# Performance of restaurants: Recognizing competitive intensity and differentiation strategies

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**Abstract:**

*Purpose: The purpose of this paper was to examine the relationships between differentiation strategies, competitive intensity and restaurant performance. It was also to estimate the effect of interaction terms of differentiation strategies and competitive intensity on restaurant performance.*
*Methods: Data were obtained from 160 restaurant operators in the Ashanti region of Ghana through a structured questionnaire. The paths of the relationships were estimated and tested using regression analysis.*
*Results: The findings suggest that differentiation strategies have a significant impact on restaurant performance and that competitive intensity partially influence the performance of restaurants. Competitive intensity was, however, found not to moderate the relationship between differentiation strategies and restaurant performance.*
*Implications: The study findings will greatly help managers of the restaurant industry to appreciate the critical contribution of competitive intensity and differentiation strategies in estimating the performance of restaurants. The interactive terms of differentiation strategies and competitive intensity add to the divergent ways of measuring restaurant performance. This paper, therefore, contributes to the growing research in the restaurant industry.*

**Keywords:** *differentiation strategies, competitive intensity, restaurant performance*

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## 1 INTRODUCTION

Previous studies in the hospitality industry have mentioned restaurants as a highly competitive environment (see; Berenguer et al., 2009; Teng and Barrows, 2009; Parsa et al., 2005). Differentiation strategies utilised in the restaurants' industry, therefore, demands that firms create a strategic market position that is exceptional industry-wide and that is sustainable over a longer period (Lee et al., 2016; Asenjo,

2006; Johnson et al., 2005). According to Teeratansirikool et al. (2013) differentiation strategy integrates a set of actions that gears towards producing services at an acceptable cost that patrons of restaurants perceive as being different in ways that are important to them. Empirical researches indicate that there is a relationship between differentiation strategies and restaurant performance (Teeratansirikool et al., 2013; Hull and Rothenberg, 2008). When restaurants differentiate their services, it is usually able to charge a higher price for its

products or services in the market (Kim and Kim, 2005; Gilmore and Pine, 2002).

Extant studies corroborate that for restaurants to achieve competitive advantage in an unpredictable, dynamic and intensely competitive environment, there is the need to formulate and implement a well-positioned competitive strategy (Hoskisson et al., 2000; Porter and Kramer, 2006). The application of differentiation strategy is one of the mechanisms firms implement to occupy a well-positioned ground in the market (Sharp and Dawes, 2001). Craig et al. (2008) found that firms monitor their competitors to position themselves in the industry. According to Kayaman and Arasli (2007), strategies in the restaurant industry are developed mostly around, customer service, branding and employee build up. Rhee and Bell (2002) mention that customer service is critical amongst these activities as provision of services is expected to meet customer satisfaction, loyalty, high profitability and increases organisational performance levels. Restaurant performance is seen as good or bad, depending on how strategies are put in place to satisfy clients above competitors (Tavitiyaman et al., 2012; Chatzigeorgiou and Simeli, 2017).

The activities of the restaurants based on its product or service differentiation influences the outcome of firm performance (Pérez-Cabañero et al., 2012; Mensah and Mensah, 2018). Porter and Kramer (2006) suggest that the attainment of higher performance by firms through product and service differentiation largely depends on the nature of competition. In most of the emerging economies in Africa, including Ghana, urbanization, rapid economic development, income improvements and increasing numbers of time-constrained consumers have generated a shift towards out-of-home and convenience foods among urban dwellers (Kennedy et al., 2004). Restaurants in Ghana are gradually undergoing various transformation, including the introduction of healthier food options, use of environmentally friendly packaging and the incorporation of local cultural features (Mensah, 2006; Asiedu et al., 1998; Gadelrab and Ekiz, 2019). Restaurants are becoming increasingly prevalent in urban centers, and they are undoubtedly creating a highly competitive industry (Omari et al., 2015).

Limited empirical data have been documented on the restaurant industry on the direct estimation of the effect of differentiation policies and competitive intensity on indicators of performance. The dimensionalities of the restaurant industry in Ghana (Omari, and Frempong, 2016) presents the foundation of this study which aims to estimate the relationship between differentiation strategy, competitive intensity and performance of restaurants.

The objective of the study is to examine the relationship between differentiation strategy and restaurant performance and explore how competitive intensity leverages the relationship. This study also makes a contribution to theoretical understanding of the competitive advantage of restaurant industry in Ghana. A model of performance using differentiation strategy and competitive intensity is developed and tested. The study integrates models of strategic balance theory and conceptualizes the relationship between competitive intensity and differentiation with industry performance in the context of Ghana's restaurant sector. In addition, the study enhances the current literature on restaurant performance with particular reference to competition and service differentiation in the hospitality industry in general and the restaurant industry in particular.

## 2 SERVICE-DOMINANT LOGIC AND SERVICE ECOSYSTEM

Referencing on the literature on differentiation, competition and firm performance, this study adopts the Strategic Balance Theory (Deephouse, 1999) to examine the drivers of performance in restaurants. The theory proposes that transitional levels of distinction where firms balance the gains of lessened competition against the costs of lessened legitimacy will enhance firms' performances. The theory recognizes a trade-off between conformity and differentiation: strategic differentiation lessens competition which improves performance; but strategic conformity advances legitimacy, which also improves performance (Deephouse, 1999). Being distinct lowers competition and enhances competitive advantage, however, appearing too distinct generates legitimacy concerns, which have a negative outcome (Aragón-Correa and Sharma, 2003; Sirmon et al., 2011). The theory suggests that competitive intensity among firms is directly linked to the distribution and availability of the resources. With determinate resources, the competition is heightened particularly for the limited resources.

More considerable rivalry often results in lower performance because firms must expend resources to compete more strongly (Porter, 2008; McWilliams and Siegel, 2011). The rise in cost for getting the scarce resources will ultimately result in rational variation to reduce competition of similar resources to the degree of their recognized strategy (Baum and Mezias, 1992). Deephouse (1999) found that firm performance is how an organization transforms unavoidable enterprise' pressures and inevitable competitive atmospheres that there is value for enterprises remain both what they are and to be distinct. Based on the dynamics of Strategic Balanced Theory, the conceptual framework is built on the interrelationship between differentiation strategies, competition and performance of restaurants.

### 2.1 Differentiation strategy and restaurant performance
Differentiation strategy involves pursuing activities that distinguish the services of the firm from other market players (Porter, 2008). Acquaah et al. (2008) assert that when brand images, technology, customer service, atmosphere and other attractive features of an organization is exhibited to create uniqueness and value for customers, differentiation strategies are realised. Lee et al. (2016) and Ryu et al. (2012) suggested that in restaurant differentiation, firms try to improve service quality, servicescape and product uniqueness.

Barber et al. (2011) assert that restaurant differentiation is most often yielding in the service industry. The restaurant industry requires brand recognition, customised standard services, and achieving high quality through consistency in the provision of services and provision of a pleasing environment (White et al., 2013; Berman, 2005), and would go a long way to keep clients as they are satisfied. Hospitality researchers, Chen et al. (2010) and Schubert et al. (2010) add that restaurants that implement a differentiation strategy create a perception in the minds of consumers that products

or services given them are superior to all others regarding reputation and image, design features, reliability and quality. Based on the importance of differentiation strategy to the service industry, Andaleeb and Conway (2006) assert that for the restaurant to thrive above its competitors, it must have a keen eye on service quality. In this line of thinking, Berry et al. (2006) propose that restaurant operators must deliver reliable services with exceptional food quality and invest in state-of-the-art equipment to increase the brand image of the restaurant.

In implementing a differentiation strategy, restaurant management can set to provide better service levels to consumers, better service performance, distribution, design or brand image in comparison with the existing competitors (Ruiz-Molina et al., 2014; Frambach et al., 2003). The effectiveness of differentiation strategies depends on how well the company can manage service benefits and service cost for the consumer, relative to competitive offerings (Slater and Olson, 2001; Spyridou, 2017). Acquaah and Yasai-Ardekani (2007) argue that a firm that would implement the differentiation strategy will outperform firms that do not. It is interesting to note that an organisation that would utilise the nitty-gritty of differentiation strategy would see customers having identified the uniqueness of the firm and its service while sales would increase (Berenguer et al., 2009; Morschett et al., 2006). As this occurs, Velcu (2007) explains that the profits of the firm would grow and hence have a toll on both non-financial and financial performance of the firm. With limited studies in the context of differentiation strategy and restaurant performance in Ghana, this study, therefore, hypothesised that:

*H1: differentiation strategy has significant positive effect on restaurant performance.*

## 2.2 Competitive intensity and restaurant performance

Various studies have indicated that one factor that contributes to environmental hostility is competitive intensity (Child and Tsai, 2005; Barth, 2003). Patiar and Mia (2008) have mentioned that the behaviour of restaurants become unpredictable and uncertain as a result of competitive intensity. Zuniga-Vicente and Vicente-Lorente (2006) found that as competition increases in a particular market, it indicates that many firms are sharing the few customers in the market, which in the long run means a reduction in profit. This is mostly a threat to firms with the reason that an organisation's fundamental goal is to maximise profit as much as possible, but with fierce competition profit levels of firms may be affected. A situation of increased competition failing in core aim means firms must develop the means to acquire the most from this competitive environment as much as possible (Zahra, 1993).

Research has indicated that firms that excel above all others in a competitive market do so because of the implementation of business strategies (Porter and Kramer, 2006; Lee and Hing, 1995; Fotiadis and Williams, 2018). Competitive intensity propels restaurants to sit up to find ways and means to get the attention of the customers by satisfying them hugely (Armbrecht and Carlbäck, 2011; English, 1996). Restaurants seek to attain a competitive advantage over their competitors and hence must adopt a strategy (Evans et al., 1995).

Jogaratnam (2017) found that competitive advantage influences restaurant performance. This is to say that in the existence of intense competition, firms tend to develop strategies (Liu and Jang, 2009) to survive in the market. Survival in this sense means that firms seek to acquire as many sales as possible to increase profit. This is also stressed by Acquaah and Yasai-Ardekani (2007) that in a fiercely competitive industry; enterprises that implement an effective competitive strategy are expected to be successful. Kankam-Kwarteng et al. (2019) also found that intense competition inspires restaurants to aggressively utilise strategic arrangements to become market leaders rather than being passive.

Hospitality researchers, Patiar and Wang (2016) and Andrevski et al. (2014), suggest that this consequently leads to more returns as the restaurant begins to adopt feasible actions aligned with the present market conditions: hence its performance. Restaurants in Ghana have not been spared with competition as firms in the industry position themselves excite customers (Omari and Frempong, 2016). Considering the nature of competition in the restaurant industry and the limited research into the industry's' competitive strategies, this paper proposes that the relationship between competition intensity and restaurant performance to be positive. The study, therefore, hypothesised that;

*H2: competitive intensity has a significant positive impact on restaurants performance.*

## 2.3 Competitive intensity, differentiation strategy and restaurant performance

The nature and intensity of rivalry within a sector provide motivation for enterprises to design strategic programmes. Literature suggests that competition carries some element of uncertainty which unavoidably affects decisions of enterprises (Koellinger, 2008; Khanna et al., 1998; Bettis and Hitt, 1995). It is argued that within the restaurant industry in Ghana a clamour for customers exist (Oppong et al., 2014) and due to globalisation, consumer preferences are very high (Alden et al., 2006). Consumers do not only consider quality of the food but other aesthetic qualities such as the general atmosphere, timeliness, fast food services, interior décor (Mari and Poggesi, 2013). This level of competition, together with the expectations of customers, has justified the relevance of implementing a differentiation strategy.

Murray et al. (2011) have also asserted that the impact of business practices on performance is contingent on the level of competitive intensity in the market such that the dynamic nature of the market determines the strategic action to pursue. The use of competition intensity as a moderating variable in management research has been found in existing literature (see; Velu and Jacob, 2016; Mehta et al., 2009; Banker, & Mashruwala, 2007). Scholars have long argued that competition affects the degree of firm performance (Jogaratnam, 2017), but such research has been mostly silent on how competition affects the relationship between differentiation strategy and firm performance. Accordingly, through measuring differentiation strategies, competitive intensity and performance indicators, this study hypothesizes that:

*H3: Competitive intensity moderates the relationship between differentiation strategy and restaurant performance.*

*Figure 1: Conceptual framework*
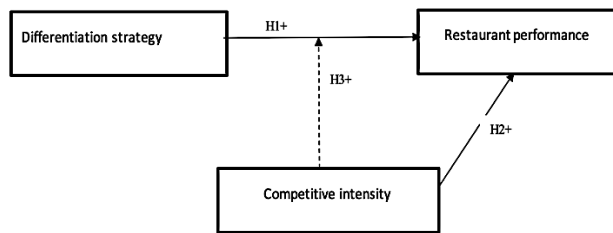


## 3   METHODOLOGY

### 3.1 Sampling and data collection

The research was based on the development and administration of a self-completed survey issuing a structured questionnaire to owners, managers and operators of restaurants at the sampled restaurants, both small and large. For this study, small-scale restaurants were conceptualized as firms with a staff strength below twenty (20). The large restaurants were defined in this study as firms that recorded more than 20 employees. With the focus of appreciating the dimensionalities in the results for small-scale restaurants and large-scale restaurants, eighty (80) questionnaires each for small scale and large scale restaurants, totally 160 were retained for analysis based on convenience sampling techniques.

### 3.2 Measures

The study estimates whether a differentiation strategy and competitive intensity influence the performance of restaurants. Accordingly, the items used to test the path relationship between dependent and independent variables and the role of the moderating variable were developed based on theoretically tested scales. All measurement items were based on a Likert scale indicated by "1" strongly disagree to "7" strongly agree.

*Differentiation strategy:* This was measured using 15 items on a scale based on Porter's generic differentiation strategy and measures applied by Chandler and Hanks (1994) and Appiah-Adu et al. (2001). The items were adapted based on the following five thematic areas: operational efficiency, customer philosophy, adequate marketing information, strategic orientation and integrated marketing organization.

*Competitive intensity:* The conceptualisation of competitive intensity as a moderating variable in the study is derived from previous studies (see; Deng and Dart, 1994; Jaworski and Kohli, 1993; and subsequently refined by O'Cass and Ngo (2007). The competitive intensity items were, therefore, measured using a scale consisting of 11 items based on factors including promotional wars, competitive moves and matching of competitive offers.

*Performance:* The items for firm performance included both financial and non-financial items. Financial performance items were adapted from the work of Hoque et al. (2001), which were originally adopted from Kaplan and Norton (1992). The items included increased market share, sales growth, productivity growth, sales revenue, growth in profitability. Items for non-financial performance included delivery customer value, handling customer complaints,

improved customer satisfaction and attracting new customers (O'sullivan and Abela, 2007). The study applied subjective performance measures because of its higher correlation with objective measures of performance (Dess and Robinson, 1984), which has been supported by Dawes (1999) and Wall et al. (2004). Thus, subjective performance measures have been widely applied in management research (Gruber et al., 2010; Galbreath and Galvin, 2008).

*Control variables:* Three firm-specific variables were controlled for the study; nature of control, type of ownership and firm age (Coad et al., 2013; Wang 2008; Mavragani et al., 2019). The relationship between firm age and firm performance has been investigated by a growing number of scholars (Lyons and Branston, 2006; López-Gamero et al., 2009; Buallay et al., 2017). Firms' ownership structures are considered an essential determinant of their operations and performance evaluations (Mangena et al., 2012; Tribo et al., 2007) and were measured using the degree of ownership concentration. The firm-specific variables were controlled in the model because of their relevance in estimating the operational dimensions of the restaurant industry and their potential influences on their performance.

### 3.3 Reliability of the study variables

Cronbach's Alpha was used to test the internal consistency and reliability of the study items used to measure the variables. According to Hayes and Krippendorff (2007) and Hair et al. (2009), Cronbach's alpha should be 0.700 or above. But, extant literature suggests that 0.600 is considered acceptable (Gerrard et al., 2006). The value of Cronbach's alpha for this study is between 0.697 and 0.881, which is higher than the standard value, 0.6. The Cronbach's alpha values had firm performance 8-items (0.804), differentiation strategy 15-items (0.881), competitive intensity 11-items (0.697) suggesting that the items used in this study are highly reliable.

## 4   RESULTS

### 4.1 Descriptive and Correlation Analysis

Table 1 and Table 2 present the descriptive statistics and correlation analysis, respectively. Firm performance recorded the small scale restaurants (mean = 5.2108) and large-sized restaurants (mean = 5.2100).

*Table 1: Descriptive statistics*

| | | RP | DS | CI | Firm Age | Control | Ownership |
|---|---|---|---|---|---|---|---|
| Small | Mean | 5.2108 | 4.8377 | 4.8909 | 3.10 | 1.94 | 1.24 |
| | Median | 5.3000 | 5.0000 | 5.0000 | 2.00 | 2.00 | 1.00 |
| | Std. Dev | .89281 | 1.13619 | .99619 | .96652 | .747 | .426 |
| | Minimum | 1.80 | 1.11 | 1.71 | 1 | 1 | 1 |
| | Maximum | 7.00 | 7.00 | 7.00 | 7.00 | 3 | 2 |
| Large | Mean | 5.2100 | 5.1921 | 4.9834 | 4.71 | 1.77 | 1.47 |
| | Median | 5.4500 | 5.3889 | 5.1429 | 4.00 | 2.00 | 1.00 |
| | Std. Dev. | .98100 | .95468 | 1.04822 | 1.02865 | .690 | .503 |
| | Minimum | 2.10 | 2.33 | 2.14 | 1 | 1 | 1 |
| | Maximum | 7.00 | 7.00 | 7.00 | 7.00 | 3 | 2 |

*Legend: RP = Restaurant Performance; DS = Differentiation Strategy; CI = Competitive Intensity*

There was no evidence of a significant difference in performance among the two groups; as the mean scores were

statistically equivalent. Meanwhile, there is a moderately high level of differentiation of services among the sampled restaurants. The report also suggests that large size restaurants undertake a lot of differentiation (mean = 5.192) in the market than their small-scale counterparts (mean = 4.838).

Interestingly, competitive intensity is also felt among large-sized restaurants relative to small-sized restaurants. The mean score of competitive intensity for small size restaurants is 4.8909, whereas that of large-sized restaurants is 4.9834. Thus the implication is that the large-sized restaurants are exposed to a lot of competition and relatively prone to unpredictable environmental conditions than the small-sized counterparts. The rest of the results are presented in Table 2.

*Table 2: Correlation statistics*

| | | Ownership | Control | Firm Age | D | CI | FM |
|---|---|---|---|---|---|---|---|
| Small | Ownership | 1 | | | | | |
| | Control | -.026 | 1 | | | | |
| | Firm Age | -.043 | .153 | 1 | | | |
| | DS | .145* | -.435* | -.058 | 1 | | |
| | CI | .010 | -.039 | -.124 | .547** | 1 | |
| | Performance (FP) | .036 | -.098 | .093 | .565** | .421** | 1 |
| Large | Ownership | 1 | | | | | |
| | Control | -.083 | 1 | | | | |
| | Firm Age | -.106 | .194 | 1 | | | |
| | DS | .090 | .182 | -.022 | 1 | | |
| | CI | -.096 | .226 | .175 | .738** | 1 | |
| | Performance (FP) | -.080 | .215 | -.076 | .739** | .682** | 1 |

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

In Table 3, the correlation outcome indicates that there is a strong positive correlation between differentiation strategy and the performance of restaurants (p<1%). However, the relationship between differentiation strategy and performance was stronger among large-scale restaurants (r = 0.739; p<1%) than for small-scale restaurants (r = 0.565; p<1%). The implication is that any intensification in differentiation activities leads to enhancements in the performance of the restaurants.

Correlation reports also indicate that competitive intensity is correlated positively with performance. Evidence also shows that correlation between competitive intensity and performance is stronger among large-scale restaurants (r = 0.682; p<1%) than among small-scale restaurants (r = 0.421; p<1%). The same result is found between competitive intensity and differentiation strategy.

Again the evidence shows that strength of the relationship is higher among large-scale restaurants (r = 0.738; p<1%) than for the small-scale counterparts (r = 0.547; p<1%). Meanwhile, ownership type, control and firm age were used as controls in the analysis. Correlation analysis shows that all the control variables have no significant relationship with performance.

**4.2 Model Estimation**
The effects of a differentiation strategy and competitive intensity on performance are compared between small-scale restaurants and large-scale restaurants using regression estimates of beta, standard error values. The model fitness is examined using Variance Inflator Factors (VIF) and R-square values.

*Small scale restaurants*
Table 3 presents the model estimation results focusing on small scale restaurants. In Model 1, none of the control variables showed significant impact on the performance of small scale restaurants; firm age (β = 0.010), type of ownership (β = 0.079) and control (β = -0.137). The results of model 2 also indicates that the firm specific variables: firm age (β = 0.009, p > 0.10), ownership (β = -0.105) have no significant relationship with performance of small scale restaurants. However, firm control revealed a significant effect (β = 0.201).

*Table 3: Hierarchical linear regression results (small scale restaurants)*

| Variables | Model 1a | Model 2a | Model 3a | Model 4a | |
|---|---|---|---|---|---|
| | Beta (Std. Error) | Beta (Std. Error) | Beta (Std. Error) | Beta (Std. Error) | VIF |
| Constant | 5.254 (.724)** | 2.361(.998)** | 2.148(1.060)* | 2.183(1.077)* | |
| Firm age | .010(.018) | .009 (.015) | .011 (.015) | .012 (.015) | 1.037 |
| Ownership | .079(.407) | -.105 (.340) | -.080(.346) | -.077 (.351) | 1.379 |
| Control | -.137 (.234) | .201 (.215) | .157 (.227) | .153 (.230) | 1.069 |
| DS | | .512 (.141)*** | .441 (.179)** | .418(.185)* | 2.064 |
| CI | | | .121(.183) | .141(.189) | 1.648 |
| DS x CI | | | | -.062(.107) | 1.072 |
| | | | | | |
| *R-Square* | .023 | .359 | .370 | .379 | |
| *Δ R-Square* | .023 | .336 | .011 | .009 | |
| *F-statistic* | .203 | 3.496** | 2.821** | 2.341* | |

Differentiation strategies positively and significantly influence the performance of small-scale restaurants (β = 0.512, p < 0.01) with R² of 0.359 demonstrating that the model determines about 35.9% of the differences in the performance levels of small size restaurants. The change in R² results, shows differentiation strategies alone accounted for 93.59% (0.336/0.359 *100) of the overall prediction of the model and contributed 33.6% of the aggregate variances in performance of small size restaurants. Model 3 shows firm-specific variables: firm age (β = 0.011), ownership (β = -0.080) and control (β = 0.157). Differentiation strategy positively and significantly influence the outcome of small-scale restaurants (β = 0.441, p < 0.01). Competitive intensity components have influence on the outcomes of small size restaurants (β = 0.121, p > 0.10). The ΔR² results indicated that competitive intensity alone accounted for only 2.97% (0.011/0.370 *100) of the overall prediction of the model and contributed 1.1% of the aggregate variation in performance of small size restaurants. Model 4, the result suggested that the combination of competitive intensity and differentiation strategy does not affect the outcomes of small scale restaurants (β = -0.062, p > 0.10). The ΔR² of 0.009 also indicates the prediction of the model is 0.9%. Meanwhile, no significant direct relationship was observed between competitive intensity and performance (β = 0.144, p > 0.10). Differentiation strategy positively and significantly influences the performance of small-scale restaurants (β = 0.418, p < 0.01).

*Large size restaurants*
Model 1 of the hierarchical linear regression results for large restaurants shows that none of the control variables have significant impact on the outcomes of large size restaurants; firm age (β = -0.009), type of ownership (β = -0.143) and control (β = 0.333).

*Table 4: Hierarchical linear regression results (large scale restaurants)*

| Variables | Model 1b | Model 2b | Model 3b | Model 4b | VIF |
|---|---|---|---|---|---|
| | Beta (Std. Error) | Beta (Std. Error) | Beta *(Std. E)* | Beta (Std. Error) | |
| Constant | 5.02(.744)*** | 1.630(.754)** | 1.403(.744)* | 1.158(.768) | |
| Firm age | -.009(.013) | -.291(.234) | -.010(.009) | -.008(.009) | 1.098 |
| Ownership | -.145(.341) | .124(.175) | -.206(.232) | -.169 (.233) | 1.091 |
| Control | .333(.252) | -.007(.009) | .104(.170) | .102 (.169) | 1.164 |
| DS | | .755(.124)*** | .519(.185)** | .477(.187)** | 2.553 |
| CCI | | | .288(.171) | .382(.188)* | 3.094 |
| DS x CI | | | | -.121(.103) | 1.401 |
| | | | | | |
| R-Square | .066 | .581 | .618 | .636 | |
| Δ R-Square | .066 | .515 | .037 | .018 | |
| F-statistic | .733 | 10.395*** | 9.398*** | 8.166*** | |

In model 2, results showed that the only differentiation strategy has a positive impact on the performance of large-scale restaurants ($\beta = 0.755$, $p < 0.01$). The model fit result indicates $R^2 = 0.581$, and therefore explains 58.1% of the variations in the performance of the sampled large-scale restaurants. The change in $R^2$ result, however, shows that differentiation strategy accounted for 98.84% (0.551/0.581 *100) of the prediction of the model and contributed 55.1% of the aggregate variation in performance of large-scale restaurants. In Model 3, competitive intensity have influence on competitive intensity on the performance of large-scale restaurants ($\beta = 0.288$, $p > 0.10$). The change in $R^2$ results indicated that competitive intensity accounted for only 5.99% (0.037/0.618 *100) of the total predictive power of the model and contributed 3.7% of the aggregate variation in performance of large-scale restaurants. Model 4, the effect of the interaction of competitive intensity and differentiation strategy does not have positive influence on the performance of large scale restaurants ($\beta = -0.121$, $p > 0.10$).

### 4.3 Hypothesis Testing

The results of small scale and large scale are summarized to present the study hypothesis. Controlling for firm age, type of ownership and control, differentiation strategy had statistically significant effect on performance (large scale restaurant, $\beta = 0.477$, $p < 0.05$) and (small scale restaurant, $\beta = 0.418$, $p < 0.01$). The findings support hypothesis 1. Hypothesis 2 states that there is significant positive relationship between competitive intensity and restaurant performance (large scale restaurant, $\beta = 0.382$, $p < 0.10$) and (small scale restaurant, ($\beta = 0.144$, $p > 0.10$). The findings thus support hypothesis 2. Finally, the results showed that competitive intensity does not moderate the relationship between differentiation strategy and performance (large scale restaurant, $\beta = -0.121$, $p > 0.10$) and small scale restaurant, $\beta = -0.062$, $p > 0.10$. The results do not support hypothesis 3.

## 5    FINDINGS

The study looked into the operations of the restaurant industry in Ghana with particular reference the nature of competitive intensity and the application of differentiation strategies. The study exhibited that implementation of coherent differentiation strategies affect the performance of restaurants in the study area. The result corroborates the findings of the empirical studies such as Campbell-Hunt (2000), Acquaah (2011), Acquaah and Agyapong (2015),

Omari et al. (2015) and Duran and Akci (2015). Indeed, it is revealed in the further analysis that there is no significant difference in the impact of differentiation on the performance of both large-scale restaurants and small-scale restaurants. The result is interesting given the observation that differentiation activities were found to be higher among large-scale restaurants than among small-scale restaurants. Thus since the implementation of differentiation strategies have been found to be beneficial (Ruiz-Molina et al., 2014; Fotiadis, 2018), and as was expected the higher engagement in differentiation activities among large-scale restaurants leads to superior performance relative to small-scale restaurants.

Furthermore, generally, it was shown that competitive intensity results in a positive outcomes of restaurants; however, the weight of the effect is mixed. It has been argued by Amoako-Gyampah and Acquaah (2008) in other reports that the dynamic marketing settings of the business industry in Ghana results in positive effect on the performances of businesses in the country. This assertion is possible if the difficulties in the environment stimulate a higher levels of studies and developments that results in the adoption of innovative practices in reaching customers through improved customer-focused strategies or technologies (Boehlje et al., 2011; Ma et al., 2017). Indeed, the comparative analysis showed that the impact of competitive intensity on the performance of large-scale restaurants is more significant relative to small-scale restaurants.

The results are also interesting, given the descriptive analysis report, which indicated that the level of competitive intensity among large-scale restaurants was more significant than the small-scale restaurant's sector. The moderating of competitive intensity was also found not to be significant in both large scale and small scale restaurant. Considering the plethora of studies on the significance of moderating role of competition (Velu and Jacob, 2016; Tsai and Yang, 2013; Banker and Mashruwala, 2007; Christou and Nella, 2016), the study results, however, showed lack of support. The control variables were found not to have a significant influence on the performance of restaurants. Firm age, as was found in the research showed a negative relationship with performance, even though previous studies in the restaurant industry have exhibited the importance of firm age.

However, the findings of this studies corroborate literature which showed that the performance of older firms could deteriorate with the age of the organization (Loderer and Waelchli, 2009). The type of ownership has been found not to positively and statistically influence the performance of small scale and large scale restaurants. The lack of positive results in the relationship between ownership type and firm performance in the hospitality industry has been noted in existing studies (see; Agrawal et al., 2006; Welch, 2003; Loderer & Martin, 1997; Han and Suk, 1998). The findings, therefore, add to continues debate in management research regarding the effect of firm-specific factors on performance.

### 5.1 Implications for theory and practice

The purpose of this study was to investigate the effect of the differentiation activities of restaurants in Ghana on their performance. It also explored how competitive intensity leverages the influence of the differentiation strategies on

performance. The study employed a quantitative research design with the use of survey instruments administered to a convenient sample of 160 restaurants within the Kumasi metropolis. The work was motivated by the fact that some researchers have investigated the strategic behaviour of businesses in many industries and countries (Miller et al., 2011; Vijande et al., 2005), empirical research focusing on Ghana is relatively limited. Even more limited is focused on the strategic behaviour of restaurants in literature with particular reference to Strategic Balance Theory. The interrelationship between the differentiation strategy and competitive intensity has been well laid in this paper. Theoretically, the study result assumes a position that restaurant researchers can reference on the balance between differentiation strategy and competitive intensity in the continuous development of a body of knowledge in restaurant operations.

It was realized that the size of the restaurant influences the extent to which it can be affected by competition in the industry. Large scale restaurants are seen to be affected more by competitive intensity than small-scale restaurants. Unfortunately pursuing differentiation strategies based on the level of competition in the sector is found not to have any significant impact. Thus strategic actions must be pursued not because of the intensity of the competition in the industry, but as a result of the motivation to acquire a strategic position in the market. Competitive intensity does not moderate the relationship between differentiation strategy and restaurant performance. The implication is that the application of the differentiation policies of restaurants protect firms from intensive competition in the market. This suggest that the increase or decrease in competition in the restaurant market does not affect firms that pursue suitable strategic programmes on food service and service environment. Our findings have implications for both differentiation practices and competitive positioning. The implementation of differentiation strategies may come with cost concerns, but the study findings have demonstrated that restaurant operators stand to benefit once they can differentiate their services.

## 5.2 Limitations and suggestions for future studies

This study has limitations which, when considered, can open up areas for future research into competitive intensity and differentiation strategies in the restaurant industry. These limitations can give suggestions to areas for future research. Firstly, firm performance measurement tools are huge (Garengo and Bernardi, 2007). They include two-component scales derive from financial performance and non-financial (Carton and Hofer, 2010). More particular, subjective measures were used to estimate the nature of restaurant performance with the implementation of differentiation strategies. Even though subjective measures have been found to be an effective measure of firm performance (Venkatraman and Ramanujam, 1987), further studies can be conducted using objective measures. In such a highly competitive environment, future research can expand the focus to cover other aspects of firm performance (market performance, Schneider et al., 2003; survival performance, Baggs, et al., 2009; operational performance, Inman et al., 2011) to generate a broader appreciation of the studies on firm performance.

Secondly, market characteristics are another factor that can affect the results of the research. Within this research, the data was collected within Ghana, primarily in Kumasi, which may not be sufficient to generalise the findings to cover all restaurants in Ghana and other parts of the world. Future studies can concentrate on building a model of the interaction terms of differentiation strategies and competitive intensity to measure performance across the West Africa sub-region for comparative research.

Thirdly, the study also faced methodological limitations. The sample was based on the convenient technique in selecting the participants for the study. Considering the limitations of willingness to participate in research which may lack rigorous scientific processes (Feuer et al., 2002), it is suggested that future researchers apply stringent random sampling techniques to select the restaurant operators to achieve a high level of generalisation of the study results.

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