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Partial Mediators Influencing Entrepreneurial Competencies and the Performance of Small Hospitality Firm in Ghana

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Abstract

As successive Governments in Ghana invest more funds into the training of skilled personnel as well as reduce taxes on fuel, airport taxes and other taxes that affect travelers, private brands must also take steps to ensure a high maintenance culture and deploy their entrepreneurial competences to stimulate greater competitive scope and organizational capability to achieve higher performance. The study revisits this case in the context of small scale hospitality firms in Ghana to scrutinize the degree to which entrepreneurs' competencies influence competitive scope and organizational capability to support performance. A collection of a robust feed-forward Artificial Neural networks (ANN) based on sigmoid basis function was used. We collected data from a sample of 321 managers and supervisors from ten regional capitals in Ghana. We deployed a sigmoid basis function neural networks to establish the autonomous and simultaneous mediating role of organizational capabilities and competitive scope in the interplay between entrepreneurial competencies and performance of small scale hospitality firms. Our study confirms that entrepreneurial competencies have a positive impact on SME performance. Firms' managers with high levels of entrepreneurial competencies are able to scrutinize the environment for new opportunities and consolidate their competitive positions

Keywords: Entrepreneurial Competence, Performance, Small and Medium Hospitality Industry, Competitive Market

Introduction

Traditionally entrepreneurship has been defined as the practice of designing, initiating and running a novel business which normally begins as a small business venture or a setup firm offering services, product selling/hiring out service. The people who generate/create these businesses are called entrepreneurs. It has been described as the 'capacity and willingness to develop, arrange and control a business venture along with any of its risks in order to make a profit. Although there is a lot of literature about entrepreneurship, the behavioral, psychological and demographic characteristics of entrepreneurs are usually enumerated as the most significant factors in the performance of small and medium sized enterprises (SME). Cooper, Gimeno-Gascon, and Woo (1994); (Virglerová, Kozubíková, & Vojtovic, 2016) are of the view that different factors which influence enterprise performance can be found in other works. For this reason of inconsistency result found in the literature, these researchers advocate paying more attention to the following features and these are; (i) development of a more reliable framework, (ii) to contingent relationship that take place among different conditions and interactions: (iii) methods used to measure performance and their implications as well as to the use of an appropriate analytical technique.

In line with the proposed arguments the researchers developed a theoretical framework using the concept of competitiveness for SMEs and the competency approach to study the entrepreneurs' characteristics. With regards to the competency approach, the underlying quality of the most valuable workers lies in their competencies. While the conventional approach to the job position focused on work elements, the evaluation of the competencies studies people who are successful in their working career. Entrepreneur role in determining firm performance was focus and realized it is applicable to firms which are smaller in size and that bear the name of the entrepreneur or founder. As the hospitality industry in Ghana become increasingly competitive, small and medium scale hospitality firms have to explore other opportunities to survive and prosper. A lot of factors affect the growth of the hotel industry in Ghana. Small size hotels in particular are faced with survival-threatening challenges ranging from inadequate finance, poor infrastructural facilities, inadequate managerial skill, weak and instability of government policies and other presumed factors and challenges causing premature death of Small size hotels as Thomas, Shaw, and Page (2011) classified the problems as internal and external.

In Ghana however, strategies to curb these challenges and provide solutions must be immediately put in place if development is expected in the short term. As successive Governments in Ghana invest more funds into the training of skilled personnel as well as reduce taxes on fuel, airport taxes and other taxes that affect travelers, private brands must also take steps to ensure a high maintenance culture and deploy their entrepreneurial competences to stimulate greater competitive scope and organizational capability to achieve higher performance. Yet it appears that empirical studies on the interactions of different precursors to the performance of small size hotels are still largely inconclusive as the direction to which of these factors serve as prospects for small size hotels and those which are really challenges have not been properly identified. Our study revisits this case in the context of small size hospitality firms in Ghana to examine the extent to which entrepreneurs' competencies influence competitive scope and

organizational capability to support performance. This is done using a collection of a robust feed-forward Artificial Neural networks (ANN) based on sigmoid basis function. We assume that organizational capability and competitive scope are partial mediators in the relationship between entrepreneurial competence and performance of small scale hospitality firms. Further, we discuss the development of the model and associated hypothesis; describe the methodology, performance and the analysis before discussing our results and conclusion.

Related Works

There has been a lot of studies and increase regarding competencies ever since Sánchez (2012) postulated competency as an underlying characteristic in a person that is related by chance to a successful performance in a job. The definition of competencies varies from general perspective to other more detailed and tangible one, thus, competencies is that characteristics which enhance the performance or effectiveness a person's work. It is rational to believe that the roots of this competency approach lie in the identification and definition of the characteristics which define successful managers (Kozlowski & Ilgen, 2006) and in the knowledge of the fact a person's characteristics can be trained and developed (Wu & Lee, 2007). This implied that managers' competencies could also be applicable to entrepreneurs' competencies, with the latter relating to management competencies, as revealed in (Morris, Webb, Fu, & Singhal, 2013) work.

Research on entrepreneurship has revealed that entrepreneurial competencies have a positive impact on SME performance. Firms' managers with high levels of entrepreneurial competencies are able to scrutinize the environment for new opportunities and consolidate their competitive positions (Sánchez, 2012). According to (Kozlowski & Ilgen, 2006) the rising awareness in the competency approach has its origin in two basic arguments, that is: in the first instance, the failure of the large size organizations for not taken into account the necessary changes in individual behavior. People must desire for the new behavior before to enable support for behavioral change. The second aspect suggests that for better management ability in order to maintain business performance there has to be a closer relationship between firm performance and job skills. Thus, this approach is an answer to the need to consider durable individual characteristics which lead to success, rather than just abilities and capabilities, and what allow entrepreneurs to face rising competitive and innovation.

Based on the competency approach, three levels of the types of competencies can be studied (Morris et al., 2013; Sánchez, 2012; Wu & Lee, 2007) and these are: inputs (competencies & precedents), procedure (behavior and activities which point to the competencies) and outcomes (competency level reached in the functional areas). Thus, the study considers the procedure levels of the behavioral approach to study in entrepreneurial competencies given that it has turn out to be more and more popular way of studying managerial competencies (Sánchez, 2012; Wu & Lee, 2007). This approach presupposes that, the sheer possession of competencies does not denote the entrepreneur is necessarily competent. Relatively, competencies can simply be laid bare in the behavior and actions of a person, corresponding to one of the forceful characteristics of competitiveness.

Schwarz, Wdowiak, Almer-Jarz, and Breitenecker (2009), stated that competencies are obvious behavior attached to performance than other entrepreneurial characteristics such as personality traits, intentions or motivations. (Ismail Salaheldin, 2009); Sánchez (2012); (Schwarz et al., 2009; "Waiting is an entrepreneur's biggest mistake A2 - Pauceanu, Alexandrina Maria," 2016), and also used both financial and non-financial measures of SMEs performance in an article but (Rauch, Wiklund, Lumpkin, & Frese, 2009), are of the view

that competencies can have a positive effect on one dimension, that is (new product development), and a negative effect on another dimension (short-term profitability). Nonetheless, the main evidence signifies positive correlations between firm performance and competencies (Wiklund & Shepherd, 2005). Therefore, the hypothesis is:

H1: There is a significant relationship between entrepreneurial competence and the performance of small and medium scale hospitality firms in Ghana

Another aspect worth noting with regards to entrepreneurial competence firm performance is the competitive scope and organizational capability. That is external factor of the environment and an internal factor of the company respectively which can influence this relation is considered. Competitive scope is a concept referring to the position taken by a company with respect to its competitiveness as well as defining its modus operandi. It tells how the entrepreneur perceives the available opportunities for the firm in a competitive market. In other to consider the measures for the external environment there was the need to conceptualize this construct of competitive scope. Earlier studies have quite a lot of measures to understand the external environment and these include market heterogeneity, market demand, product/ industry, technological sophistication, market attractiveness, dynamism, life cycle, perceived opportunity, environmental munificence, and competitive concentration (Short, McKelvie, Ketchen, & Chandler, 2009; Wiklund & Shepherd, 2005). This notwithstanding, there is the need to differentiate between the reality of the environment outside the firm and a more perceptual or prejudiced view of the environment (Short et al., 2009) and in so doing the actual environment facing the firm is expected to be different from the environment perceived by the firm. Perceived opportunity is also different from actual opportunity as asserted by (Ozgen & Baron, 2007), and these differences in perception beliefs about the environment has its toll on the firm's strategy and performance formation. Consequently, this construct has a prejudiced part related to the opportunities perception in the environment and the availability of the firm to take action on them. The remaining problem is: why are there difference between the reality of the environment and the perceived competitive scope? Could entrepreneur competencies affect this difference? The researchers suggested that entrepreneurial competencies do play a crucial role in this process.

(Covin & Slevin, 1991); Ozgen and Baron (2007), model suggested the causal linkage between external environment structure and entrepreneurial behavior. Studies regarding the relationship between entrepreneurship and environment center on the opportunities offered by the environment. Covin and Slevin (1991), study postulates that successful identification of opportunity is influenced by entrepreneurial consciousness and preparedness, prior knowledge and information asymmetry, opportunity discovery, networking and creativity. Covin and Slevin (1991), further stressed these perceived opportunities available are also influenced by an intention –driven process determined by various personal variables. For that reason, the competitive scope is possible to be the entrepreneur's competencies to infer environmental conditions. This belief is captured in the following hypothesis:

H2: There is a significant relationship between entrepreneurial competence and the competitive scope of small and medium scale hospitality firms in Ghana

The actions, processes, systems and relationships that a company carries out with its resources are referred to as the concept of organizational capability and this sometimes represents the potential aspect of competitiveness from the firm's perspective also. The internal factors of competitiveness can be classified into resources and capabilities and these include: (a) tangible assets, which are financial, or physical: (b) intangible assets, which include technology, reputation, culture and (c) human specialized skills and knowledge, communication and interactive abilities, motivation. On the contrary,

resources in themselves cannot be turned into a competitive advantage unless it is organized into capabilities by the firm. For example, a distribution center is a resources and the distribution center management is an organizational capability.

Hertog (2000), suggest that the three primary entrepreneurial behavior are: (1) acquire financial informational, material and human resources; (2) create organizational structure as well as processes needed to produce services and goods and (3) develop an ongoing exchange of services and goods that guarantee the availability of future resources. These behavior are related to the organization of the internal and external resources of a firm in building up the firms' capabilities. Thus, the perception of competition in the organizational nous leads us to center our attention on identifying collective capabilities which enable brands to capitalize on prestige, space, and other resources without which an organization can hardly be responsible. Well trained workers with valuable contacts or networks may have been in existence, but one should not lose sight these skills themselves do not convert into a competitive advantage if the company does harness it, or do not know that they have them or does not know how to put them to use. Therefore based on the literature review above and previous empirical evidence we postulate that

H3: There is a significant relationship between entrepreneurial competence and the organizational capability of small and medium scale hospitality firms in Ghana

Firm performance is the ultimate criterion in the theoretical model. In other to ensure this performance, competitive scope is an influential tool for creating competitive advantage. In other words, more opportunities for industry growth, marketing information, innovation, heterogeneous market and importance of new services will provide more opportunities to enter the market survive and grow. Firms which engage in these variables tend to have higher performance and (Ardichvili, Cardozo, & Ray, 2003), points that firm with a well-organized network strategy have a propensity to acquire more competitive information about other firms earlier and this in turn leads to better new product performance. Thus the researchers postulate that better deployment of competitive scope would lead to higher performance.

H4: There is a significant relationship between competitive scope and the performance of small and medium scale hospitality firms in Ghana

Whiles competitive scope is clearly important in that any competitive advantage acquired by entrepreneurs bears little impact on firm performance except it is put through organizational capabilities. The significance of organizational capability is well documented and many authors refer to the use of capabilities as a source of competitive advantage (Ardichvili et al., 2003). There is lack of empirical research on the impact of organizational capabilities and its drivers in smaller organizations because literature largely focuses on organizational capabilities in large organizations. Recent work by (Ambrosini & Bowman, 2009; Ardichvili et al., 2003) stated that firms ability to integrate, build and reconfigure their resources (capabilities) and competencies is on the increase. This led us to formulate the following hypothesis:

H5: There is a significant relationship between organizational capability and the performance of small and medium scale hospitality firms in Ghana

Materials and Methods

Ghana's hospitality industry is predominantly made up of small and medium scale enterprises (70%). We collected data from a sample of 321 managers and supervisors from ten regional capitals in Ghana. We also collected data from Tema due to the growing number of small size hotels in the area. This is because they are close to the national capital and offers a cheaper hospitality services relative to those in the central business districts. We measured technical competencies: a set of functional competencies regarding the knowledge of methods and tools that are necessary to manage a firm through questionnaire. In this questionnaire 80 skills were listed and clustered into 17 groups regarding the main areas of managerial knowledge (e.g. strategy, accountancy, finance, control, marketing and sales, business law, HR management, organization, procurement, production and logistics, project management, IT, internationalization, etc.). The skills contained in this questionnaire were adapted from the Functional Skills Profile questionnaire (Camuffo, Gerli, & Chiara, 2006) by considering the peculiarities of entrepreneurial roles in SMEs, typical of the operational context of Ghanaian SMEs. Next we used a questionnaire to assess a set of emotional competencies and to this end we adapted the "Emotional Competence Inventory 1.0" questionnaire (Boyatzis, Goleman, & Rhee, 2000; Camuffo et al., 2006) by adding one cluster related to the cognitive competencies, taken from the ECI "University" version (Boyatzis et al., 2000). The resulting questionnaire was made up of 72 behavior, organized into 24 competencies and grouped into 5 clusters (self-awareness, self-management, social awareness, relationship management, cognitive competencies). Each entrepreneur of the sample had to assign a value to each of the 72 behavior in terms of the extent to which he/she expressed that behavior, on a scale from 1 ("Never") to 5 ("Consistently"), with the possibility of also giving the evaluation "Don't know / I have never had the opportunity to demonstrate this behavior". All the respondents of the sample were interviewed using Behavioral Event Interviewing (BEI) techniques, in order to measure the composition of their competency portfolio. Each BEI was recorded and then analyzed and coded¹ for frequency and variety of occurrence (Boyatzis et al., 2000; Camuffo & Gerli, 2004). The *frequency* parameter allows to understand the recurrence with which one specific competence is expressed by an individual, while the *variety* parameter allows to understand the number of different behavior performed when he/she expresses that specific competence². In other words, frequency can measure how often someone activates a certain competence, while variety can measure if that specific competence is expressed by someone through many or few different behavior (referable to different behavioral indicators) and for this reason it gives some information on the greater or lesser richness of possession of each specific competence. We used the Boyatzis' codebook as an initial main reference for coding (Boyatzis et al., 2000; Camuffo & Gerli, 2004). This codebook categorizes 22 themes of competencies divided into three groups: goal and action management abilities, people management abilities and analytic reasoning abilities. Boyatzis' codebook was then enriched with 12 themes of competencies by using thematic analysis in order to take into account further behavior that led to effective performance in the specific context. These competencies we added to the Boyatzis' codebook are: information gathering, result orientation, organizational commitment, customer orientation, business bargaining, organizational awareness, directing others, teamwork, leadership, and visioning, benchmarking, process-based vision. On the other hand we measured competitive scope and organizational capability by asking series of questions as used in the extant literature. We aggregated the

responses from the questions to obtain the composite values of entrepreneurial capability, competitive scope and organizational capability. Finally we measured small hotel industry performance based on the company's profitability proxies by the return on asset.

Analytical Procedure

Our analytical procedure was conducted at a two-staged level. We first conducted data integrity checks using a collection of prescribed techniques (McPhillips et al., 2007). The recorded values of Kaiser–Meyer–Olkin measure of sampling adequacy (KMO-MSA) and Bartlett's Test of Sphericity to determine the appropriateness of the data for factor analysis were within acceptable range. A factor analysis to investigate the dimensions of entrepreneurial capability, competitive scope and organizational capability preceded the construction of an artificial neural network model to examine the intermediary role of competitive scope and organizational capability and hospitality firm performance. Prior to this, we checked the basic assumptions such as the constant variance and normality so as not to influence the outcome. The varimax rotation and principal components analysis were performed for factor analysis. We set and ensured that all measure of sampling adequacy exceeded the Cronbach's alpha reliability value threshold level of 0.80 and the Bartlett's Test of Sphericity were large and significant. To test the first hypothesis 1-5, we designed a simple model consisting of 1 input layer, 2 hidden layers and 1 output layer using construct of sigmoid basis function neural networks. On the other hand we developed two new models of sigmoid basis function neural networks to autonomously establish the partial mediating role of organizational capabilities and competitive scope in the interplay between entrepreneurial competencies and performance of small scale hospitality firms. This is important where relationships exist between weights within the hidden and output layers, and among weights of more hidden layers. In addition other parameters including Mean Iteration, Standard variation, Standard deviation and convergent time (in sections) were evaluated. The architecture of the learning algorithm, and the activation functions were included in neural networks. Neurons are trained to process store, recognize, and retrieve patterns or database entries to solve combinatorial optimization problems. After encoding the particles, the fitness function was then determined. The goodness of the fit was diagnosed using mean squared error (MSE) as

$$MSE = \frac{1}{ns} \sum_{j=1}^n \sum_{i=1}^s (Y_{j,i} - y_{j,i})^2$$

where n is number of samples is the number of neurons at output layer, $Y_{j,i}$ is the ideal value of j^{th} sample at i^{th} output and $y_{j,i}$ is the actual value of j^{th} sample at i^{th} output. The sigmoid Basis function was given as

$$\left. \begin{aligned} \log sig(R), R = W.P + B \\ \log sig(W.P + B) = \frac{1}{1 + e^{-(W.P+B)}} \end{aligned} \right\}$$

Neuron function S(sigmoid) is logsig, W is weight matrix, P is input vector, B is threshold and the generalized Gaussian function as

$$\phi(r) = e^{-(\epsilon r)^2}$$

However this involves additional square operation and poses computation burden. We therefore proposed a Compact Radial Basis function based on the Gaussian Radial Basis function and Helens’ definition (Zhang, Genton, & Liu, 2004) expressed as

$$\left. \begin{aligned} &(\exp(-\text{abs}(R)), R = W.P + B) \\ &(\exp(-\text{abs}((W.P + B))) \end{aligned} \right\}$$

$$\phi(\text{out}) = (\exp(-\text{abs}(R)))$$

W is weight matrix, x is an input vector, B is threshold. The focus was to improve on the radial basis function for the application.

From Helen’s definition (Zhang, Genton, & Liu, 2004) an example of the RBF kernels can be stated as, a function $\psi : [0, \infty) \rightarrow \mathbb{R}$ such that $k(x, x') = \psi(\|x - x'\|)$ where $x, x' \in \mathcal{X}$ and $\|x - x'\|$ denotes the

Euclidean norm with $k(x, x') = \exp\left(\frac{-\|x-x'\|^2}{\delta^2}\right)$. She argued that the global support for RBF radials

or kernels has resulted in dense Gram matrices that can affect large datasets and therefore constructed the following two equations $k_{C,v}(x, x') = \phi_{C,v}(\|x - x'\|)k(x, x')$ and

$$\phi_{C,v}(\|x - x'\|) = \left[\left(1 - \frac{\|x - x'\|}{C} \right)_+ \right]^v$$

where $C > 0, v \geq \frac{d+1}{2}$, and the dot $(\cdot)_+$ is the positive part. The

function $\phi_C(\cdot)$ is a sparsifying operator, which thresholds all the entries satisfying $(\|x - x'\|) \geq C$ to zeros in the Gram matrix. The new kernel resulting from this construction preserves positive definiteness. This means that given any pair of inputs x and x' where $x = x'$ the shrinkage (the smaller C) is imposed on the function value $k(x, x')$; the result is that the Gram matrices K and $K_{C,v}$ can be either very similar or quite different, depending on the choice of C.

Findings

	Stopping Rule Used	Training Time	Percent Incorrect Predictions for Categorical Dependents
Entrepreneurial Competence-Performance	0:00:00.39	23.374	15.4%
Entrepreneurial Competence-Comp. Scope	0:00:00.39	23.374	17.1%
Entrepreneurial Competence-Org Capability	0:00:00.39	23.374	17.8%
Competitive Scope-Performance	0:00:00.39	23.374	20.3%
Competitive Scope-Organizational Capability	0:00:00.39	23.374	14.7%
Organizational Capability-Performance	0:00:00.39	23.374	9.6%
Entrepreneurial Competence – Organizational Capability-Performance	0:00:00.39	23.374	8.3%
Entrepreneurial Competence – Competitive Scope-Performance	0:00:00.39	23.374	7.2%

a. Error computations are based on the testing sample.

Table 1 summarizes the results of relationship and influence among the variables under investigations in this research. Firstly, the percent incorrect predictions of the relationship

between entrepreneurial competence and firm performance are (15.4%) hence affirming the first research hypothesis. Next it was observed that entrepreneurial competence and competitive scope are positively influential on each other with a prediction error of (17.1%) while the prediction error between the reciprocal influence of entrepreneurial competence and organizational capability is (17.8%). On the other hand, the percent incorrect predictions for the influence of competitive scope on firm performance are (20.3%) while the percent incorrect predictions for competitive scope and organizational capability are (14.7%). We note that the percentage correct predictions for the relationship between organizational capability and firm performance is nearly 90% (prediction inaccuracy is 9.6%) while that of entrepreneurial competence, organizational capability and performance is nearly 91% (prediction inaccuracy is 8.1%). Finally it was noted that the moderating role of competitive scope in the interplay between entrepreneurial competence and performance is correctly predicted at 93% (prediction error is 7.2%). The inflation adjusted testing model follows similar patterns. Overall the training values returned a prediction accuracy of 86% (prediction error of 13.8%).

Conclusions

We have indicated earlier that although there is a lot of literature about entrepreneurship, the behavioral, psychological and demographic characteristics of entrepreneurs are usually enumerated as the most significant factors in the performance of small and medium sized enterprises (SME). Schwarz et al. (2009), is of the view that different factors which influence enterprise performance can be found in the other works. Our study revisits this case in the context of small size hospitality firms in Ghana to examine the extent to which entrepreneurs' competencies influence competitive scope and organizational capability to support performance. This is done using a collection of a robust feed-forward Artificial Neural networks (ANN) based on sigmoid basis function. The study established a significant relationship between entrepreneurial competence and the performance of small size hospitality firms in Ghana. We equally note a statistically significant relationship between entrepreneurial competence and the competitive scope of small size hospitality firms in Ghana. Further the research shows that there is a significant relationship between entrepreneurial competence and the organizational capability of small and size hospitality firms in Ghana. This is also the case with the relationship between competitive scope and the performance of small size hospitality firms in Ghana. We also note a significant relationship between organizational capability and the performance of small size hospitality firms in Ghana. Overall, we establish the autonomous and simultaneous mediating role of organizational capabilities and competitive scope in the interplay between entrepreneurial competencies and performance of small scale hospitality firms. Our study confirms that entrepreneurial competencies have a positive impact on SME performance.

Recommendations

The researchers recommend that as Ghana's small sizes hotels are become increasingly competitive, firms have to explore other opportunities to survive and prosper. Firms' managers with high levels of entrepreneurial competencies should scrutinize the environment for new opportunities and consolidate their competitive positions.

Secondly, in order to maintain business performance, there has to be a closer relationship between firm performance and job skills. Thus, there is the need to consider durable individual

characteristics which lead to success, rather than just abilities and capabilities, and what allow entrepreneurs to face rising competitive and innovation.

A worker with valuable contacts / networks may have been in existence, but one should not lose sight these skills themselves do not convert into a competitive advantage if the firm does not harness and put them to use.

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