 2002). On the strength of the Resource Based View (RBV), there is a major distinction between family and non-family SMEs in terms of strategic differences emanating from their firm-level resources (Habbershon and William, 1999). RBV scholars stress on the relevance of intangible resources in family firms that commonly reside in the

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interaction between the family, its individuals and the firm. These intangible resources often referred to as the familiness make this type of businesses an interesting area of study.

Even though family firms are said to be distinct from non-family firms, there are contradicting views on the role of the family and its resources in the competitiveness of SMEs. On one hand, the family is seen as an important institution whose involvement in the business allows family firms to develop greater competitive advantage over non-family firms (Zahra, et al., 2008). On the other hand, the family is regarded as a burden to firms, forcing entrepreneurs to share profits with their family members instead of reinvesting in the business (Trullson, 1999). Then again, there is little evidence on the strategies applied by family firms to enhance their competitiveness and on how those strategies differ from the ones used by non-family firms, since research on family businesses remains largely at a conceptual level (Dyer, 2006).

Despite the presence of family firms and their acknowledged significance in Tanzania (Charles, 2009), there are limited studies focusing on these businesses. In an attempt to cover this gap, this paper focuses on the firm competitiveness and strategies across family and non-family SMEs. It addresses two key questions: i) Are family firms more competitive than non-family firms? Are the strategies applied by family firms to achieve competitive advantage different from the ones used by non-family firms?

THEORETICAL BACKGORUND AND REVIEW OF LITERATURE

The Concept of Competitive Advantage

A common theme in the use of the term competitive advantage in the strategy literature is "value creation". In view of this, a firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any competitor(s) and when other firms are unable to duplicate the benefits of this strategy (Auw, 2009). Accordingly, the stance taken in this paper is that competitive advantage is achieved when the firm is able to perform above the industry average through its value-creating strategy (Peteraf and Barney, 2003). However, while competitive advantage is predominantly operationalised in terms of financial measures, market performance is also relevant (Coplin, 2002) to complement and overcome the weaknesses of the former. Therefore, for the purpose of completing the measures of firm competitiveness, this paper takes into account both indicators. Essentially, two theoretical explanations have greatly influenced the discussion on competitive advantage among firms. First, is the traditional approach, which presupposes that differences in the competitiveness of firms are attributed to the economic attractiveness of the structural factors of the industries in which they are members. This approach follows the Bain (1959) Structure-Conduct-Performance (SCP) paradigm of

traditional industrial organisation. The second stream stresses that differences in firm success are attributable to firm-level factors. This stream concentrates on resources as the unit of analysis and it is known as Resource Based View (RBV) of the firm. This paper is guided by the RBV since it provides a strong theoretical framework for assessing competitiveness of the firm from an internal perspective.

Resource Based View (RBV)

The RBV stresses that a sustained competitive advantage is derived from the resources and capabilities a firm controls that are valuable, rare, imperfectly imitable, and not substitutable (Barney, 1991). Peteraf and Bergen (2003) presented four theoretical conditions which must be met to achieve competitive advantage; resource heterogeneity, imperfect resource mobility, ex post and ex ante limits to competition. Apart from the general literature on the nature of firm competitiveness, there exists literature that deals with the specifics of family firms. Research suggests that family firms often possess unique characteristics and sources of competitive advantage relative to non-family firms (Zahra, et al., 2008). For example, a family may provide the family firm with substantial financial and physical assets that enable it to achieve and sustain superior levels of financial performance (Dyer, 2006). The advantages in family firms include reduced agency costs through owner control (Zahra, et al., 2008), lower human resource and control costs (Daily and Dollinger, 1992). The concentration of shares in family management leads to a strong sense of mission, well-defined long-term goals and the ability to adapt to major changes (Moscetello, 1990). Unlike some previous studies that over emphasised the impact of family ownership on financial performance of the firms, we focus on both financial and market performances.

Another strand of literature shows that family firms have some competitiveness constraints. For instance, maintenance of management within the family is likely to have a negative impact on the firm's performance (Cucculelli and Micucci, 2008). Family involvement may lower the competitiveness of family firms, due to unique agency problems that arise from self-control problems, altruism, nepotism, self-dealing, entrenched management and utility maximisation by the family to the detriment of company profits (Vinton, 1998). Despite the contradictions, the key issue in this paper is that the presence of the related family dynamics in a business makes family firms unique. Since the majority of the results are derived from the experiences of developed Western economies that share many institutional similarities, it is sensible for me to explore the effect on the familiness in the business in a developing economic setting.

Family Firms' Strategies

Research shows that the strategies that characterise successful family firms are quite different from those typically studied by strategy researchers looking at non-family businesses (Chrisman et al., 2004). The literature suggests that owner family characteristics, values and interests shape the family business strategy

(Sharma et al., 1997). This means that, even if formal aspects of the strategies are often similar in family and non-family firms, the differences are in the manner in which they are implemented and the participants involved in the process. For instance, family firms are considered to be more effective in using cost effective strategies as a result of their capabilities to save agency costs (Schulze et al., 2001). As family enterprises often have a long-term perspective (Dyer, 2006), they are able to cultivate and maintain customer relationships (Sharma et al., 1997). They have the capability of charging more competitive prices due to the long-term relationship with their customers (Ranja, 2003). According to Dyer (2006), social capital of family firms includes better customer service, developing long-standing relationships and a high level of goodwill. Therefore, as family dynamics are likely to affect the strategy process differently, studies on family business strategies deserve special consideration. Nevertheless, most authors identify characteristics of family businesses as elements that affect business strategy but they do not postulate any specifics. On the contrary, this paper sets a premise for further investigation of the effect of the strategic actions of the family firms on their competitiveness. Examining the potential benefits and drawbacks of family involvement in strategy making is of utmost relevance not only theoretically but also from a practical point of view, given the overwhelming relevance of family firms.

Empirical Literature

The empirical research on the competitiveness and strategic activities of family and non-family firms is quite limited. Most studies have focused on the systematic nature of family business systems. Few studies in developed countries have focused on family and non-family SMEs. Even the ones focusing on SMEs, (e.g. Gnan and Songini 2003), cover the businesses which are somewhat larger in size than the businesses considered in this paper. In assessing whether family involvement influences firm competitiveness and its strategies, research on family firms has mainly based on the agency theory and the RBV of the firm. For example, McConaughy et al. (1998) used 1,000 CEOs data in America to assess the relationship between business ownership and firm success. Using multivariate analysis, it was evident that firm value was higher when ownership was concentrated in the hands of the family than when it was concentrated in a non-founding family. Bateman (2010) compared 65 family firms against a matched sample of 65 non-family firms and found that family firms displayed higher profitability and a positive relationship between increasing family ownership and sales growth. Lee (2006) investigated the competitiveness and stability of family-owned firms relative to firms owned by diverse shareholders. The study confirmed that firm performance improves when founding family members are involved in management. Kowalewski et .al (2009) investigated the influence of family involvement on firm performance in an emerging market economy. Using a panel of 217 Polish companies from 1997 to 2005, they found that firms with family CEOs were likely to outperform their counterparts that had non-family CEOs. A study of growth-oriented enterprises by Trulsson (1999) in Tanzania, Zimbabwe

and Uganda, observed that although family relations could have a negative effect on enterprise competitiveness, employing family members is beneficial because they help with surveillance. Eshetu (1999) interviewed 38 entrepreneurs in Ethiopia to review the factors surrounding the growth and success of firms. The major sources of capital for entrepreneurs in small enterprises were found to be the family circle. The use of family premises and other physical assets for starting an enterprise was a common practice and entrepreneurs enjoyed the supply of relatively cheap labour. Further, Gersick et al. (1990) found in a multi case research project that family dynamics affect structures, processes and operational activities of family firms making them pursue different strategies. Overall, the literature suggests that family businesses are influenced by a number of either performance-enhancing or performance-limiting characteristics. However due to the limited studies especially in developing countries, including the family as a research variable may further widen the scope of SME studies.

HYPOTHESES AND OPERATIONALISATION OF RESEARCH VARIABLES

In order to measure the competitiveness of family and non-family SMEs, three hypotheses are proposed; i) that there is a difference overall between the competitiveness of family and non-family firms ii) that family SMEs are likely to be more competitive than non-family SMEs as expressed in financial indicators; and iii) that family SMEs are likely to be more competitive than non-family SMEs as expressed in market-based indicators. In terms of the competitive strategies applied by family firms, the following hypotheses are posited i) that the overall strategic actions pursued by family SMEs are different from those pursued by non-family SMEs ii) that family firms are more likely to pursue cost-saving strategic actions than non-family firms and iii) that there is a greater likelihood of family firms pursuing long-term strategic actions than non-family firms. The key variables used to operationalise these hypotheses are shown in Table 1.

Table 1: Operationalization of Research Variables and Measurements

Variable	Operationalisation	Measurement Scale
Family firms	· *Owners' perception of the business as a family firm*	Ordinal
	· *At least 50% of financial control by family members,*	Nominal
	· *Intention to transfer ownership to family members*	
	· *Existence of family members in management (owner-manager, director, CEO, managers)*	
Competitive Advantage	***Financial indicators***	Ordinal
	· *Profitability rate*	
	· *Turnover rate*	
	Market-based indicators	
	· *Customer acquisition rate*	
	· *Market share*	
Firm Strategic Actions	· *Cost-saving actions*	Ordinal
	· *Long-term actions*	
	· *Price differentiation*	
	· *Focus on better customer service*	

METHODOLOGY

The population of the study consists of Tanzanian SMEs in the manufacturing and service industries. These firms were identified according to the number of workers, one of the criteria used in the National SMEs Policy. Whereas micro enterprises employ up to 4 workers, small enterprises employ between 5 and 49 workers, and medium enterprises employ between 50 and 99 people (URT, 2003). The firms included in the sample were all within the category of SMEs and have been in operations for at least five years. These firms were included in the sample on the strength of the assumption that they face fairly a similar environment. Using a database of 1,200 firms obtained from the National Bureau of Statistics, the firms selected were categorised into family and non-family businesses. Then, simple random sampling was used to draw the sample from each category. The sample

size was determined based on Tabachnick and Fidel's (1996) rule of thumb for testing multivariate data analysis ($N \geq 50 + 8m$ and $N \geq 104 + m$ for individual predictors), where m is the number of independent variable(s) and N is the sample size. The questionnaires were administered to 400 firms out of which 355 (88.75%) dully filled and returned them. The research variables that aimed at determining business performance and the applicability of strategic actions were measured using 5-point Likert-scale questions. Based on Little and Rubin's (1987) rule of thumb, eight cases (2.25% of the sample) with missing values in various independent and dependent variables were dropped from the analysis. Both univariate and multivariate outliners were identified using standard Mahalanobis Distance (D2). Six firms (1.7% of the sample) that had more than 100 employees were excluded from the sample. After dropping the extreme cases, the sample size was 341. The data were analysed using MANOVA due to its ability to compare groups when multiple independent variables are involved. The Hotelling's T-square was used to test the hypotheses because it is the most robust test when there are two groups formed by the independent variables and when the sizes of independent samples are not exactly the same.

FINDINGS

The General Liner Model in SPSS was applied to compute MANOVA statistics and levels of significance to test the three hypotheses relating to competitive advantage. As a general rule, the results that are considered valuable are descriptive statistics, multivariate tests and parameter estimates.

Table 2: Mean Scores for the Indicators of Competitive Advantage

	Ownership	***Mean***
Turnover rate	Family Business	3.17
	Non- family Business	2.94
	Total	3.05
Profit margin rate	Family Business	3.07
	Non- family Business	2.87
	Total	2.97
Customer acquisition rate	Family Business	3.42
	Non- family Business	3.42
	Total	3.42
Market share	Family Business	3.36
	Non- family Business	3.29
	Total	3.33

In comparing the firms competitiveness the hypothesis was that *there is a difference overall between the competitiveness of family and non-family firms.* The multivariate tests (See Table 3) show that there is a significant statistical difference overall between family and non-family firms in the set of dependent variables representing competitive advantage (Hotelling's Trace=0.36; F (4, 336) =2.983, p=0.019, partial eta squared=0.34). An examination of the mean scores indicated in Table 2 demonstrate that the means of family firms were higher in terms of turnover rate, profit margin rate and market share. The mean score for customer acquisition rate was equal to that of non-family firms. These findings generally suggest that family firms are more competitive than non-family firms.

Before examining the tests between-subject effects and parameter estimates it was tested whether family firms were significantly more competitive than non-family firms as expressed by each set of the financial and market-based indicators. It was important to perform this test so as to determine the indicators that accounted largely for the differences in competitiveness of the two sets of firms.

Table 3: Multivariate Tests - Overall Competitive Advantage

Effect		*Value*	*F*	*Sig.*	*Partial Eta Squared*
Intercept	Pillai's Trace	0.963	2175.376(a)	0.000	0.963
	Wilks' Lambda	0.037	2175.376(a)	0.000	0.963
	Hotelling's Trace	25.897	2175.376(a)	0.000	0.963
	Roy's Largest Root	25.897	2175.376(a)	0.000	0.963
Ownership	Pillai's Trace	0.340	2.983(a)	0.019	0.340
	Wilks' Lambda	0.966	2.983(a)	0.019	0.340
	Hotelling's Trace	0.360	2.983(a)	0.019	0.340
	Roy's Largest Root	0.360	2.983(a)	0.019	0.340

a *Exact statistic*

Therefore, it was hypothesised that *family SMEs are likely to be more competitive than non-family SMEs as expressed in financial indicators.* As depicted in Table 4, the results show that there is a significant statistical difference between family and non-family firms in terms of their competitiveness when measured in financial indicators (Hotelling's Trace=0.27; F(2, 338)=4.613, p=0.011, partial eta squared=0.27). Given that the mean scores of family firms for both indicators are higher than those of non-family firms, it can be concluded that family SMEs are more competitive than non-family SMEs as expressed in financial measures.

Table 4: Multivariate Tests - Competitive Advantage Based on Financial Indicators

Effect		***Value***	***F***	***Sig.***	***Partial Eta Squared***
Intercept	Pillai's Trace	0.953	3423.932(a)	0.000	0.953
	Wilks' Lambda	0.047	3423.932(a)	0.000	0.953
	Hotelling's Trace	20.260	3423.932(a)	0.000	0.953
	Roy's Largest Root	20.260	3423.932(a)	0.000	0.953
Ownership	Pillai's Trace	0.270	4.613(a)	0.011	0.270
	Wilks' Lambda	0.973	4.613(a)	0.011	0.270
	Hotelling's Trace	0.270	4.613(a)	0.011	0.270
	Roy's Largest Root	0.270	4.613(a)	0.011	0.270

a Exact statistic

Another hypothesis on firm competitive advantage states that *family SMEs are likely to be more competitive than non-family SMEs as expressed in market-based indicators.* Table 5 exhibits that there is no significant statistical difference between family and non-family firms' competitive advantage when measured by market-based indicators (Hotelling's Trace=0.02; F (2, 338) =0.394, p=0.675, partial eta squared=0.002). The partial eta squared also shows that the magnitude of difference between family and non-family firms in terms of market-based indicators was insignificant. From these findings, this hypothesis is rejected.

Table 5: Multivariate Tests - Competitive Advantage as per Market Based Indicators

Effect		***Value***	***F***	***Sig.***	***Partial Eta Squared***
Intercept	Pillai's Trace	0.951	3294.830(a)	0.000	0.951
	Wilks' Lambda	0.049	3294.830(a)	0.000	0.951
	Hotelling's Trace	19.496	3294.830(a)	0.000	0.951
	Roy's Largest Root	19.496	3294.830(a)	0.000	0.951
Ownership	Pillai's Trace	0.002	0.394(a)	0.675	0.002
	Wilks' Lambda	0.998	0.394(a)	0.675	0.002
	Hotelling's Trace	0.002	0.394(a)	0.675	0.002
	Roy's Largest Root	0.002	0.394(a)	0.675	0.002

a Exact statistic

After testing the above hypotheses, the results of the test of between-effects were examined in order to determine the extent to which each independent variable contributed to multivariate effect. As indicated in Table 6, both turnover and profit margin rates were significantly different between family and non-family firms with F (1,339) = 8.392, p=0.004 and F (1,339) =5.842, p=0.016 respectively. There were no significant differences between family and non-family firms in terms of customer acquisition rate and market share, as demonstrated by F(1,339)=0.007, p=0.933 and F(1,339)=0.459, p= 0.459 respectively. The post hoc comparison between the two groups using F statistics and Bonferroni-type was performed simultaneously. Based on the student's distribution and 95% confidence interval, the results show that both turnover and profit contributed significantly to making family firms more competitive with a mean difference=0.234, p=0.004 and a mean difference = 0.203, p= 0.16 respectively. These mean differences reflect the mean scores in Table 2 which show that the means for both turnover and profit rates are higher in family firms than in non-family firms.

Table 6: Parameter Estimates- Competitive Advantage

Dependent Variable	Parameter	Sig.	Partial Eta Squared
		Upper Bound	Lower Bound
Turnover rate	Intercept	0.000	0.891
	[Ownership=1]	0.004	0.240
	[ownership=2]	.	.
Profit margin rate	Intercept	0.000	0.878
	[ownership=1]	0.016	0.170
	[Ownership=2]	.	.
Customer acquisition rate	Intercept	0.000	0.898
	[Ownership=1]	0.933	0.000
	[Ownership=2]	.	.
Market share	Intercept	0.000	0.883
	[Ownership=1]	0.459	0.002
	[Ownership=2]	.	.

* *Family firms are represented by ownership=1 and non-family firms by ownership=2. The values for non-family are set to zero because the system assumed one group to be redundant. There are k-1 dummy variables where k=number of groups.*

For purposes of providing further explanation of the results, the effect-size measures of dependent variables were examined. An *effect-size measure* is a standardised index that is independent of sample size, quantifying the magnitude of the difference between populations or the relationship between explanatory and response variables. In a one-way MANOVA like the one applied in this paper, partial eta squared (μ^2) is commonly used to measure the effect size. The guideline suggests that when MANOVA is used, eta squared should be $\mu^2 \geq 0.5$ for the effect to be considered very large (Cohen, 1988). When $\mu^2 \geq 0.37$, the effect size is large and when $\mu^2 \leq 0.1$, the effect size is small. The range between small and large is medium effect. An inspection of the eta squared in Table 6 shows the eta squared for turnover rate ($\mu^2 = 0.24$) and profit ($\mu^2 = 0.17$). This means that 24% of the difference between family firms' competitive advantage was explained by the

turnover and 17% by the profit rate. The effect sizes of customer acquisition rate and market share were negligible, with $\mu^2 = 0$ and $\mu^2 = 0.002$ respectively. This also shows that there are no statistical differences between the two groups of firms in terms of market-based indicators.

In addressing the issue of firm strategic differences, it was hypothesised that *the overall strategic actions pursued by family SMEs are different from those pursued by non-family SMEs.* As presented in Table 8, the overall strategic actions taken by family firms are significantly different from the strategies used by non-family firms (Hotelling's Trace 0.47 F (4, 336) = 3.957, p=0.004, partial eta squared = 0.45). An examination of the mean scores presented in Table 7 shows that family firms had higher mean scores in almost all strategies. However, in order to establish the specific strategic actions in which family firms were more effective than non-family firms, the between-subject effects and parameter estimates for each strategy are examined. In so doing the specific hypotheses relating to firm strategies are tested.

Table 7: Mean Scores- Firm strategies

	Ownership	***Mean***
Cost-saving strategy	Family Business	3.55
	Non- family Business	3.22
	Total	3.38
Long-term strategic actions	Family Business	4.14
	Non- family Business	3.87
	Total	4.00
Charging competitive price	Family Business	3.83
	Non- family Business	3.44
	Total	3.62
Improving customer service	Family Business	4.60
	Non- family Business	4.63
	Total	4.61

One of the specific hypotheses relating to firm strategic actions states that *family firms are more likely to pursue cost-saving strategic actions than non-family firms.* The results presented in Table 8 demonstrate that there is a significant statistical difference between the pursuance of cost-saving strategic actions between family and non-family firms with F (1, 339) = 5.603 and P=0.016. The post hoc comparison between the two groups shows that family firms were more likely to pursue cost-saving strategies with a mean difference =0.321 and p= 0.018. Due to the fact that the mean score of family firms (see Table 7) is higher than that of non-family firms and statistical significance has been established, this hypothesis is supported.

Table 8: Multivariate Tests- Firm Strategies

Effect		***Value***	***F***	***Sig.***	***Partial Eta Squared***
Intercept	Pillai's Trace	0.979	3981.445(a)	0.000	0.979
	Wilks' Lambda	0.021	3981.445(a)	0.000	0.979
	Hotelling's Trace	47.398	3981.445(a)	0.000	0.979
	Roy's Largest Root	47.398	3981.445(a)	0.000	0.979
Ownership	Pillai's Trace	0.450	3.957(a)	0.004	0.450
	Wilks' Lambda	0.955	3,957(a)	0.004	0.450
	Hotelling's Trace	0.470	3,957(a)	0.004	0.450
	Roy's Largest Root	0.470	3,957(a)	0.004	0.450

a Exact statistic

It was also presupposed that *there is a greater likelihood for family firms pursuing long-term strategic actions than non-family firms*. This hypothesis is tested using the results shown in Tables 14 and 16. The findings indicate that there is a significant statistical difference between family and non-family firms in terms of taking long-term strategic actions F (1,339) =6.605 and p= 0.011). Post hoc analysis shows that the mean difference = 0.276 and p=0.011. Since family firms had higher mean value, they were likely to pursue longer-term strategies than non-family firms. In this case, the hypothesis is supported. Furthermore, it was hypothesised that *there is a greater likelihood of family firms charging more competitive prices than non-family firms*. The results shown in Tables 14 and 16 demonstrate that there was a significant difference between family and non-family firms in terms of the competitiveness of their prices. The between-subject effect

results show that F (1, 339) = 8.021 and p=0.005. While the descriptive statistics show that the mean score of the family firms was higher than that of non-family firms, the post hoc analysis results indicate that the mean difference= 0.390 and it is significant (p= 0.005). Therefore, the hypothesis is supported.

Another hypothesis states that *family firms exhibit greater focus on improving customer service than non-family firms.* Based on the results presented in Tables 7 and 9, it was evident that there was no significant difference between the two groups of businesses in terms of the emphasis on customer service (F(1,339)= 0.186 and p= 0.667). The mean difference = -0.034 and significance level of p=0.667 in the parameter estimates give a similar interpretation. On this basis, the hypothesis is rejected and the conclusion is that there is no evidence that family firms exhibit greater focus on customer service than non-family firms.

Table 9: Parameter Estimates- Firm strategies

Dependent Variable	***Parameter***	***Sig.***	***Partial Eta Squared***
		Upper Bound	Lower Bound
Cost-saving strategy	Intercept	0.000	0.777
	[Ownership=1]	0.018	0.16
	[Ownership=2]	.	.
Long-term strategic actions	Intercept	0.000	0.889
	[Ownership=1]	0.011	0.19
	[Ownership=2]	.	.
Charging more competitive price	Intercept	0.000	0.794
	[Ownership=1]	0.005	0.23
	[Ownership=2]	.	.
Improving customer service	Intercept	0.000	0.955
	[Ownership=1]	0.667	0.001
	[Ownership=2]	.	.

Ultimately, an inspection of the eta squared in Table 9 shows the values of eta squared as follows; cost saving strategy $\mu^2 = 0.16$, long-term strategies $\mu^2 = 0.19$ and charging competitive prices $\mu^2 = 0.23$. The important issue here is that the greater difference in firm strategies between family and non-family firms is attributed to charging competitive prices. With regard to improving customer service the eta squared value of $\mu^2 = 0.001$ shows that there is no significant difference between the two groups of firms in terms of both statistical and practical significance.

DISCUSSION OF THE FINDINGS

This paper is among the few articles focussing on family influence on the competitiveness of firms in developing countries. The findings show that family SMEs are generally more competitive than non-family SMEs particularly in financial terms. Such findings are consistent with the studies which show that, on average, family firms perform better than non-family firms (e.g. Bateman 2010; Maury, 2006). There could be several explanations for such results, one being the possibility of family members ensuring that earnings generated in the business are not mismanaged. Most SMEs in Tanzania lack adequate mechanisms of controlling finance, the success of most businesses depends on the extent to which business workers are close to the owner. In many instances, family workers in family firms are committed to enhancing the firm's performance due to their long-term view. Experience shows that some of the ethnic groups that are successful in entrepreneurship in Tanzania, include Asians and Chagga benefit from family members' involvement in the running of their businesses. Their general competitive edge results from the role of family units in providing mechanisms to engender financial discipline (Ranja, 2003) and their future orientation.

With regard to the market-based indicators, the findings demonstrate that while family firms have a higher mean score in terms of market share, there is no significant statistical difference between the two groups of businesses. The partial eta squared values for both market measures are insignificant, implying that there is no practical significant difference between the two groups of firms. These findings corroborate the results of other studies (e.g. James 1999; Panunzi et al.; 2006) which found that competitiveness of family businesses is financially superior but does not demonstrate the same trend with market-based measures. This would mean that when a firm performs well on the basis of financial indicators, it is sufficient to show that it is competitive. It supports Barney's (1991) view that the firm is more competitive when it generates above industry-average performance. Following this view, it can be argued that, although there is no difference between the two groups of businesses in terms of market-based measures, family firms' superiority in financial performance shows that they are more competitive. However, the observed difference between financial and market measures show the importance of testing them separately and expanding the scope of family business studies to cover a wide range of performance indicators.

With respect to strategic actions, the differences in strategic processes between family and non-family firms may reflect the impact of owner-family characteristics on strategic issues. In particular, the revelation that family enterprises are more likely to take cost-saving strategic actions than non-family firms is in line with the agency theory which postulates that the convergence of ownership and management in family enterprises leads to lower agency costs (Fama and Jensen, 1983). Inferring from Schulze et al. (2001), three possible reasons for lower costs in family businesses in Tanzania can be given. First, the interests of principals, who in most cases avoid maintaining 'costly mechanisms for separating the management and control of the businesses. Second, the owners' personal engagement in the business can ensure that managers do not abuse their wealth and do not increase costs to the firm. Third, family businesses are normally run by owner-managers, controlling agency problems and reducing costs to business.

The findings also indicate that family firms are more likely to take longer-term strategic actions than non-family firms. This is probably due to the longer-term tenure of family managers than the tenure of managers in non-family firms. In addition, family business owners consider their firm as a heritage for later generations which, in turn, extends the time horizon of business decisions (James, 1999). Since family owners intend to pass on their firm as a heritage to succeeding generations, they can be characterised as long-term owners. Given that members of the owner's family working as top managers are aware that they are linked to the family, both historically and in the future, they are less inclined to pursue personal interests over family considerations in the strategy process. This leads to long-term orientation in the strategic work.

In relation to pricing, the study indicates that family SMEs are in a better position to charge more competitive prices than non-family firms. Notably, as most small businesses base their prices on a combination of what the market dictates and costs incurred, in practice, it is difficult for those firms to calculate costs due to the lack of adequate information. This means the long-term experience of their managers is crucial in setting prices. In this case, family businesses have an advantage in determining prices more adequately due to the long tenure of their managers and experience acquired in dealing with customers. Further, established family networks, give family firms an advantage of negotiating for better prices and possibility of getting the best deals for their products and services. This supports Ranja's (2003) findings that family businesses in East Africa had the ability to fully exploit the pricing freedom and market power. As for customer service, the study reveals insufficient evidence to demonstrate that family firms exhibit a greater focus on improving customer service than non-family firms. Although it has been reported elsewhere that family businesses are in a unique position to leverage relationship building with customers, the findings of this study do not support the argument. This perhaps reflects the fact that customer service in Tanzania especially in small firms is not well developed. This however, requires

further research that will address the dynamics of customer service in family and non-family firms more adequately.

CONCLUSION AND IMPLICATIONS

In most cases, the assumption has been that SMEs do not have any formal strategy and are not to be found in the field of strategic management. On the contrary, this paper shows how SMEs apply strategic management principles to become more strategic in their operations. It shows that even though strategies. In the SME sector strategies are difficult to contextualise, the strategic behaviour and actions of the owner-managers are often identifiable. The paper adds a family dimension in conceptualising the strategy research constructs relating to SMEs in a developing economy. This is crucial since the majority of previous studies on SMEs performance in Tanzania had not recognised the connection between the family and the business. The study therefore calls for policies that encourage family entrepreneurship and provide the conditions for the growth of family business activities. The paper recommends that while creating an enabling environment for SMEs the development of their internal capabilities is equally important. This stresses the need for building organisational competencies and capabilities to cope with the environment. Further, consideration should be given to the ways in which, for example, the development potential bound within family firms can be utilised, and how those firms can be encouraged to grow. Apart from that, the paper suggests that competitiveness of firms lies in the ability of managers to create unique strategies which are difficult for other firms to emulate. Although this paper has identified some strategic behaviour within the SME context, understanding the strategy process in both family and non-family SMEs is still at an early stage of development. Therefore, more research is needed to gain a deeper understanding of important influences on the patterns and outcomes of strategising processes across family and non-family firms.

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