

**Shirley Baaba Amoako**

**THE DEVELOPMENT, GROWTH AND EXPANSION OF  
LOCALLY-OWNED BUSINESSES IN AFRICA**

**Case Study: Ghana**

**Master Thesis**

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**ABSTRACT**

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<p>The need to develop locally-owned businesses in Africa has become an arguable necessity. This is apparent in the knowledge that the creation of an efficient and operable environment for enterprises and business is definitely in the interest of all in the society. An enabling environment for entrepreneurs can improve living standards, create a fair distribution of income, provide employment and promote growth. Africa's business sector is largely made up of small, micro and medium scale enterprises, however, the entrepreneur in Africa faces a lot of challenges which cripples his/her performance of business operation. The topic chosen for this thesis work was therefore to consider and analyse the reasons why majority of locally-owned established enterprises in Africa do not seek growth opportunities to equally capture global markets or even grow and expand to other regions on country level.</p> <p>The thesis focused on Ghana as a case study. The motivation for this area of study is Africa's lack of great number of big corporations as in Europe, Americas and Asia to help boost economic growth of the continent. The study explored into whether the operating environment, management of available resources and entrepreneurial sense of business culture are the causes of lack of growth of locally-owned businesses in Ghana. A quantitative approach in which survey questionnaire were distributed to enterprises in Ghana was employed. The findings of the study indicated that the operating environment and available resources are reasons for the lack of business growth. The entrepreneurial sense of business culture was found to be not directly a reason for the poor performance and growth of businesses in Ghana. The findings of this study will be helpful to businesses, government and entrepreneurs interested promoting dynamism and promoting development in developing economies.</p>		
<b>Key words:</b> Locally-Owned, Development, Growth , Expansion, and Businesses		

## **CONCEPT DEFINITIONS**

**ASAN** – Association of Southeast Asian Nations

**FDI** – Foreign Direct Investments

**EU** – European Union

**GDP** – Gross Domestic Product

**NAFTA** – North American Free Trade Agreement

**OLS** – Ordinary Least-Squares

**R** – South African Rand

**RM** – Malaysian Ringgit

**RS** – Indian Rupees

**RUB** – Russian Ruble

**SME** – Small Scale Enterprise

**SMB** – Small Scale Business

**SMME** – Small, Micro and Medium Scale Enterprises

**UNCHS** - United Nations Centre for Human Settlements

**Y** – Chinese Yuan

## **ABSTRACT**

## **CONCEPT DEFINITIONS**

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# 1 INTRODUCTION

Growing a business into a globalized or an internationalized company is no easy challenge to most businesses and yet it is a great desire and an expectation for most enterprises to expand and grow after some few years of operation. With their hunger and need for growth and expansion of businesses on the rise, it has become imperative that enterprises seek growth opportunities and strategies daily. However, this is not mostly the case on the African continent, which relies largely on Foreign Direct Investments (FDIs) to boost its economy. This has been largely due to the fact that majority of locally established businesses in Africa are small and medium-size businesses many of which are newly established by young entrepreneurs.

Notwithstanding this, it has been noted that the major influencing factor and strength of Africa's economy stems from small and medium scale businesses (SMBs). According to previous studies conducted, results show that SMBs in the Middle East and Africa are boosting regional GDP in Sub-Saharan Africa, by contributing to over 50% of African employment and adding to about 20% of the continent's gross domestic product (Kahyihura, 2013). A statement by Kahyihura, (2013) says, "Though running an SMB in any part of the world is quite challenging, doing it in Africa poses a more unique set of challenges for the entrepreneur".

The topic chosen for this thesis is therefore to consider and analyse the reasons why majority of locally-owned established enterprises in Africa do not seek growth opportunities to equally capture global markets or even grow and expand to other regions on country level. The thesis will concentrate on Ghana which is one such economy in which local enterprises and businesses barely survive and are content with how they are and therefore do not even consider expanding or growing into other regions of the country, entering globalized markets or even to internationalize their companies.

With consideration to giant corporations mentioned and known around the world, if not all, a greater proportion of these companies hardly stem or originate from Africa. Which brings me to ask the question, “Why does Africa not have big corporations as in Europe, Americas and Asia to help boost economic growth of the continent”. Majority of entrepreneurs in Africa see themselves as having been able to achieve everything they want; working for themselves, running their own businesses, making enough income to support their lifestyle and livelihood and also doing their little part of employing a small number of people. Some are either content with what they have and do not seek further ambitions or some remain small due to the un conducive environment in which the business operates in.

Irrespective of what the reason may be, the continent seem to experience stunt growth when it comes to business growth and development and as mentioned earlier on, rely heavily on FDIs to help economic development. Knowing big corporations such as Microsoft, Toyota, Samsung, Apple, Volvo, Guinness, Coca Cola, Facebook, MacDonald’s, just to name a few all originated from small business start-ups and evolved into giant corporations, the question then remains, why is Africa not producing such companies since there are so many locally-owned small scale businesses which could probably have the potential to grow into giant corporations.

Hence, the thesis intends to (1) broaden our knowledge of locally established businesses in terms of what they are and their role in the local economy (2) bring to light the challenges faced by locally established firms and (3) make probable suggestions on how to encourage, grow and sustain local businesses.

The objective of is to determine the reasons why locally owned businesses fail or is unable to expand to other regions or venture into new and foreign markets as a growth and expansion strategy for the survival of businesses in the context of Ghana. Hence, the research question of this thesis paper is: “What challenges and shortfalls poses as a threat to the survival and growth of locally established businesses in the context of Ghana”?



With respect to the concerns raised above, the writer therefore seeks to test the following three (3) hypothetical statements for this thesis work.

Hypothesis 1: “A conducive operating business environment for entrepreneurs is likely to increase business growth and development in Ghana”.

Hypothesis 2: “When available resources are managed and channelled in the right direction, locally-owned businesses are likely to experience significant growth and expansions”.

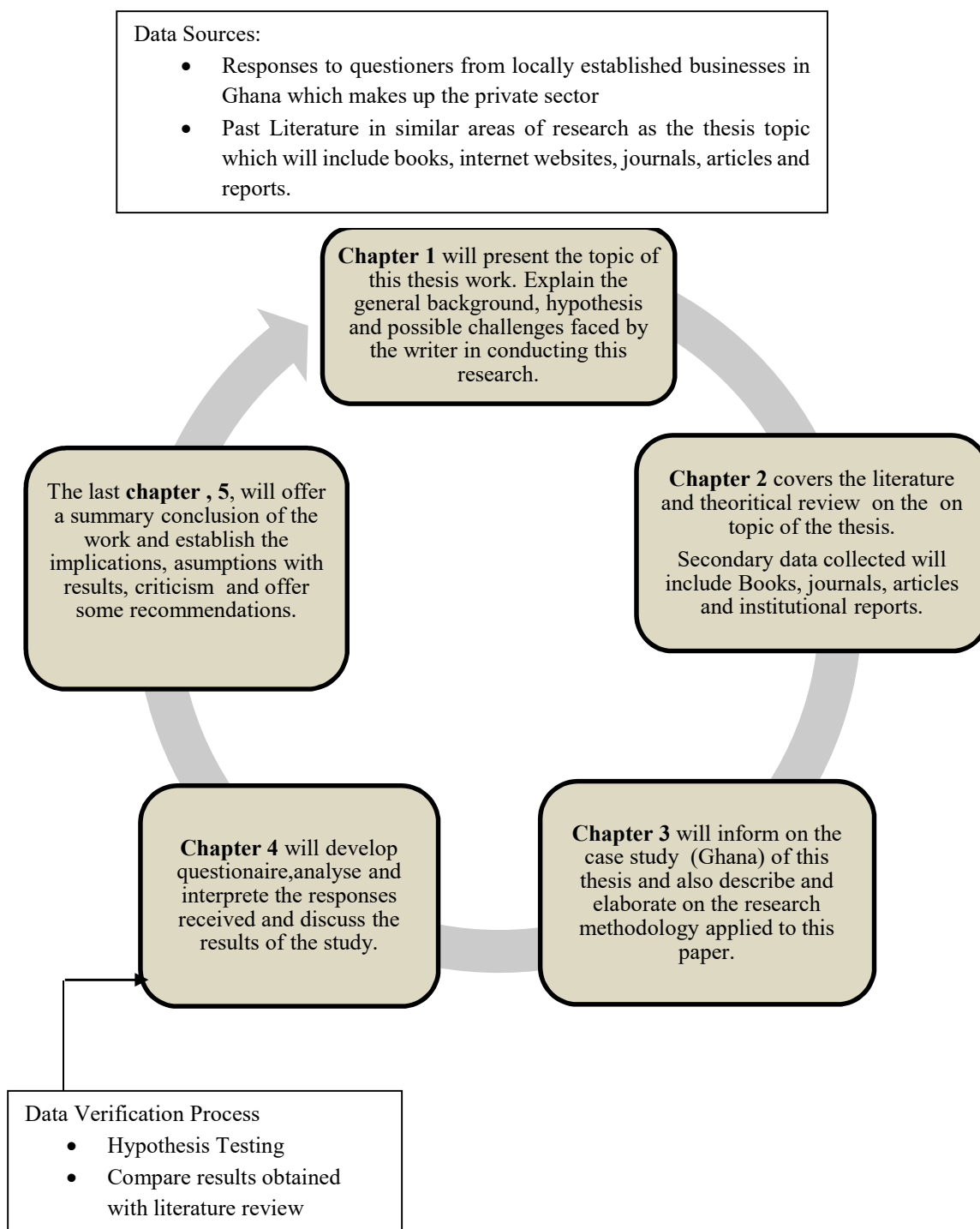
Hypothesis 3: “A good sense of entrepreneurial business culture is likely to contribute to local business growth and development in Ghana”.

The mode of research for this work will be conducted with the use of quantitative research techniques. The quantitative approach is intended to gather data from domestic businesses in Ghana which will be the source of primary data to the researcher based on questioners to be administered to locally operating businesses in Ghana. Theoretical framework will be developed from the analysis and review of previously conducted research in similar areas as the topic of this thesis paper.

Though the topic under study is no new comer to the field of research, most economies still fail to overcome the challenges that come with it; especially in developing countries. The writer will attempt to prove the reliability, validity and dependability of this study and will probably anticipate the following hurdles:

- In terms of using structured questioner in gathering primary data, there is the great likelihood that feedback may not be obtained from all respondents in terms of the proposed sample size for this research.
- Conclusions drawn on this thesis work (emphasizing only on locally owned businesses in Ghana) cannot be wholly used to generally characterize all domestic or locally established businesses in developing economies or Africa for that matter. This is so because; there exist different market economies and cultural environments which greatly impact the existence and survival of a business.

- Secondary data collected and used for this thesis work based on literature, results and data collected on previous research made could prove to be argumentative and debated by various authorities in the field of business management.



GRAPH 1. Structure of the Thesis

The thesis is organized into five chapters as seen in graph 1. It begins with chapter one which introduces the topic of the thesis by discussing the general background, research question and stating the hypothetical questions for the work and concludes by stating the possible challenges and limitations likely to be experienced. It is followed by chapter two which discusses the literature of previous studies conducted in relation to the topic and subject matter of the thesis. Secondary source data will be obtained via internet, books, journals, articles and institutional reports. Chapter three is a discussion of the research case study-Ghana and the methodological approach used. It also discusses the population sample and an overview of the statistical technique applied. Chapter 4, is a presentation of the process of data collection and the results and empirical findings of the study. It provides frequency bar and pie charts the business structure and statistics. Hypothesis testing presented by OLS regression results and mean results of other related variables will also be presented. Chapter 5 is the concluding chapter which summarises the thesis work. It also entails implications, compare assumptions with results, criticisms and recommendations for future research.

## **2 BUSINESS DEVELOPMENT IN DEVELOPING ECONOMIES**

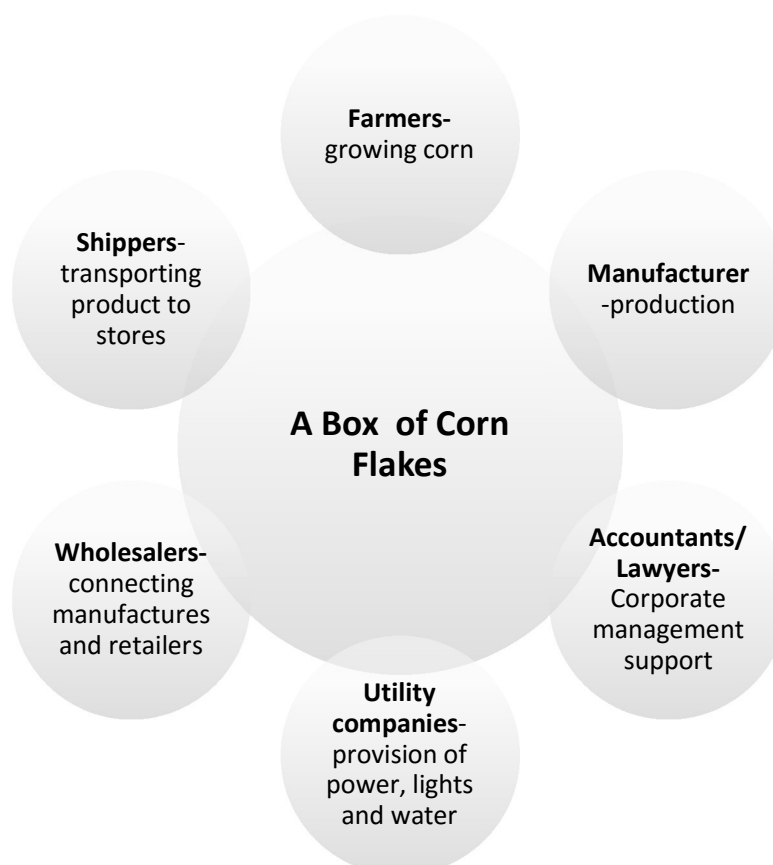
This chapter will examine the nature of businesses in developing economies, specifically in Africa. There has been several research conducted in the area of Africa's business development and the possible economic and social benefits to be seen on the continent if African businesses could rise and grow as the Western and European enterprises.

In respect of this, the literature in this chapter will focus on examining and enlightening our understanding of locally-owned businesses and their role in the general economic and social development of a nation. It will further discuss the African business environment and bring to light the causes of Africa's stunted growth in relation to business development. In addition, since there is the need to drive business growth in Africa, so is there a need to encourage entrepreneurship. Review of previous literature conducted will be examined to enable a better understanding of entrepreneurship and a nation's need to encourage entrepreneurial business growth.

### **2.1 Locally-Owned Businesses**

Global, international or multinational companies all did not just emerge unto the scene, they started off as small businesses/enterprises from different geographical regions in the world (Roach 2007, 18). Though in some time past, most businesses remained local and less companies attained national distribution or national branding most businesses in recent years have strived to expand onto a national scale as they grow, by enhancing the speed and efficiency of supply chains to new markets (Quelch 2012, 2). The outcome of every final product we consume involves various actors and players in the distribution chain who are involved in either manufacturing or the service industry. Shuman (2007, 6-7) exemplifies that, the outcome for every box of corn flakes is as a result of a combination of labour and resources of the following actors in graph 2 below. Therefore, further pointing out

that in order to build an economic friendly community and also have the ability to implement better policy reforms to level the playing field that supports small businesses; time, energy and resources must be channelled in the right direction and must not be wasted on fighting against large companies and erecting zoning and trade barriers against unlikeable businesses Shuman (2007, 7).



GRAPH 2. Business Sectors in Production (adapted from Shuman 2007, 6-7)

Shuman (2007, 7) states that in order to produce and increase the wealth of a community and boost the local economy, support must be given to independent and local businesses involved in all of the above mentioned business sectors in graph 2 by “maximizing opportunities for locally owned businesses and import substitution”.

The term “local” according to (Cortese 2011, 4) is a “loose term” that is used to describe a “tight knit neighbourhood or the boundaries of a state” and can also include or be considered as a geographical region with a “shared identity”. “Business” on the other hand, according to (Kerr 1990, 1), relates to an entity

described as an individual firm which may take different forms with respect to its operations be it manufacturing or service, size whether small, large or medium, ownership which could be an individual proprietorship, a partnership or a corporation.

This brings us to trying to understand the term “locally owned business” in which Shuman (2007, 9) defines as a business in which “working control of the business resides within a geographically defined community”. He further explains that locally owned businesses usually tend to be small because they are locally owned and they span from being “non-profits, cooperatives, worker-owned businesses, public enterprises, public-private partnerships, and anything that is anchored to a community through ownership”.

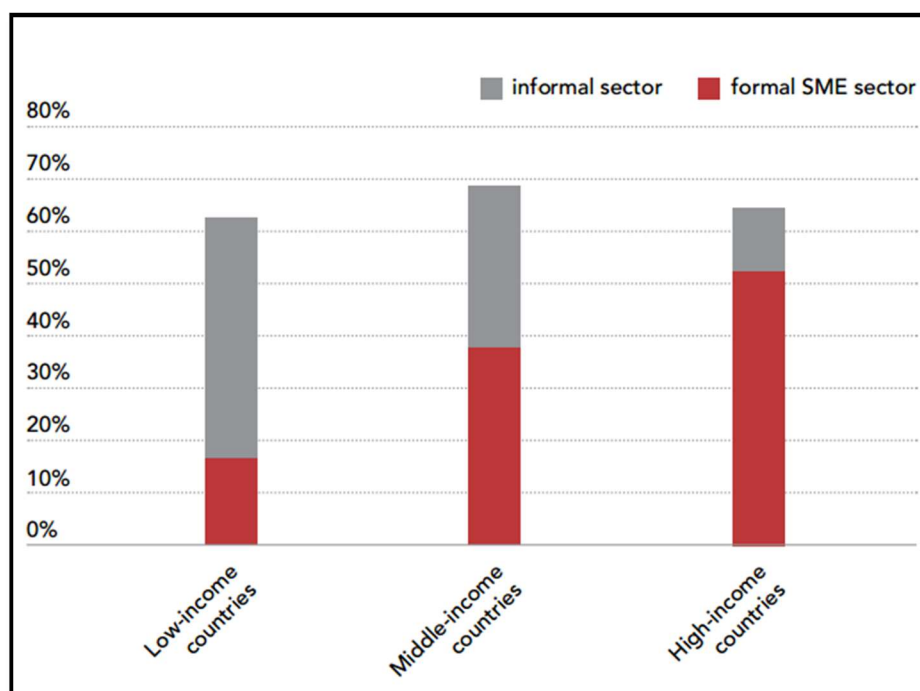
Shuman (2007, 9), states that businesses irrespective of ownership (locally or external) or where the markets are, contributes to a community’s prosperity through the provision of jobs, tax revenues, corporate social responsibilities and charitable contributions and local economic stimulus; however, these advantages provided by businesses in general to the community are sure to be more reliable, more robust and more sustainable to the community in the case of locally owned businesses rather than non-local firms. Which concludes that the choices made as consumers, investors, entrepreneurs and policy makers determines the prosperity of the community (Shuman 2007, 9).

## **2.2 Role of Locally-Owned Businesses in the Economy**

Micro, small and medium size businesses play very important role in the local economy by performing an important function in subsistence and generating measurable profits. The SMEs and micro-business contributions to local economic growth is enormous in any economy. According to Kyaruzi (2008) it is globally regarded that the creation of entrepreneurship and firms plays a very important part to local economic growth. This is evidently supported by Ayyagari et al., (2011) who points out that more than 95% of enterprises in the world are SMEs and it accounts for about 60% of private sector employment. According to a study conducted by a

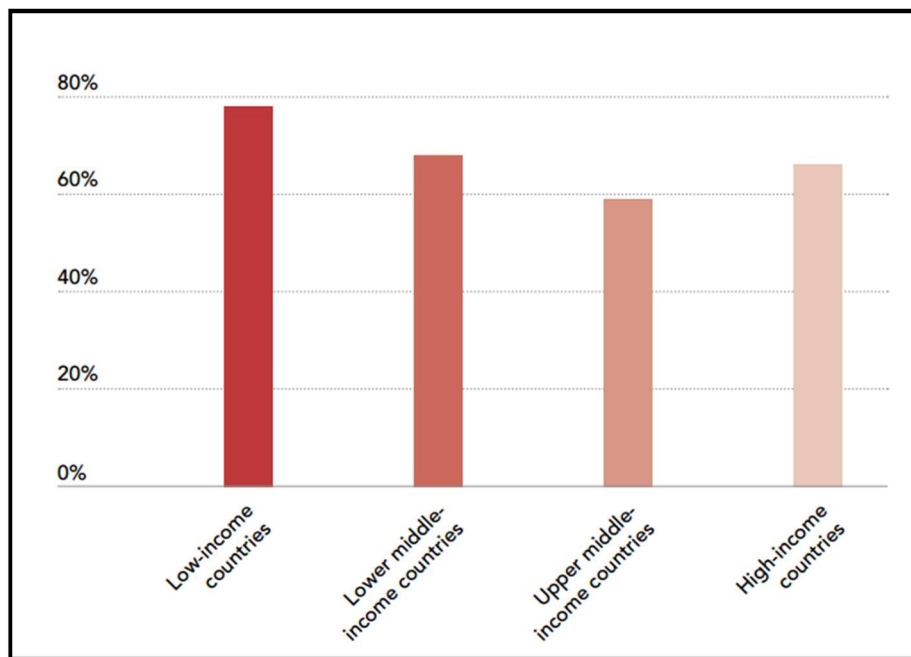
research program; The Global Entrepreneurship Monitor, stated that “the economic growth of a country is directly correlated to its level of entrepreneurial activity” (Oteh, 2010, 8). Oteh (2010) further states that, entrepreneurs and SMEs play a very vital role with respect to “their contributions to economic advancement and social empowerment”. Though contributions made by SMEs may differ among countries and region, irrespective of this Dalberg (2011) points out that these locally owned businesses play keen roles in both high and low income economies by significantly contributing to GDP and employment.

In view of the above, strong micro-businesses and SMEs are important to a local economy in that; they are the “single largest determinant” of gross domestic income, employment and state personal income (Walzer 2007, 5). According to Oteh (2010), SMEs develops markets through the creation of new enterprises, new commercial activities and new integrated economic systems which has a favourable increasing effect on the economy. Further to this, SMEs provide jobs such as bringing about the increase in “research and development; producing goods and services for society; introduction of new technologies, improving or lowering cost outputs; and also earning foreign exchange through export expansion or the substitution of imports” (Oteh, 2010).



GRAPH 3. Contributions of SMEs to GDP (Edinburg Group 2012)

Graph 3 in the above shows a comparison of the contributions of SMEs on GDP among three (3) different levels of economies; low, middle and high income economies. As indicated, SMEs vastly impacts GDP of low-income economies which comprises of developing countries and according to the report by Edinburg Group (2012) SMEs can become the driving force behind sustained growth for long-term development in developing countries.



GRAPH 4. Contributions of SMEs to Employment (Edinburg Group 2012)

The above chart in graph 4 shows the level of employment created by SMEs in different country levels. As can be seen, SMEs significantly impacts unemployment particularly in developing and emerging countries contributing to almost 80% and 65% of employment in low-income and lower middle income countries respectively as compared to developed countries (Edinburg Group 2012). According to [Edinburg Group 2012 (Ayyagari et al., (2011))] a survey conducted by the World Bank of 47,745 businesses across 99 countries resulted in the fact that firms employing between 5 and 250 workers accounted for 67% of total permanent and full-time employment.



### **2.3 African Business Environment**

The failure of Structural Adjustments Programs in Africa in the mid-1980s led to the springing up of entrepreneurship and firm formation in most African countries (Kyaruzi 2008, 8). Kyaruzi (2008) further states that, due to the inability to recognize the economic contributions of these micro and small business firms, most of these firms have failed to survive or seen any form of growth opportunities. However (Shelley 2004, 7), points out that opportunities possessed by the mid-size business sector is finally gaining recognition and terms it as the “engine for growth” for African economies. On the other hand, Taylor (2012) is of the premise that Africa still greatly falls short in terms of its business culture and firm competitiveness even at both the medium and large-scale business levels.

Currently, among the various industry sectors excluding the petroleum and mining sectors, Africa is not recognized as having well-developed business sectors in which the existence of a great number of such firms could possess the ability to generate revenue and surplus and reinvest that surplus in productive enterprises and also contribute to employment, increase the national treasury through tax payments and also provide both direct and indirect benefits to the local economy (Taylor 2012, 14).

There has been varied reason why the African continent is still lacking well-developed business sectors. One of such reasons according to Taylor (2012, 4), is the poor sense of business culture that exist. Taylor (2012, 4) is of the view that a strong business culture ensures productivity and the issue of profit and loss is not taken lightly, it also promotes trust which promotes the relationship between entrepreneurs, builds up interdependencies among firms and ensures easily attainable contracts, creates loyalties and causes a rapid increase in initial small, highly productive firms. Despite these advantages of a strong business culture, Taylor (2012, 4-5) according to one school of thought (Afropessimist) as he describes it, links the reason for this lack of business culture and competitive medium and large scale firms in Africa as related to its economic, political and cultural unavoidable pessimisms. Further stating that, firms or businesses in the mist of such political, economic and cultural environment will definitely undermine any chances for capitalism and larger productive firms.

Inadequate or decayed infrastructure and lack of modern technology has also been a hindrance to business development in Africa. Kyaruzi (2008, 9) states that African firms possess a “survivalist nature” due to poor infrastructure and technology and are therefore too small to contribute to economic growth. He further compares that while firms in developed countries enjoy good and adequate infrastructure and technology African firms are static because they operate in unfavourable environment and therefore affect their performance in wealth creation (Kyaruzi 2008, 9).

Africa also faces a challenging trade performance in its business environment, which is linked to its undiversified export base and low regional integration (worldbank.org) In the aspect of undiversified export, more than half of Africa’s exports are commodities (fuel and mining products), therefore high dependence on commodities means fluctuating terms of trade is correlated with commodity prices which negatively impacts a country’s growth rate (worldbank.org). Again, low regional integration, which means African markets are poorly connected with each other is another major bottleneck (worldbank.org). Compared to ASAN 25%, EU 65% and NAFTA 49%, intra-regional trade in Africa is only 12% coupled with agricultural imports from global markets instead of from their own regions and limited bargaining power due to high transaction cost and being small buyers respectively (worldbank.org). In addition, according to worldbank.org Africa’s failure to take advantage of trade liberalization as compared to other regions in the world has also been a contributing factor to its poor trade performance. The World Bank report exemplifies that poor boarder administration has reduced the price competitiveness of African exports in global markets which adds to the importation costs. Again, having underdeveloped transport and communication systems adds to the cost of trading most especially for the landlocked African countries (worldbank.org).

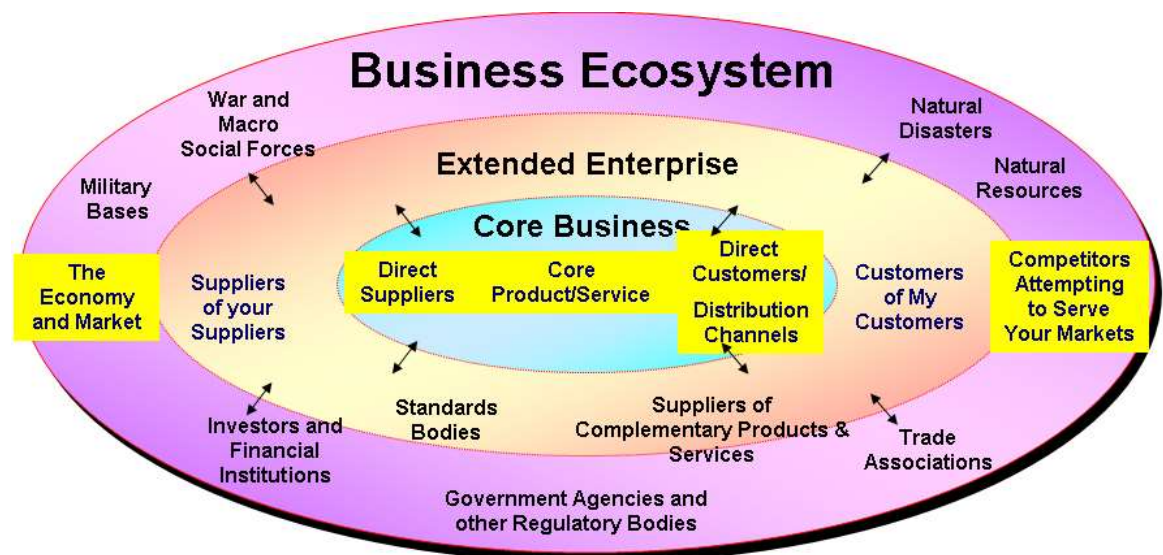
Again, there is the issue of underdeveloped capital markets which provides very little financial instruments in Africa (Taylor 2012; Oteh 2010). Oteh (2010, 9), states that improving capital markets is to increase economic growth, which in the case of Africa, markets a very small (Oteh 2010, 9-10). He explains that stock market merges a relationship between savings and investments by linking suppliers of resources and users of the capital to convert new ideas into businesses, creating

jobs, raising the standard of living and creating liquidity and contributing to providing economic wealth of a nation. A strong capital market and liquid economy not only fosters a high rate of capital accumulation and productivity gains, but would also enhance the diversification of African economies (Oteh 2010, 9-10).

Finally, Africa is plagued with corruption. African countries are ranked among the world's highest rate of corruption. This creates an environment in which according to Taylor (2012, 4) hinders the performance of even the basic business functions.

In view of the above challenges, African firms or businesses are hardly considered as global business players and to top it up, the local economy is flooded with multinational firms so that, the locally owned businesses or firms are even unappreciated in their own respective domestic marketplaces (Taylor 2012, 4).

Despite Africa's stunted business environmental growth, Kyaruzi (2008, 5) suggest the need to develop entrepreneurship in Africa, stressing the fact that business support must be given to all the different actors in the business ecosystem as indicated in graph 5.



GRAPH 5. The Business Ecosystem (<http://www.winningedgeuniv.com/>)

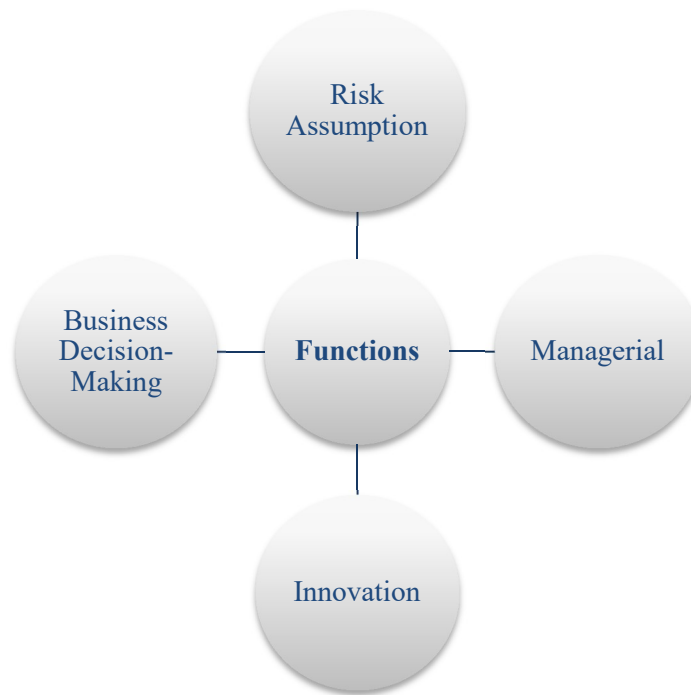
Effective entrepreneurial activity and business development needs support beyond only finance as mostly considered in some time past; they need to be supported in other areas such as conducting market studies and research, preparing business plans, technology, loan acquisition, access to customers and suppliers (Kyaruzi 2008, 5). Therefore in order to develop entrepreneurship, Kyaruzi (2008, 5) suggest two major improvement areas namely: to make available modern transport and communication facilities to entrepreneurs and improving network development and business information systems.

## **2.4 Entrepreneurship**

Ogbor and Ogbor (2009, 3), states that “the industrial health of a society depends on the level of entrepreneurship existing in it; a country might therefore remain backward not because of lack of natural resources or dearth of capital but because of its lack of entrepreneurial talents or its inability to tap the latent entrepreneurial talents existing in that society.” This therefore brings us to the subject on the nature of entrepreneurship. (Penrose 2009, 10), defines enterprise or “entrepreneurship” as a chance taken by “individuals in the hope of gain, particularly by committing effort and resources to a speculative activity”. Gordon, Natarajan et al., (2009) also describes an entrepreneur as one who initiates an action, stimulates social economic change and harnesses resources. He further describes them as been able to turn an idea into reality, a thinker and a doer, planner and worker and accepts risk and manages it (Gordon 2009, 13). Entrepreneurship is about risk and uncertainty; whereby risk refers to the possibilities of outcomes or returns whereas uncertainty relates to the imperfect knowledge of the environment (society, economy and organizations) surrounding the entrepreneur (Piperopoulos 2012, 15). Therefore, the entrepreneur only depends on his/her understanding of the causes and effects in the environment and only believes in their ability to succeed based on their view of how the world works (Piperopoulos 2012, 15).

The whole point of entrepreneurship according to Ogbor and Ogbor (2009, 3) is about coming up with something “valuably new” which is considered as an

innovation. Hence, being an entrepreneur is to be able to effectively combine the following functions in graph 6 (Gordon 2009, 13).



GRAPH 6. Entrepreneurial Functions (Gordon 2009, 13)

Apart from the above stated functions for entrepreneurial success, Dollinger (1999, 6) further adds that two conditions must exist for entrepreneurship to succeed namely; there must exist the freedom to establish an economic venture, be creative and innovative and secondly, there must be prosperity which arises out of favourable economic conditions which provides the platform for the enterprise to grow and gain.

#### **2.4.1 Micro, Small and Medium-Size Enterprises**

According to the World Bank, small businesses are referred to as small, micro and medium size enterprises (SMMEs), (Ogbor 2009, 17). SMMEs are a mix of various business sectors particularly in Africa, comprising of small machine shops, handicrafts (sculptures, weaving, local fashion, baking and catering, salons etc.),

restaurants, agricultural ventures, computer software firms and furniture manufactures (Ogbor and Ogbor 2009, 15).

By definition, according to Oteh (2010), small businesses are defined differently depending on their region. In terms of the number of employees, small businesses in the United States (US) are defined by employees less than 100, while medium-sized business mostly refers to businesses with less than 500 employees; the European Union (EU), considers businesses with less than 10 employees as micro, those with less than 50 employees as small, and those with less than 250 as medium; developing countries, would mostly refer to businesses with less than 50 employees as small-scale and those with employees between 50-99 as medium-size enterprises (Oteh, 2010). This description of small businesses can be seen by some selected country and regions in table 1 below.

TABLE 1. SME Definitions (adapted from Edinburgh Group, 2012)

	VARIOUS COUNTRIES					BRICS					
	EU	USA	Asia (Malaysia)	Egypt	Ghana	Brazil (industrial)	Brazil (commercial)	Russia	India	China	South Africa
<b>Name</b>	Small and Medium Enterprise	Small and Medium Business	Small and Medium Enterprise	Micro, Small and Medium Enterprise	Micro, Small and Medium Enterprise	Small and Medium Enterprise	Small and Medium Enterprise	Small and Medium Enterprise	Micro, Small and Medium Enterprise	Small and Medium Enterprise	Micro, Very Small, Small and Medium Enterprise
<b>Number of employees</b>											
Micro	<10	–	<5	1–4	1–5	1–19	1–9	–	0	–	<5
Small	<50	<100	5–50	5–14	6–29	20–99	10–49	15–100	0	<300	20–49
Medium	<250	<500	51–150	15–49	30–39	100–499	50–99	101–250	0	300–2000	50–200
<b>Annual turnover</b>											
Micro	<€2	0	RM250.000	0	\$10k	0	0	–	<Rs50m	–	<R200k
Small	<€10	0	RM250.000–<RM10m	0	\$100k	0	0	400m RUB max	Rs50–60m	<Y30m	R3m–R32m
Medium	<€50	0	RM10m–RM25m	0	\$1m	0	0	1bn RUB max	Rs60–99m	Y30–Y300m	R5m–R64m

According to Ogbor and Ogbor (2009, 15), these small businesses operate in different market conditions and social environments. He further points out that, though the owners of these businesses may either be poor or not some of these businesses have a “traditional lifestyle” meaning they are content with remaining as it is - small, while others are “dynamic, innovative and growth-oriented”.

### **2.4.2 Characteristics of SMEs**

Small businesses according to Käser, (2010, 15) are companies that exhibit any of the following characteristics:

- They are independently managed with the manager usually being the owner
- The operational area is mainly local, in that the workers and owners are generally in the same home community even though the market may not necessarily be local.
- Ownership and equity is generally held by an individual or a small group
- In comparison to other large firms in the same industry or field of operations they are generally small in size.

Again, Ogbor and Ogbor (2009, 16-17) points out that despite the varying definitions and descriptions applied to SMMEs in different countries and regions they usually have the following commonalities in terms of the role they play:

- They are considered as a foundational source for entrepreneurship growth
- They mobilize idle funds
- They are labour intensive and employs per unit of labour capital as compared to large firms
- promotes technological know-how
- They are able to compete behind protective barriers
- They mainly use local resources and require very little foreign exchange
- “Flexible Specialization”- that is they easily adapt to customer requirements
- Cater to the needs of the poor
- They mostly act as intermediaries between consumers and large firms
- They play a vital supporting role in developing countries especially in the area of employment

### **2.5 Locally-Owned Businesses in Developing Economies**

Most businesses in developing countries are not large-scale businesses but rather, micro, small and medium scale enterprises which serves as a “launching pad” for

entrepreneurship, business innovation and economic growth and it accounts for up to about 90% of all businesses outside the agricultural sector and contributes significantly to GDP in these countries (Ogbor and Ogbor 2009, 21; Edinburgh Group, 2012). The promotion of SMEs therefore, for most developing countries to has been a powerful source for wealth creation because the existing large companies, multinational companies and the public sector in the developing countries have not been able to satisfy the livelihood of the larger majority of the people in these countries (Oteh, 2010 ; Ogbor and Ogbor, 2009, 21).

Again, Ogbor and Ogbor (2009, 21) points out that due to financial and budgetary constraints the public sector in developing economies have not been able to make any significant investments to boost economic growth. He further states that to combat the challenges of economic development in developing countries, entrepreneurial development must be promoted to support the public sector environment which has over the years been plagued with bureaucracies, political, cultural, institutional and historical reasons.

However, despite the significant contribution made by SMEs to the wealth of developing nations, SMEs output tend to be lesser than large-scale firms due to its labour intensity and the fact that most of these businesses are in the service sector thereby yielding low productivity [Edinburg Group 2012 (Wymenga et al 2011)].

Again, developing countries with its issues of high unemployment rate benefit from the labour intensive feature of an SME business because low capital cost is employed in creating jobs as compared with large-scale businesses [Edinburg Group 2012 (Liedholm and Mead 1987; Schmitz 1995)]

## **2.6 Challenges of SMEs in Developing Economies**

Micro businesses and SMEs in Africa have seen various challenges in terms of their growth, expansion and their contributions to the local economy. Kyaruzi (2008) describes that one major factor to business development in Africa has been the institutions (government institutions, banks, private agencies, foreign donors and



interventionist) which have had a great influence on the growth of businesses because they have the capability to determine the success or failure of businesses in the local economy.

According to (Bank 2013, 16) for an economy to have the ability to competitively produce and export new products will depend on its capabilities which comprises of a combination of technological know-how and skills; environmental factors, being quality of available public services example infrastructure, education and health; financial services institutions and regulations; level of government capacity and human capital. In support of this, Oteh (2010) states that the major factors contributing to the lack of growth of SMEs in developing economies has been the poor capabilities possessed by developing economies due to its “inadequate infrastructural facilities, shortage of skilled manpower, high rate of enterprise mortality, low level of entrepreneurial skills, lack of a conducive operating environment, restricted market access and complex regulatory requirements”.

Another major setback faced by businesses in developing economies has been mainly due to small market size (Bank 2013, 16).

External cost factors namely; costs of electricity, transport, communication, security, rent, business services and bribes which form a large proportion of the firm's costs in African countries has been a major contributing factor to the poor development of businesses (Bank 2013, 16).

Lastly, developing countries more specifically in Africa, faces the challenge of managing growth of their business (Ogbor and Ogbor 2009, 213). Considering the fact that entrepreneurs or small business owners in Africa are unwilling to take risks in either starting or expanding a business, they tend to offer very limited range of services or products and do not possess an edge for innovation, be it in the introduction of new products and/or an entry into new markets (Ogbor and Ogbor 2009, 213). This according to Ogbor and Ogbor (2009, 213-214) has been as a result of the entrepreneurs' inability to manage leadership or managerial succession and growth and transition from an SMME (informal business) into a large organised enterprise (formal business). He further states that, as a result of poor management

and organizational skills, studies have shown that most African enterprises have collapsed after the death of the founders.

## **2.7 Internationalization of Locally-Owned Businesses**

In view of our previous discussions so far which has illuminated the relevance of micro, small and medium scale enterprises in the local economy, it is also important to understand the benefits of expanding these locally-owned businesses from small, micro and medium scale enterprises into a large-sized globalized companies. Though small businesses offer substantial benefits to the economy of a nation, it is imperative that these businesses grow from being a small locally owned business into a large corporation. Penrose and Pitelis (2009) states that a firm's decision to seek any likelihood of increased profitability through an expansion is an "enterprising decision", in that in the case where an expansion of the firm is not of an important need or particularly obvious, the firm reserves the right to continue existing as it is or invest efforts and commit resources to determine any probable unaware opportunities. The effort to commit resources to tap unaware opportunities is supported by Drucker (1999) when he states that every business must become globally competitive irrespective of whether it manufactures or sells only within a local region or market. Again, Penrose and Pitelis (2009) states that "that the growth of a firm is connected with attempts of a particular group of human beings to do something; nothing is gained and much is lost if this fact is not explicitly recognized" which brings us to the fact that growth and expansion of a business is definitely eminent.

According to (Van Stel 2005, 19), large firms play vital role in the transition of an economy from a developing economy into a developed economy, attributing the lack of GDP growth in developing countries as to not having enough large firms to exploit economies of scale and scope in order to produce medium-tech products. He further states that large firms employ more and offer on the job training to local workers making them more skilled and productive rather than when they would run a small store or small business.

Other advantages of growing and expanding a small business into large scale enterprises or businesses according to Cortese (2011), points out that large businesses and national chains enjoy such benefits as having greater competitive advantage, generating capital is much easier and cheaper, in the event of economic downturns, large corporations are able to “draw on deeper reserves”, they are also better able to handle increases in regulatory cost and enjoy large government subsidies.

### **2.7.1 Business Retention, Growth and Expansion**

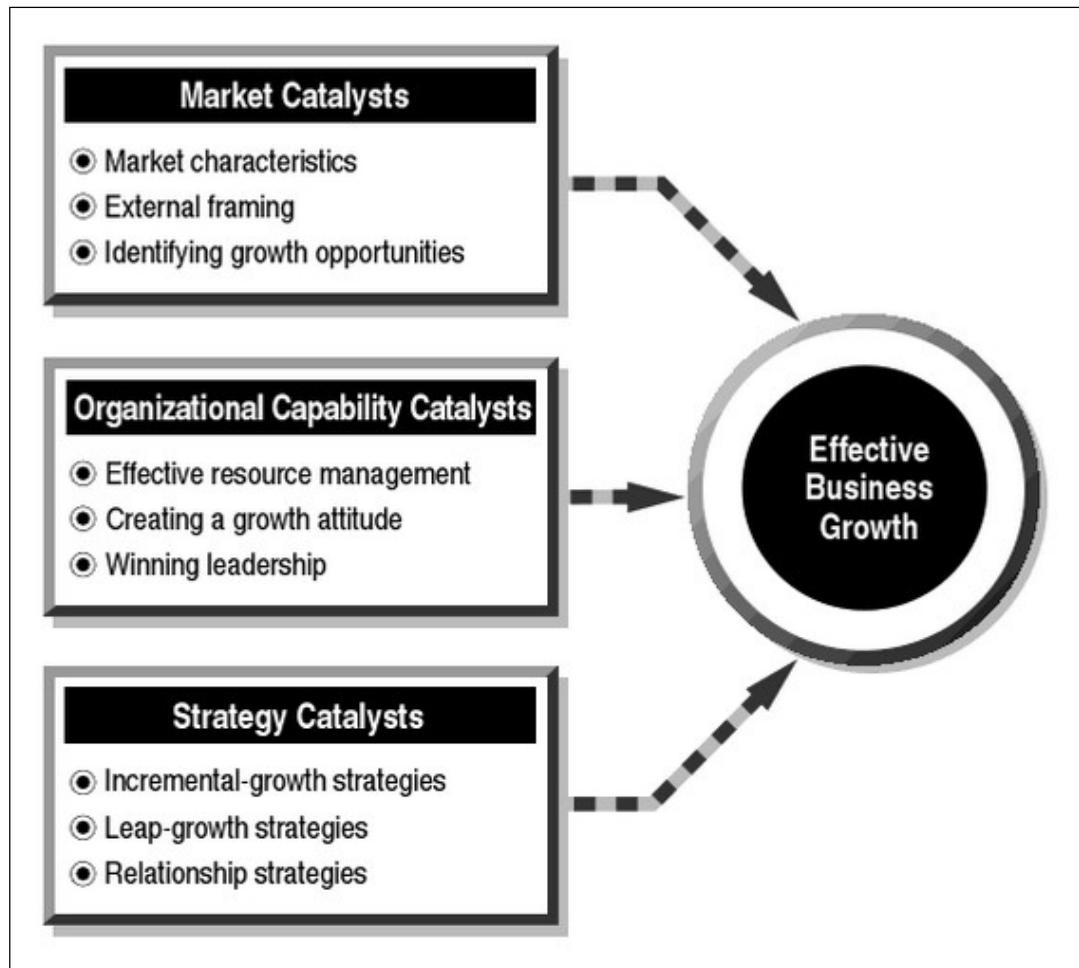
“Two powerful issues challenge every successful business: how to achieve growth and how to sustain growth” (Weinzimmer 2001, 12).

Ogbor and Ogbor (2009, 442) states that “growth is an inevitable outcome of a business start-up”. Growth and sustainability is important to every business and Weinzimmer (2001) mention’s that though growth is now the single most important indicator of a successful business it is also “risky, challenging to pursue and hard to attain without losing balance”. For this reason, most businesses are reluctant to pursue the opportunities available to them due to entrenched uncertainties that come with growth risks (Weinzimmer, 2001). Again Ogbor and Ogbor (2009, 441), points out that it is extremely difficult to manage the transformation of small, micro and medium size entrepreneurial firm into a large-size corporation. However Nonaka and Kenney (1991) states that for any firm to be competitive, it must constantly create new strategies, new products, new methods of manufacturing, distribution and selling.

With reference to our earlier discussions so far it can therefore be said that the growth of any business is influenced by two (2) group of factors, namely the individual and the environment which in any case Ogbor and Ogbor (2009, 441) states that the success of a small business lies with the ability to manage growth and the adoption of the right transitional strategies. In support of this fact, Weinzimmer (2001), points out that irrespective of the type of business, the market place and customer demands, businesses still have the potential for growth. This

can be achieved if entrepreneurs would understand the factors driving growth and employing the right strategic plan to achieving it. He suggest three major boost in achieving business growth; the market, organizational capabilities and strategies. These three factors can be applied to any kind of business anticipating growth.

The diagram in graph 7 points out the factors that can drive the growth of any business. According to Weinzimmer (2001), the growth of a business is driven by three main areas namely; market characteristics, external framing and the ability to identify growth opportunities all of which is embodied in the market catalysts for growth. He expatiates on the fact that the market in which the business operates determines to some extent the growth opportunities available to the business. That is whether the business is operating in a fast or slow market, it is possible to adjust the growth of your business accordingly by either decreasing or increasing your growth rate respectively to suit the market. Again, Weinzimmer (2001) points out in the area of external framing, that the way a company views its markets highly impacts its future potential for growth. Further stating that companies willing to grow must look beyond the confines of “classification systems” and imposed industrial restrictions by exploring new frontiers through viewing and focusing its growth efforts in a more non-traditional manner. Lastly, market catalyst factor is driven by the ability to identify growth opportunities. Managers in businesses must be extraordinary thinkers, have a totally different mind-set, have the ability to see beyond the ordinary and look beyond using high-tech ways for growing a business by the application of just common sense in recognizing growth opportunities (Weinzimmer 2001).



GRAPH 7. Balanced Framework for Growth (Weinzimmer 2001, 12)

Under organisational capability catalysts, three main aspects also partly contributes growth of a business. For a business to be successful Weinzimmer (2001) suggest there must be an effective resource management where capabilities are maximised to gain a competitive advantage. Businesses seeking growth must be able to identify opportunities that are not readily visible to others and provide their businesses with the means of accommodating change that comes with growth since growth means increase in demand and will therefore affect all functional units of the company; be it supply, marketing, distribution, operations, etc.). Secondly, companies willing to grow must be receptive to risk and mistakes and must therefore create positive attitude to growth and change by building a good corporate culture for growth (Weinzimmer 2001). Finally leadership capabilities is an essential area in organisational capability catalyst. For sustainable growth to exist will depend on the kind of leadership the company has. Though the business can establish an effective

growth strategy, it is for the leadership of the company to sustain it (Weinzimmer 2001).

Finally, Strategy catalyst comprises of a business' strategic plan which concerns and focuses its attention on its competitors, innovations and joint venture and acquisitions in order to put into action their growth strategy (Weinzimmer 2001, 17). The point of incremental growth strategy which focuses on a business' competitors is to be abreast with the competition's products and strategies in order to fight for a larger market share (Weinzimmer 2001, 17). On the other hand, not only does a company willing to grow concern itself with the competition but also forms leap-growth strategies which constantly pushes the business to create new desires and needs for the consumer thereby creating new markets and going beyond what its thought to be what the consumer needs (Weinzimmer 2001, 18). Lastly, a company wanting to grow must strategize on how to build strong relationships through either forming partnerships, making effective acquisitions and also focus on internal development (Weinzimmer 2001, 19).

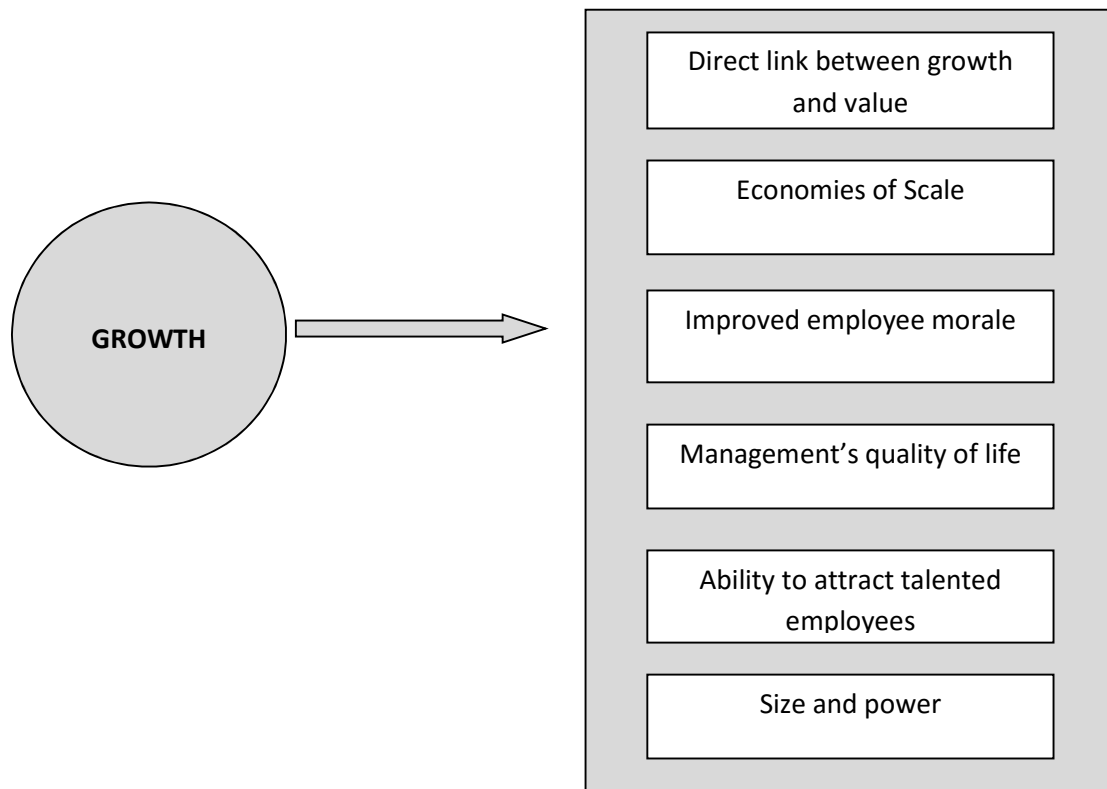
### **2.7.2 Benefits of Business Growth**

Though small businesses as discussed earlier, offer substantial improvements to the lives of people by providing employment and contributing to a nation's economy as a whole, there are also numerous benefits to be gained from successfully growing and sustaining businesses, especially in the case of Africa since businesses cannot always remain small but is expected to grow and expand with time. "For small businesses to effectively contribute to the economy, they should be able to evolve into efficient, well organized, technically competent, well managed operations which respond to opportunities and challenges in their environment" [UNCHS, 1996 (Ang, 1992)]. They should be able to provide reliable products with dependable delivery and quality conformity. They should be price competitive and continually improve on performance. They should focus on cost effectiveness, integrated quality action, collective customer responsiveness, information technology management and human resource management" [UNCHS, 1996 (Steel and Webster, 1991)].

However though the general assumption lies in the fact that businesses must grow or die, it must also be understood that growth could turn out to be negative for the business, in which case the pros and cons for growing and expanding one's business at every stage of the business life cycle must be weighed and approached strategically (Hess 2011, 3). Weinzimmer, (2001, 26) supports this fact that the desire therefore for growth at all cost could cause irreparable damage to the business because the pursuit of growth for the sake of it could cause a company or business to lose sight of what is important, which is "sustainable value creation".

Shuman (2007, 8-9) poses the questions; why does it matter who owns the business? and why should we care if a business serves a local market or a global market?; the answers lie in Weinzimmer's (2001, 24) in the fact that firstly, growing businesses that increase their profits through sales growth are more valued by potential investors. He further adds that, companies are better able to sustain profits over a long period if the growth in profits is as a result of growing revenues. Growing revenues also means higher taxes to be paid which will in turn benefit government and nation as a whole.

Again, growing a business offers the opportunity to realize economies of scale due to being a large size company (Weinzimmer, 2001, 25). Weinzimmer points out that the advantages provided by economies of scale save cost through improved efficiency due to larger production facilities which will mean the ability to purchase larger quantities of raw materials.



GRAPH 8. Benefits of Growth (adapted from Weinzimmer 2001, 24)

Growing businesses also offer a boost to the employee's morale (Weinzimmer 2001, 25). Weinzimmer is again of the view that employees gain a better satisfaction, pride and loyalty to a growing company since they develop a sense of ownership for the business. As a company grows, new departments and levels are created which requires more managers and this provides grounds for employee self-development through promotions and also attracting better qualified employees Weinzimmer 2001, 25).

The ability to rise again after any unforeseen challenges that may occur in course of business operations is another advantage to be enjoyed by a growth company (Weinzimmer 2001, 25). Large businesses are likely to recover from negative shocks than small businesses in which case most of these small businesses never recover and die.

Finally, growth companies are able to employ better, competent and qualified employees. Weinzimmer, (2001, 25) points out that, good calibre employees are

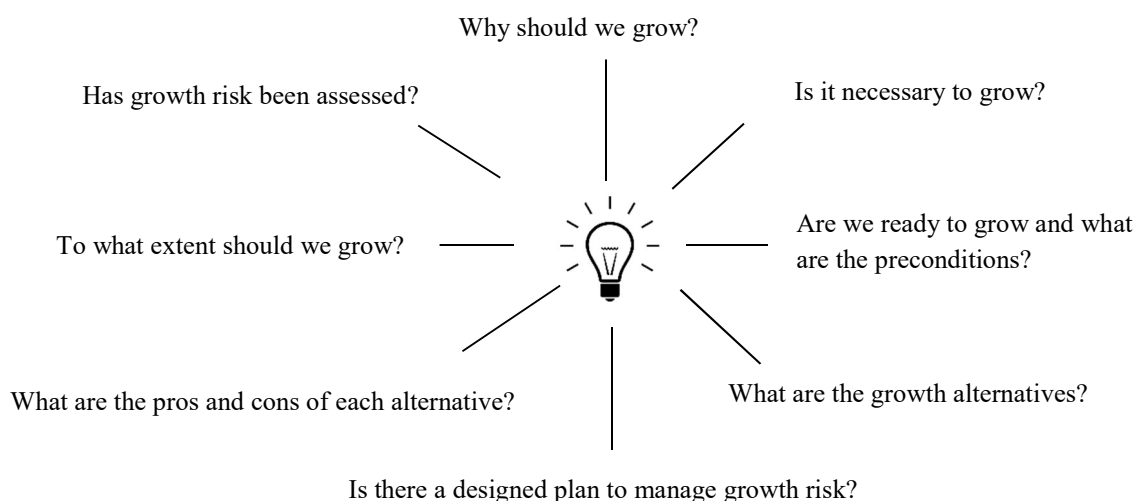


driven by challenge and aspire for future professional advancement. Such employees will therefore only want to be seen to be working for larger companies since such opportunities exist.

The vast benefits of business growth discussed so far supports the view of Shuman (2007, 9) who points out that the choices we make as entrepreneurs, consumers, investors and policymakers impacts greatly on the success and development of a community.

### 2.7.3 Challenges of Business Growth

In as much as growth has been discussed, again it is not easily attainable to the entrepreneur or small business owner. According to Hess (2010, 137-138), the path for growth must be undertaken only after weighing the pros and cons of growth decisions. He further points out that embarking on the venture of business growth involves change and change can be risky. A business willing to grow goes beyond just wanting to get better; it challenges people and the internal systems in the organization (Hess 2010, 138). Hess (2010, 138) points out that, there is the need for management to ask the following questions in graph 9 before embarking on the path to growth.



GRAPH 9. Reasons and Opportunities of Growth against Growth Risk (adapted from (Hess 2010, 138)

Entrepreneurs and management of small businesses need to ask these questions because though growth is good it comes with its own set of risks (Hess 2010, 163). Risk levels are higher for small businesses because unlike large corporations they have limited resources with respect to capital, labour, managerial experience, information systems, processes, time and controls which makes them vulnerable and unlikely to bounce back from a growth mistake (Hess 2010, 163).

Again, according to Hess (2010, 163), entrepreneurs of small businesses face the risk of losing their personal monies and endangering the financial securities of their families. This is so because unlike large businesses whose CEOs and top management only face the risk of resigning from their positions in the companies, the entrepreneur has his own money invested in the business and a growth mistake could be detrimental to both his business and family (Hess 2010, 163).

Hess (2010, 164) also indicated that growth of a business drives change in company culture, people relationships and how business was conducted. He further states that, a growing small business faces the challenge of dealing with its human relations because it challenges the abilities, competencies and interpersonal skills of the workforce. This is so because due to the expansions and complexities of a growing business, management and entire workforce no longer have the ability to manage operations/processes and would therefore continuously require to recruit and integrate its human resources into the business hence can create issues of wavering sense of loyalty and emotional difficulties for the already existing workforce (Hess 2010, 164-168).

Hess (2010, 169) discusses the fact that managing growth irrespective of being a large or small business is unpredictable and risky and can outstretch and cost the business its capabilities, human resource, processes and controls and must therefore be approached and managed with diligence. In support of this, Ogbor and Ogbor (2009, 442), states that research has indicated that, when an entrepreneur builds a business based on most of the principles discussed so far for managing the growth of a business, there is a fair probability that that business will not fail or your start-up small company will not remain small.

### **3 CASE STUDY BACKGROUND/METHODOLOGY**

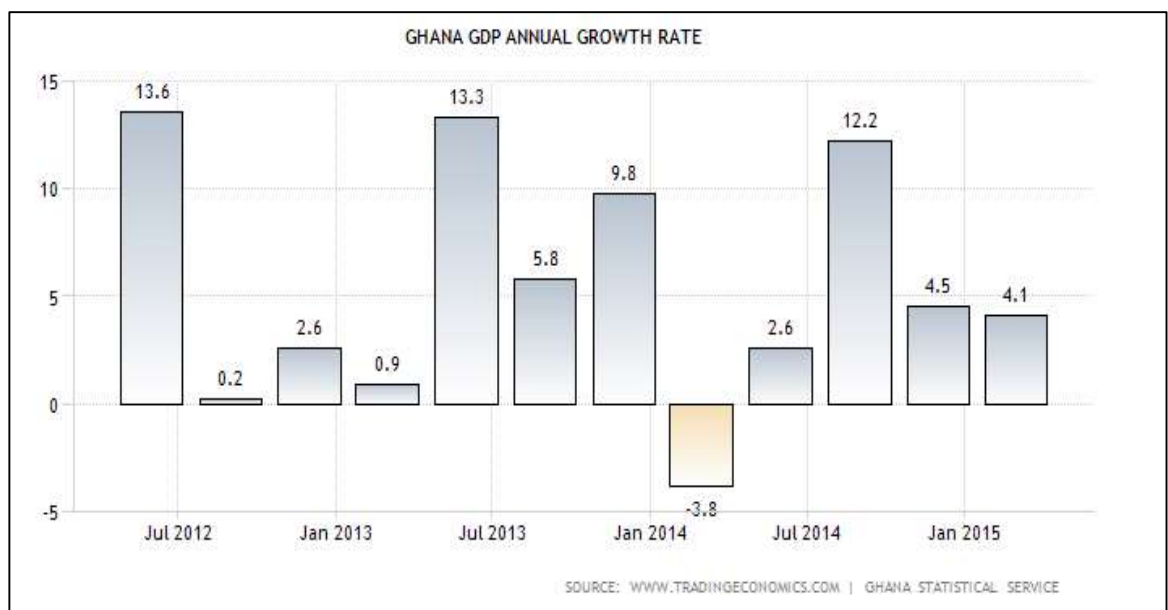
This chapter will seek to explain the case study environment by describing Ghana and informing on some key social and developmental indicators. It will further explain the economic stand point of the country and inform on the nature of business environment in Ghana. This is to help better understand the Ghanaian entrepreneurial activities with an overview of the challenges of doing business especially for domestic businesses or the local entrepreneur. The chapter will further explain in detail the research strategy to be adopted in this research project, the research sample, data collection and data analysis technique to be employed and hypothesis testing.

#### **3.1 Ghana**

Ghana is located in the western part of Africa and bordered by Côte d'Ivoire on the west, Togo on the east, Burkina Faso in the north and Gulf of Guinea in the South. The country has an estimated population of about 26 million inhabitants (CIA.gov, 2015), tradingeconomics.com). Though the people of Ghana belong to over 100 different ethnic groups, the country's official language is English with each person speaking at least one type of local dialect (KPMG, 2012). The system of governance is that of a parliamentary democracy with the main arms of government being the executive, judiciary and legislative (KPMG, 2012). In terms of religion, Christians make up 68.8% which consist of Pentecostal/Charismatic 24.1%; Protestant 18.6%; Catholic 15.1%; other 11%, Muslims make up 15.9%, traditional worship also makes up 8.5%, and other religious form of worship make up 0.7%, none religious believers make up 6.1% (KPMG, 2012). The educational system in the country is made up of six (6) years of primary education, three (3) years of junior high school (JHS), three (3) years of senior high school (SHS) and after entry into tertiary education (universities, polytechnics, vocational/teaching/technical colleges) (KPMG,2012).

### 3.1.1 The Economy

Ghana was in 2010 considered as a lower middle income economy by the World Bank. It is so far one of the world's top producers of cocoa and gold (KPMG, 2012). Blessed with vast natural resource base, the country also exports petroleum oil, timber, electricity, diamond, bauxite and manganese and in addition individual remittances contribute to foreign exchange earnings of the country (KPMG, 2012). According to (KPMG, 2012), the service sector as at the year 2010 contributed to 50% of Ghana's GDP and employed most Ghanaians. The agricultural sector also accounted for 30.2% of GDP and accounted for about 56% of the country's labour force (KPMG, 2012). In spite of these resources, it has been noted that a quarter of the population of Ghana live below the poverty line (tradingeconomics.com). The average annual GDP growth rate of Ghana between the year 2000 and 2015 has been 7.37% (tradingeconomics.com). GDP as indicated in graph 9 according to the Ghana Statistical Service recorded so far had a fallen growth rate of -3.5% in the first quarter of 2014 as compared to its highest recording of 25% in 2012 (tradingeconomics.com). Appendix 1 details the key economic indicators of Ghana with respect to GDP and illustrates how the country has been doing as at the year 2015.



GRAPH 10. Ghana Annual GDP growth rate 2012-2015 (tradingeconomics.com)

Again though the country is considered as having an open economy, with its share of exports and imports at about 20 %, its production and export structure is highly undiversified in which case the economy's responses to external shocks can have a dire impact on savings, investments and output of the country (IMF, 1995)

### **3.1.2 Business Environment**

The Ghanaian business environment has not been so friendly. According to the World Bank Doing Business Report 2015, Ghana was ranked 70th out of 189 countries/economies on the ease of doing business indicators by domestic enterprises or businesses which was obtained as a result of measuring and benchmarking regulations that enhance or constrain business activities. The business environment is largely characterised by small enterprises and is responsible for about 85% of manufacturing employment in the country (Abor & Quartey, 2010). They further state that SMMEs make up an estimated 92% of all businesses in Ghana and contribute to 70% of the country's GDP.

The main contributing factors to the poor private sector development in Ghana according to a report by DANIDA (2012) has been due to the following factors:

- Underdeveloped financial systems and poor accessibility to financial services and facilities for micro, small and medium size enterprises (SMMEs).
- Small capital market size which has inhibited the prospective growth of the private sector and the ambitions of entrepreneurs since it limits their ability to access long term capital for productivity and infrastructural investments.
- Governmental, political and regulatory issues are a continuous challenge to providing a better public service which hinders the adequate provision and support services to the private sector, thereby creating an ineffective enabling environment for private sector development.
- Poor, obsolete and inadequate infrastructure/technology is a major challenge to business and economic development in Ghana.
- Socio-cultural dynamics, such as the morality of the public, attitudes, conduct, responsiveness and poor time consciousness also contribute to Ghana's poor performance.

- Poor banking and insurance industry capitalisation hinders the “risk-taking capacity and funding potential of the financial system”

## **3.2 Methodology**

The research strategy adopted for this research project is that of a quantitative methodological research. A quantitative methodology was selected for this thesis work because of its ability to quantify certain aspects of social life which is a major distinguishing factor from qualitative research and thereby the process of numerical data collection shows a deductive view of the relationship between theory and research (Bryman and Bell 2011, 150). It was therefore considered a useful tool for this study because it helps to identify the factors that causes the stunted growth and failure of most local small businesses in Ghana.

### **3.2.1 Quantitative Research and Analysis**

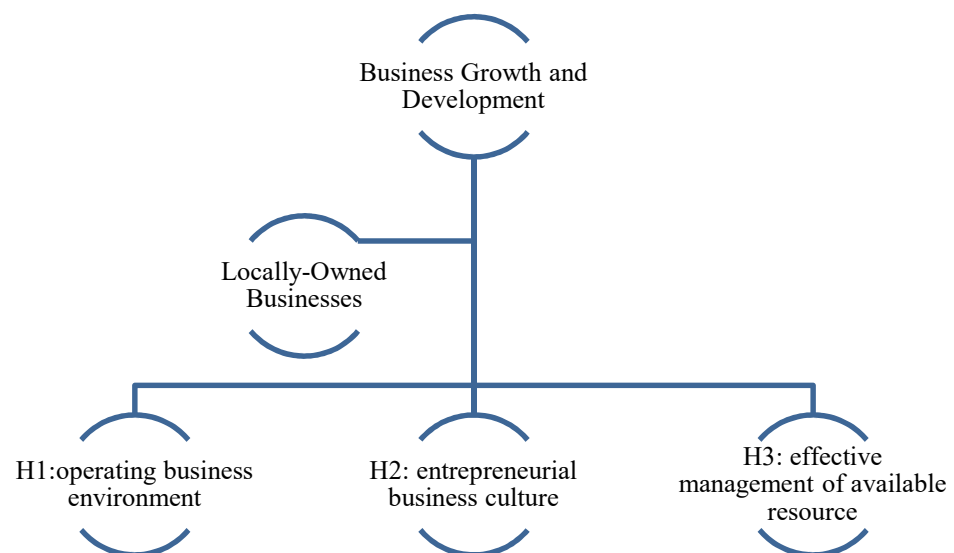
Quantitative research originates from natural sciences and it involves the use of numerical data collection in analysing and measuring results of an observation through a statistical approach. Quantitative research, by definition according to according to [Muijs (2010): (Aliaga and Gunderson 2000)] states that, it is the process of “explaining a phenomena by collecting numerical data that are analysed using mathematically based methods (in particular statistics)” Martin and Bridgmon, (2012, 3) adds that quantitative research “involves the interplay among variables after they have been operationalized, allowing a researcher to measure study outcomes”. The writer will further formulate hypothesis which will be empirically tested.

Quantitative research has been criticized by opposing qualitative researchers who accuse social scientist as just assuming the developed measures and the revealing concepts which makes it unreal; that dependence on research instruments disconnects the relationship between the research and everyday life and that analysing relationships between variables creates a “static social world” which

alienates itself from the actual individuals in that world thereby cannot link it to everyday context (Bryman and Bell 2011, 168). Irrespective, it is in this case a favourable tool for the writer in the sense that it allows room to test the proposed theory and hypothesis and understands that though it may follow a logical sequence of steps to answer the research problem, it is not an “absolute final answer to the problem” (Martin and Bridgmon 2012, 30 ), hence, creating room for further research into the subject area.

### 3.2.2 Research Hypothesis and Theoretical Model

With reference to the research question, theoretical foundation and literature review, it came to light that the entire environment in which the business operates (the business ecosystem) is a major contributing and determining factor for the survival and sustainability of locally-owned businesses in Africa. In addition to this, the level of entrepreneurial development coupled with the capabilities, qualities and characteristics possessed as an entrepreneur were found to be essential add on for the survival of businesses. Therefore in a Ghanaian context, the writer proposes to test the following hypothesis:



GRAPH 11. Theoretical Framework

### **3.3 Data Collection, Measurement and Analysis**

The selected sample for data collection is taken from a random population of various businesses established by Ghanaian entrepreneurs concentrated mostly in Greater Accra and Ashanti regions of the country. Most of these businesses or enterprises fall into the category of SMMEs and are involved in different operational sectors in the service or manufacturing industries as supported by Abor & Quartey (2010) stating that SMME businesses in Ghana makes up an estimated 92% of all businesses in the country. The enterprises or businesses in the country face similar or the same conditions which influence their operations as established in the theoretical framework, however, the writer has chosen these 2 regions out of 10 in the country since they are the major industrialised regions in the country with high concentrations of various businesses and enterprises. The writer will therefore term the sample and sample population as being a simple random sample and homogeneous respectively.

#### **3.3.1 Data Collection**

The process of data collection will be administering questionnaires. The questionnaires were designed based on the review of literature and it was to help capture all the necessary information needed to answer the research question. The questionnaires were designed to cover four areas; i) knowledge and structure of the business, ii) the business statistics, iii) business growth and development, iv) future projections and survival. Appendix 7 shows the detail structure of the questionnaire.

#### **Strategy and Measurement**

The questionnaires as mentioned is divided into four sections. The first section is a measure of ownership and level of commitment employed in the business. This is measured by four items: the structure of the business; existing length of establishment of business; the industry of operation; the entrepreneurial motivation in the business of which a multiple indicator of 6 statements were assigned numerals for motivational drives of the entrepreneurs by using a continues five-point Likert-type scale of 1-5 to indicate responses. The second section measures the size of



the business in terms of the number of employees, annual revenue and geographical areas of operations. The third section is a measure of the survival of the business which looks at issues that are generally considered as important growth measure for a business and an assessment of the challenges faced by businesses in the Ghanaian context. The last section measures the entrepreneurial intentions and expansion plans for the business. The criterion for this measurement involves the analysis of the properties and characteristics associated with business growth. 11 items are used as a standard of measurement in terms of market growth, internal growth, and financial growth of which questions were assigned numerals of behavioural indications by the use of a summed rating Likert-type scale of 1-5; 1 being the lowest and 5 being the highest.

According to Murthy and Bhojanna (2009, 250); Singh (2007, 162), applying the statistical technique of non-parametric methods is most suitable for the measurement of variables involving nominal and ordinal scales. In this regard, this thesis work can be considered non-parametric since the scale applied to the variables with the use of SPSS are nominal and ordinal.

Hypothesis can be expressed as =  $H_{01}: \mu_1 = \mu_2 = \mu_3$

Where:  $H_{01}$  = Null Hypothesis: A conducive business environment, available resources and a sense of business competitiveness and culture when channelled and managed in the right direction are not factors that drive local business growth and development.

$H_1: \mu_1$  = A conducive operating business environment increases local business growth and development.

$H_2: \mu_2$  = Available Resources channelled in the right direction can lead to local business growth and development.

$H_3: \mu_3$  = A sense of business culture contributes to local business growth and development.

### 3.3.2 Description of Operating Variables

#### Dependant Variables

**Business Growth:** Businesses have the tendency to define and brand themselves probably based on how the world around us is understood and how actions are taken accordingly hence the notion in the thought that a business if not expanding, is then dying away slowly (Hess 2011, 12). The first group of needed variables is the organizational growth and development measures which is the focal point of this thesis and are measured by coded dummy variables of 1 to 5 if the measuring variable is what the business will consider as an upscale for their growth.

#### Independent Variables

**Operating Environment:** The operating environment for the business is essentially critical to its operations, since the business is established within a community of aiding factors that will account for its operation as an entity. The environment be it external (micro and macro) or internal environment is of great value which impacts the functioning of the organization (Jain et al. 2009). This is because, as said by Jain et al. (2009) there exist a close relationship between the business and environment, in which case the environment may act as a catalyst or restraint for a business. They further point out that a business can therefore grow and develop itself when favourable changes occur within the environment and in a vice versa situation, the business can face challenges and problems. The operating environment variables is subsequently coded as dummy variables and equal to 1 indicating the environmental factor is unfavourable (problematic) and 0 when favourable (unproblematic).

**Entrepreneurial Business Culture:** For the purpose of this study, entrepreneurial competitiveness and business culture is measured by the motivation of entrepreneurs to undertake an entrepreneurial venture. This is assessed by data received from the survey responses obtained from the questionnaire on a Likert-type response format with a 5 point scale. Similarly, Popescu and Crenicean (2012, 10) points out the fact that though entrepreneurial qualities could be inherited, entrepreneurship can be driven by strong motivation and as such the manifestation

of individual entrepreneurship is a vital contributing factor to business competitiveness (starting and developing a new business) and entrepreneurial culture (developing new methods of work, products, creativity and individual innovation).

**Available Resources Management:** Tuominen (2012, 37-63) discusses the fact that the efficient and effective use of available resources to an organisation must be monitored, protected and optimized. This is so because resources are bound to be scarce if not well controlled and managed and hence a business must constantly seek opportunities and improvements. Ensuring effective control measures and management of the resources, in effect paves way for new research and developments (R&D) into newer resources, optimizing processes and promote the introduction of new technologies (Tuominen 2012, 37-63). With respect to this thesis work, channelling available resources in the right direction was assessed by a questionnaire and measured on a Likert-type response scale of 1-5. Respondents were asked to rate the future use and management of available resources.

TABLE 2. Description of Dependent and Independent Variables of business growth, business culture, environment and resources management

<b>Dependent Variables</b>	<b>CODED SYMBOLS</b>
Business Growth	grth_meas
<b>Independent /Other Variables related to Business Culture</b>	
*Business Culture	BUSCULT
Business importance of Life	imp_life
Extent of Entrepreneurial Commitment	ext_commit
Effort and Time	efft_time
Personal Sacrifices	per_sacf_bus
Contribution to Society	Bus_Society
Ownership of Business	Own_Bus
<b>Independent /Other Variables related to Environment</b>	
*Operating Environment	OPRENV
Lack of Financing	LFin
Lack of Market Demand	LMDd
Family Demands	FDd
Lack of Skilled/Qualified Labour	LSQL
Lack of Strong Management team	LSTMgt
Legal, Governmental policies/regulations	LegPRI
Limited Infrastructure/Technology	LINTech
Corruption	Corrupt
Tax Rates	TRate
Foreign Currency Issues	FgnCI
<b>Independent /Other Variables related to Resources Management</b>	
*Available Resources	AVRESOU
Selling to new Markets	SNMrkt
Introduction New Products and Services	IntroNPS
Expansion of Distribution Channels	ExpDC
Acquisition of Equipment/Machinery	AcqEQM
Technological Advancements	TechAdv
Expansion of Operational Space	ExpOPS
Increase in Existing Facilities	IncExtF
Employing Qualified Labour	EmpQuaLab
Additional Financing	AddFin
Research New Markets	RDMrkt
Professional Advice	SProfAdvc

\* = hypothetical variables to be tested

### 3.3.3 Data Analysis

In analysing data for this thesis work, the writer considered to apply the Logistic Regression Model. The logistic regression model is an analytical statistical technique which is widely used for data analysis involving the relationship between a dependent or response variable and one or more independent or exploratory variables (Hosmer et al. 2013, 1). In consideration of the dependent variables with respect to this work it is deemed binary on the basis that it is likely to generate a proportional response based on one or more predictors (Hilbe 2009, 15). In view of this, a binary logistic regression analysis will be employed in estimating the probability of an occurrence of the dependent variable.

The logistic model according to Kleinbaum and Klein (2010, 7-8) is expressed as:

$$P(\mathbf{X}) = \frac{1}{1 + e^{-(\alpha + \sum \beta_i X_i)}}$$

Where the bold  $\mathbf{X}$  is the dependent variable, which is defined by the dummy numerals 1 or 0. The numerical value of 1 denotes the probability of an event occurring and 0 denotes the opposite of a non-occurrence of an event. The variables  $\alpha$  and  $\beta_i$  denotes the intercept and regression parameters respectively which is unknown and can only be estimated based on the data obtained and  $X_i$  represent the vector of independent variables. The coefficient of the regression parameters estimates the impact of the independent variables on the probability of an event occurrence. A positive coefficient is an indication of a higher chance of the event occurring and a much lesser chance of the event occurring when negative.

The level of significance, either rejecting or retaining the null hypothesis is based on the probability of the sample outcome denoted as (p). The criterion therefore for arriving at a decision is dependent on the fact where p value is less than 5%, in which case  $p < .05$  then the null hypothesis is rejected and vice versa when  $p >$  than .05.

In view of the fact that the dependent variables in this thesis work were coded in a Likert-type scale from 1-5, analysis of empirical data will be dealt with by the use

Ordinary Least-Squares (OLS) regression model. The OLS is a statistical tool that analysis values of a continuous response variable by the use of a single or more explanatory variables and also shows the strength of the relationship between the variables (Hutcheson and Sofroniou 1999, 55) The regression model expressing the direct linear relationship between the two variables is simply expressed as:  $y = \alpha + \beta x + \varepsilon$ , where  $\alpha$  is the interception of the line on the y axis,  $\beta$  is the regression coefficient and  $\varepsilon$  defines the error term in predicted with the use of the regression model (Hutcheson and Sofroniou 1999, 56-58). "Error" in this case does not mean a mistake but a simple indication that the relationship between the variables is not exact (Hutcheson and Sofroniou 1999, 57-58).

## **4 FINDINGS AND RESULTS**

The content of this chapter will detail the process used in data collection, interpretation, and detailed analysis of the current overview of local businesses owned by Ghanaian entrepreneurs. The chapter will then further try to prove and test hypothesis and discuss the research question based on the results obtained from the survey and theories analysed in chapter 2 of this thesis paper.

### **4.1 Data Gathering Process**

The following discussion will involve the detailed narration of the data gathering process, the sample population and the level of responses obtained from the survey. The sample population for the survey consist of businesses solely owned by Ghanaian entrepreneurs with locations in either the Greater Accra or Ashanti Regions of Ghana. Though Ghana has 10 regions in all, these two regions were chosen because of its mass population of locally owned Ghanaian businesses of various forms, sizes and operations.

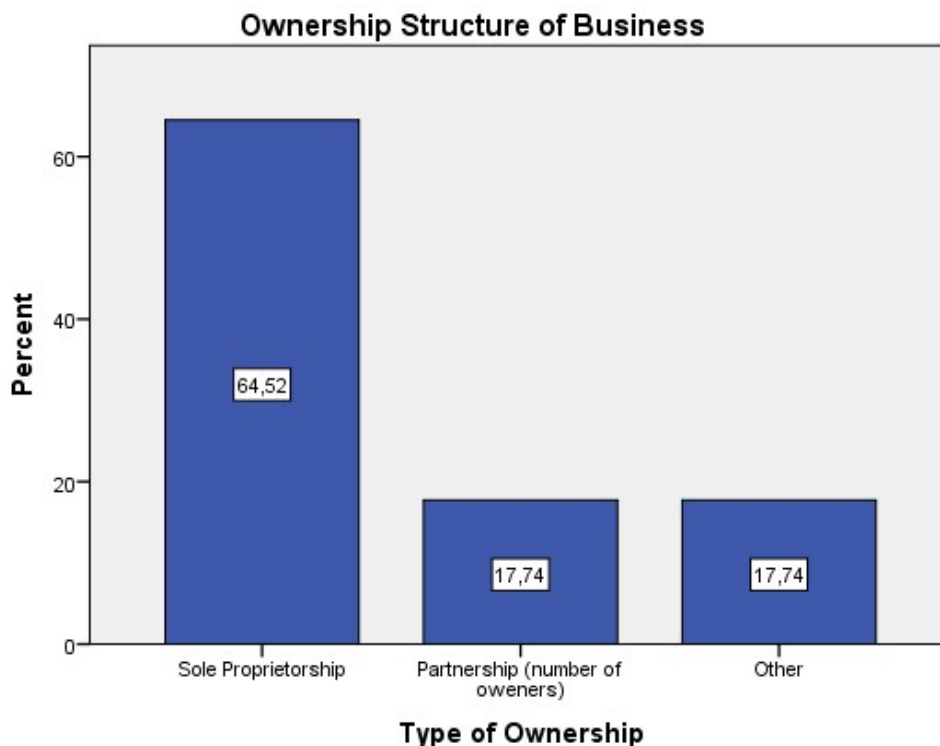
In the collection of the data for the research, questionnaire reference to appendix 7, was designed based on the theoretical review and framework of this thesis work. The questions centred on the structure of the business to determine basic background of the business in terms of the ownership and type of operation. Again, the writer in an attempt to find out about the working culture of the entrepreneur, a series of questions were asked based on the level of commitment to the business. This was followed by questions to determine the size, limiting factors that hinders growth and development and any possible future plans to determine the level of willingness to expand most businesses.

### **4.2 The Sample Population**

In distributing the questionnaires, a number of Ghanaian owned businesses were identified by the writer with reference to appendix 2. The criterion used for selecting

those businesses was that it must be a local business solely owned and operated by a Ghanaian national. The total distribution and collection process of answered questionnaires took a period of two (2) months and (3) three weeks. The questionnaires were partly administered with the help of some friends and also through the process of email. In all 85 questionnaires were distributed, out of which 80 responses were received all returned through the post mail. Out of the 80 answered questionnaires received, 17 representing 21% of the population were rendered defective and unusable due to the reasons that those responses were from companies that were either a subsidiary of a foreign multinational or it was a partnership business between a Ghanaian national and a foreign national. This therefore remained 63 usable answered responses making the sample size of this research 63 which represents 79% of the sample population.

### 4.3 Results/Findings

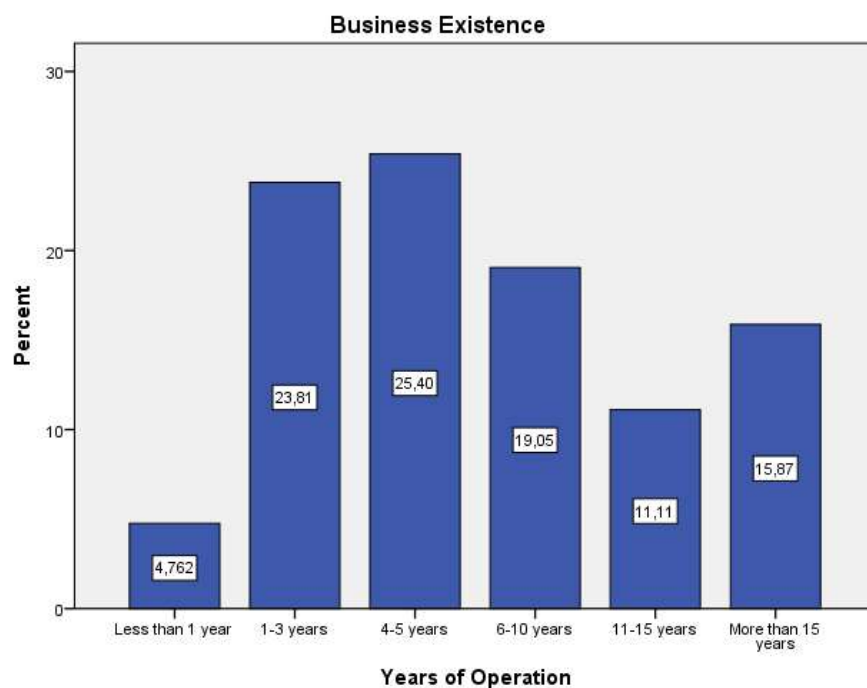


GRAPH 12. Forms of Business Ownership in Ghana (Source: Survey Data)



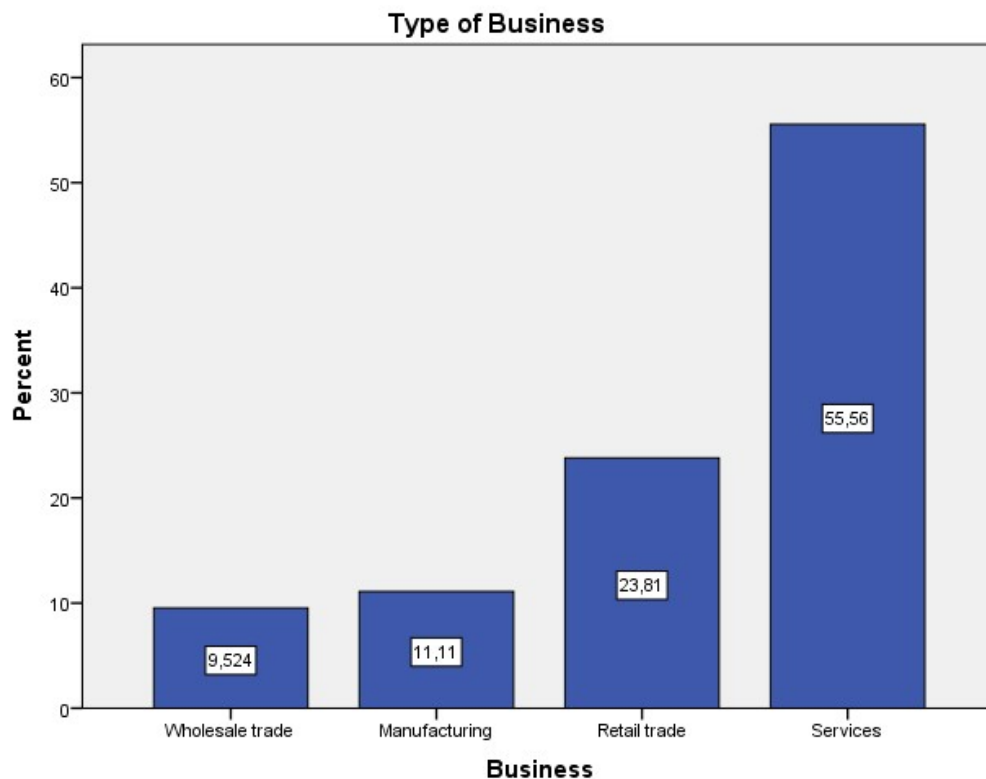
In order to know and understand better sample population and their forms of business ownership, the respondents were asked to specify the kind of business ownership they operate. This was to establish the major category form of business ownership mostly operated in Ghana. According to the results obtained in graph 12, 64.52% of business ownerships were sole proprietorship form of business. Partnership form and any other ownership form (company, limited liability, etc.) of business recorded an equal percentage figure 17.74%. This is an indication that most businesses in the country are owned and managed by individual entrepreneurs.

The length of operation and business existence was examined to identify growth and survival rate of locally- established businesses in the country. Graph 13 below indicated that most of these businesses have been in operation between 1 to 5 years which recorded the highest results of 25.40% and 23.81%. There is a drop of 19.05% after 6years of establishment and operation. The other remaining businesses have been operating for a period between 11-15 years and few have operated for more than 15 years showing results of 11.11% and 15.87% respectively.



GRAPH 13. Active years of Business' Operations in Ghana (Source: Survey Data)

According to the results of the survey in graph 14, more than half of these businesses are operating in the service industry recording a figure of 55.56%. This is followed by retail trade of 23.81%. Manufacturing and wholesale business operation are 11.11% and 9.52% respectively. This is an indication that more than half of locally-owned businesses operating in Ghana are largely characterized by the service industry leaving the production sector almost abandoned or in the hands of foreign firms and relying on heavy imports of goods.

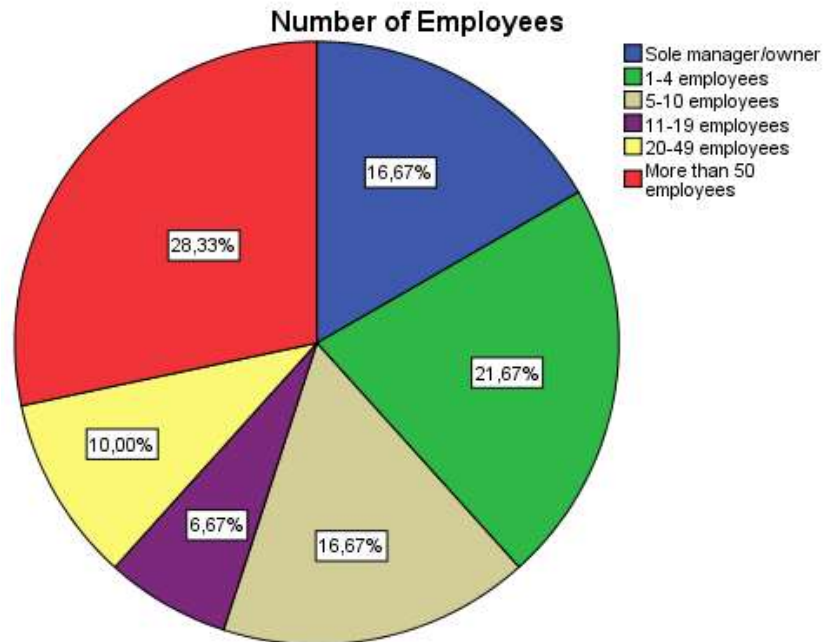


GRAPH 14. Area of Business Operations in Ghana (Source: Survey Data)

The following results relates to basic statistical information of the population. Questions were asked to find out their number and trend of employment, the annual income range and the existing locations of their businesses. This is to enable identify and support the definition of the kind of businesses being operated; that is, to identify whether they fall into the range or SMMEs.

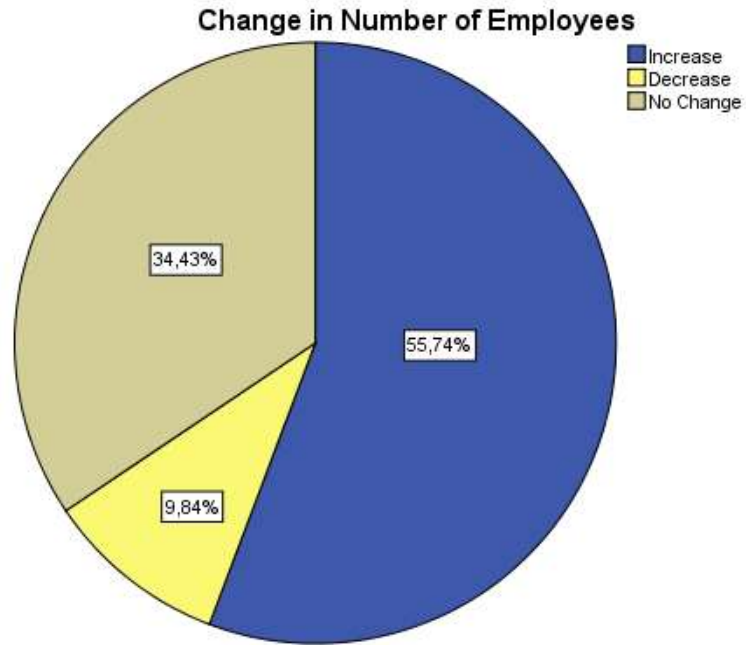
Graph 15 shows 71.67% of the pie in the sample population employ less than 50 employees, the larger portion of the pie being employment of less than 10

employees, showing results of 21.67% and 16.67%. It can be noticed that another 16.67% solely manage their businesses without any employees. On the other hand only 10% of the businesses (respondents) employ more than 50 employees.

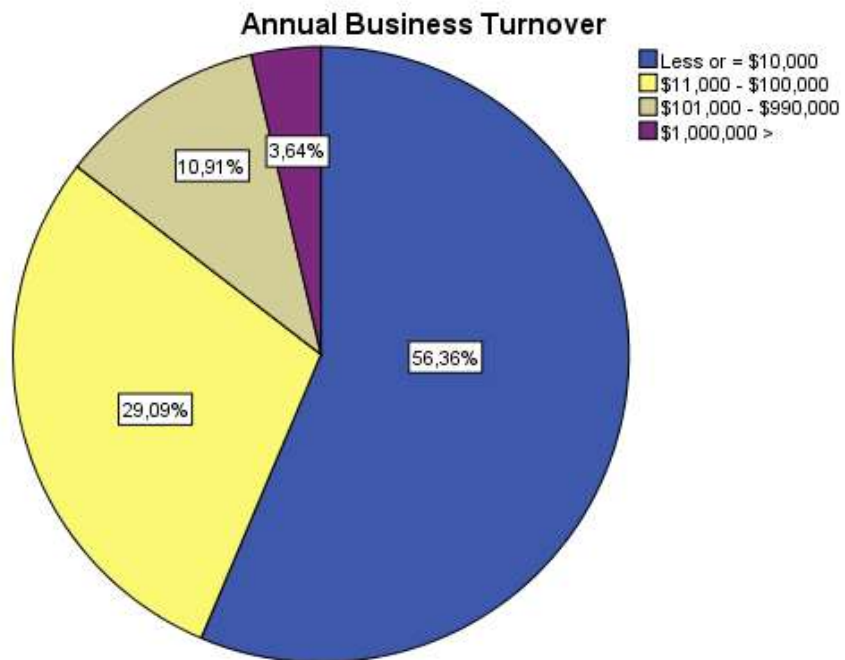


GRAPH 15. Employment Rate of the Enterprises (Sources: Survey Data)

With respect to the change in the number of employees since the establishment of the businesses, a question was asked to inquire about the status of employment over the years of business operation. In response, referencing graph 16, it was noticed that more than half of the businesses increased their staff by 55.74% over the years of operation, 34.43% showed no change in the number of employees and just a percentage of 9.84% had experienced a decrease in the number of employees over the years.



GRAPH 16. Number of Employees Employed by the Businesses (Sources: Survey Data)

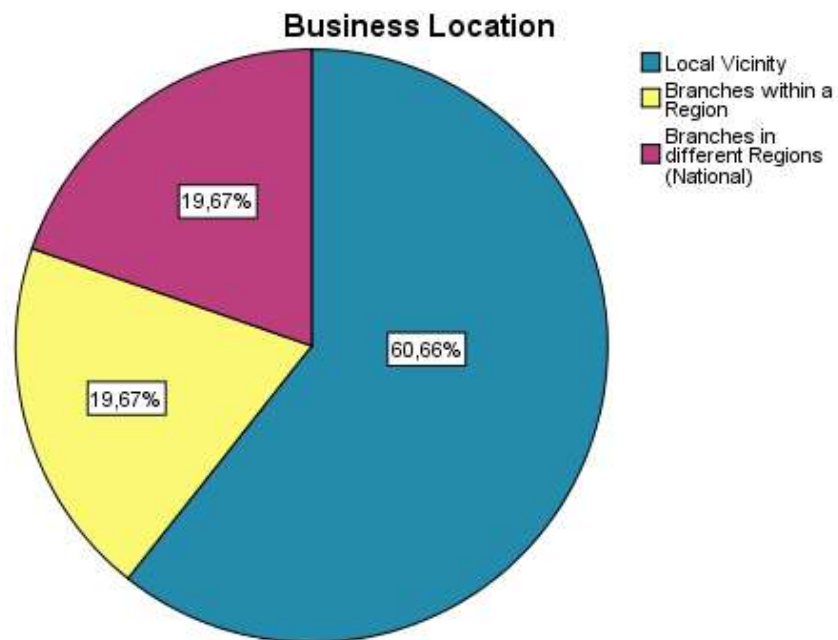


GRAPH 17. Annual Business Turnover of Business (Sources: Survey Data)

With reference to graph 17 the turnover of the population recorded a high rate of 56.36% of businesses earning less than \$10,000 dollars annually after taxes. 29.09% of the population had a turnover of between \$11,000 and \$100,000

annually. The rest of the population recorded 10.91% and 3.64% of businesses who earned between \$101,000-990,000 and more than \$1,000,000 respectively.

In trying to find out how established and well expanded the businesses were with respect to their years of operations, a question was asked about the geographical locations of the businesses. In response, graph 18 showed results of 60.66% of the population having only one operating facility or office in their local vicinity. The rest of the respondents had their businesses located and operating in different locations within the same region or located in different regions within the country recording values of 19,67% each.



GRAPH 18. Results on the Location of Businesses in Ghana (Sources: Survey Data)

#### 4.3.1 Hypothesis Testing

The result of the linear logistic regression of the dependent and independent variables in the basic model is presented in tables 3, 4, and 5. Table 3 indicates model 1 is significant at ( $p < 0.000$ ) level. Further, Model 1 as indicated in table 4 also has  $R^2$  value of 0.638 and adjusted  $R^2$  value of 0.620. The regression coefficients in table 5 reveals that the operating environment and available

resources is statistically significant with respect to the growth of the business. The table also reveals that business culture with respect to growth of the business is not statistically significant. In view of the fact that significance is achieved where  $p < 0.05$ , the data is considered statistically significant where  $p$  values equals 0.431(OPRENV) and 0.446 (AVRESOU). Where  $p$  value equals 0.010 (BUSCULT) in the data set, significance was considered very weak and hence null hypothesis in this case is acceptance.

TABLE 3. OLS Regression Model results related to Business Culture, Operating Environment and Available Resources (Source: Survey Data)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,799 <sup>a</sup>	,638	,620	,564

a. Predictors: (Constant), AVRESOU, BUSCULT, OPRENV

TABLE 4. OLS Regression ANOVA results related to Business Culture, Operating Environment and Available Resources (Source: Survey Data)

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33,155	3	11,052	34,718	,000 <sup>b</sup>
	Residual	18,781	59	,318		
	Total	51,937	62			

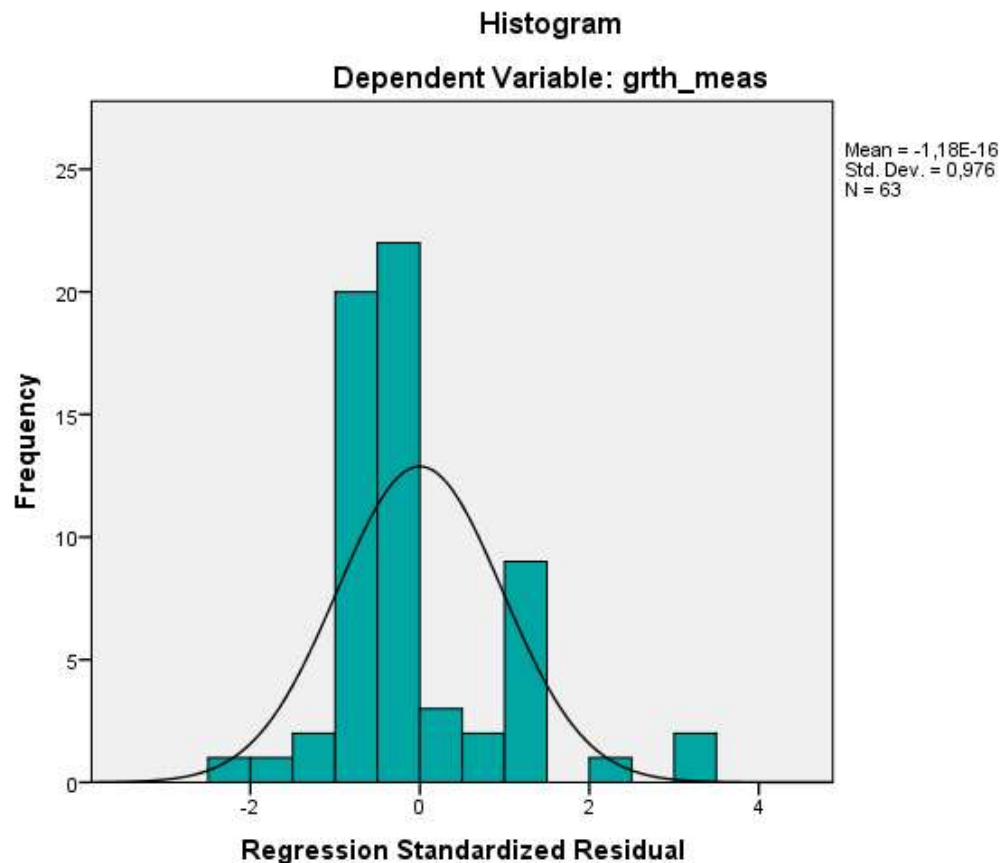
a. Dependent Variable: grth\_meas

b. Predictors: (Constant), AVRESOU, BUSCULT, OPRENV

TABLE 5. Regression Coefficient results related to Business Culture, Operating Environment and Available Resources (Source: Survey Data)

Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	,526	,267		1,971	,053
	BUSCULT	,010	,112	,009	,088	,930
	OPRENV	,431	,150	,410	2,879	,006
	AVRESOU	,446	,149	,421	2,992	,004

a. Dependent Variable: grth\_meas



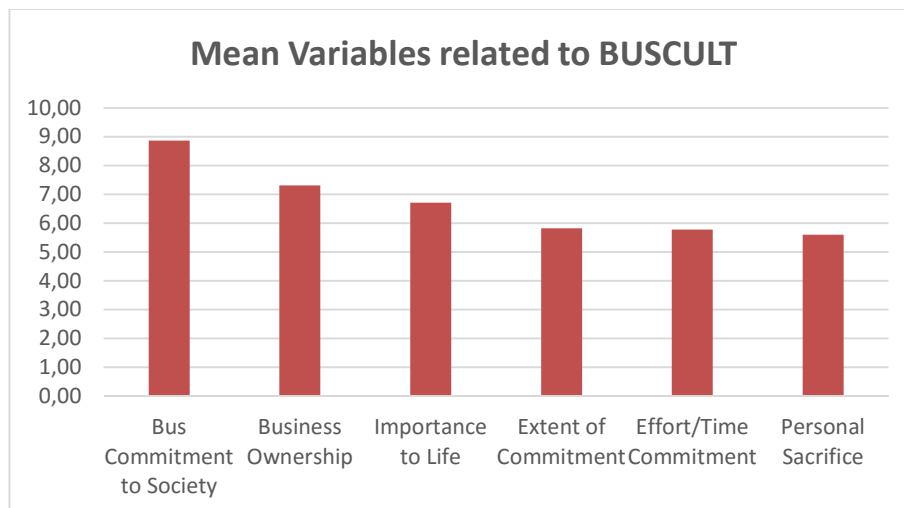
GRAPH 19. OLS Regression Residual expressing relationship between Dependent and Independent variables (Source: Survey Data)

Graph 19 describes the residual of the regression which as indicated, shows that the residual is normally distributed around the mean which can be considered

satisfactory because it supports the linear assumption of a regression that the values of the residuals must be normally distributed.

#### 4.3.2 Description of Mean Results related to Independent Variables

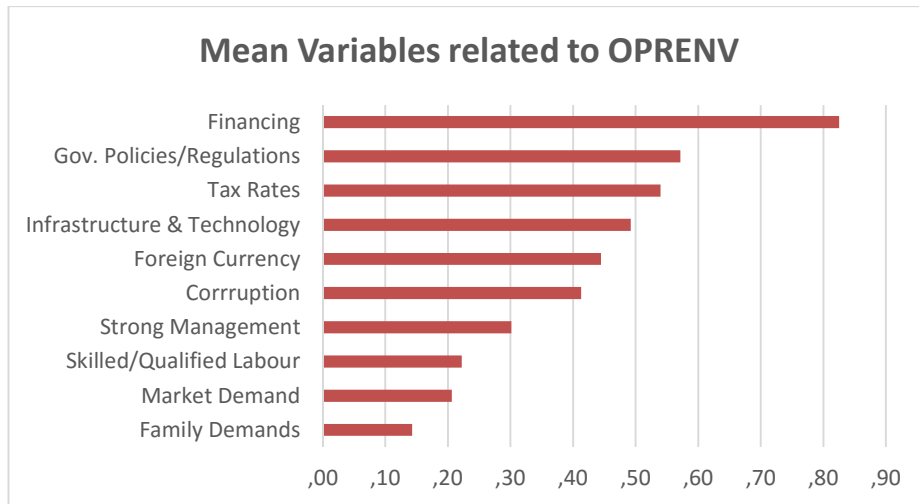
The following describes the average results obtained from the sample population in relation to other control variables related to the business cultural attitude of the entrepreneurs, the operating environment and how well resources are utilized as a measure of current and future growth of the enterprise. The respondents were asked to tick (appendix 7) which factors best relates to the business. Out of a total of 63 observations, the charts below shows the responses of the sample population.



GRAPH 20. Descriptive Mean Variable Statistics related to Business Culture  
(Source: Survey Data)

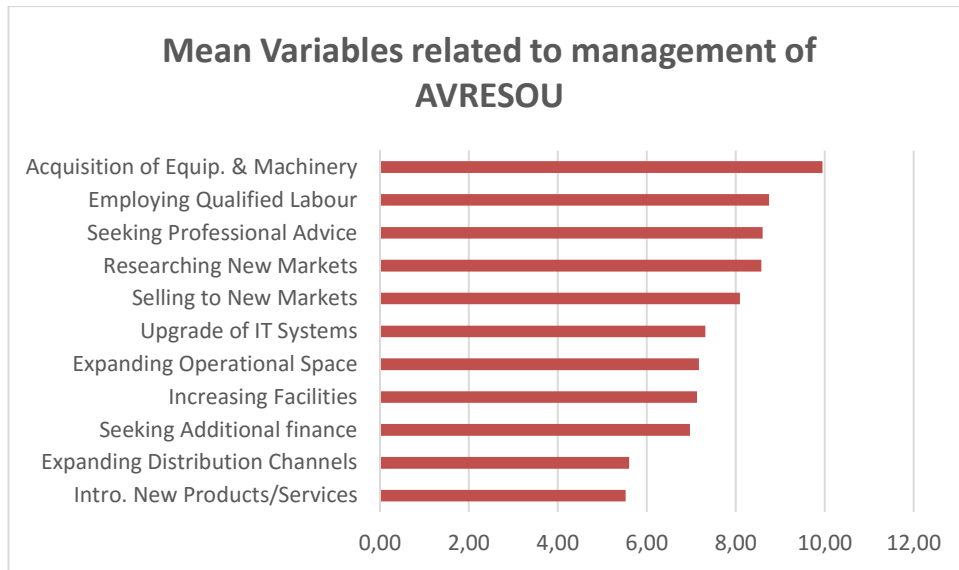
The above in graph 20 shows mean results of variables related to the entrepreneur's sense business culture. Statements were made which was used as a criteria to determine the level of entrepreneurial attitude to business. As can be seen, entrepreneurs are very committed to the society which scored the highest mean of 8.87 out of the total. The next being that they are willing to rather own their own businesses in than to work for someone else and they consider the business as very important though they are unwilling to make much personal sacrifices to make the business succeed which scored the lowest mean point.





**GRAPH 21. Descriptive Mean Variable Statistics related to Operating Environment (Source: Survey Data)**

In order to assess the factors in the environment that poses as a hindrance to the growth of the business, the above variables relating the business environment were examined to know the extent to which it affects the businesses. Graph 21 shows results with a greater number of the respondents indicating the main problem being access to financing as a major factor which recorded a figure of 0.83. Furthermore, most of the entrepreneurs were of the view that other related variables such as governmental policies and regulations, taxation, inadequate infrastructure and technology, unstable foreign currency issues and corruption affect their businesses. Family demands, market demand, skilled labour and strong management recorded the least mean values.



**GRAPH 22. Descriptive Mean Variable Statistics related to Managing Available Resources (Source: Survey Data)**

Lastly, the chart in graph 22 above shows the mean control variables related to the effective management of available resources. These variables were used to measure the level of utilization of resources which could project the growth and development of businesses. The questions were geared towards the entrepreneurs' strategy formulation and future investment capabilities. According to the results, most of the respondents were willing to make high investments into acquiring more equipment and machinery with a figure of 9.95. This was followed by the willingness to employ better qualified labour, seek professional advice, conduct research and development, and also sell to new markets. The responses in total yielded mean results of above 5.5 which indicated the significance of the effective usage of their resources.

#### **4.4 Discussion of Results**

The following involves a detailed analysis of the results obtained from the survey data. It also seeks to assess whether the research question of this paper was answered based on the survey conducted and also compare and relate previously conducted research based on the literature review of this paper. The hypothesis will

also be discussed to prove the acceptance or rejection of the null and alternate hypothesis respectively or vice versa.

The first section of the questionnaire involved questions that were posed to identify and build our knowledge on the kind of businesses existing in Ghana which referencing appendix 7, was defined as “knowledge and structure of the business”. Many businesses are owned and managed by the individual entrepreneurs. According to the results of the survey, 64.52% of the population have a sole proprietorship ownership form of business. Partnership form of business ownership and all other forms of ownership (joint-venture, company, limited liability companies, etc.) only accounted for a fraction of the total population. This makes the ownership form of business in Ghana largely dominated by sole proprietors. Again, it was brought to light that most of these businesses have been in existence for a period of between 1 to 10 years and are largely involved in the service and retail industries. This goes to prove that not much is done about manufacturing and wholesale seeing that it recorded only 11% and 9.5% respectively.

The second section of the questionnaire was to assess the “business statistics” in terms of employment, turnover and its geographical location of operation/s. The results of the survey determined that a large number of entrepreneurial businesses, 56%, earn an annual turnover of 10,000 dollars and below while another 29% of the population are earning between above 10,000 dollars but below 100,000 dollars annually. In view of this fact many turn to employ fewer number of labour with more than half of the sample population employing less than 10 employees at a time. Though this may be the case, it was realised that with time, depending on circumstances and situations of the individual businesses, some turn to increase employment over time while others also turn to cut down on employment, others also still operate with the same number of employees as in the time of the business start-up.

In view of these findings and with the knowledge of the sample population, it can be said that most of the locally-owned businesses fall into the category of SMMEs according to the definition by (Edinburgh Group, 2012). This also goes to prove the

fact that most businesses in Ghana are SMME type of businesses and constitute about 92% of all businesses in the country (Abor & Quartey, 2010).

### **Research Hypothesis**

H1 = “A conducive operating business environment increases local business growth and development”.

According to the results of the survey, **OPRENV** is significant at 0.431 level in module 1. The indication of a positive value is a suggestion that the operating environment largely contributes to the growth and development of locally-owned businesses in Ghana. Hence, hypothesis 1 is supported. This indicates that when the business is operating in a conducive environment and all actors in the business environment are favourable, local businesses are likely to succeed and grow, develop and survive in the long run. This is a confirmation of the fact that to increase productivity and contribute to growth of SMME, environmental factors being the availability of public services and a general conducive operating environment must be adequate enough to push developing economies to the point of competitive productivity and the export of new products (Bank, 2013; Oteh, 2010).

In addition to the result of the hypothesis testing, assessment of the other variables affecting and related to the operating environment revealed that though the issue of lack of financing is of great concern to many businesses in Ghana, other variables such as government policies, tax rates, limited or insufficient infrastructure, corruption and unstable foreign currency rates have affected the growth and development of business development in the country. This is in support of previous research which suggest that the reason to Africa’s stunt business development has been due to inadequate or decayed infrastructure and lack of modern technology, underdeveloped capital markets which provides very little financial instruments, corruption and many other factors (Kyaruzi, 2008; Taylor 2012; Oteh 2010). Thus the findings here can be explained based on the argument that, unfavourable environmental factors in which local business owners operates in Ghana has had a negative impact on their performance and somehow contributed to the stunt growth of their businesses.

H2 = “Available Resources channelled in the right direction can lead to local business growth and development”.

Results of **AVRESOU** was significant at a level of 0.446 in module 1. The positive result obtained suggests that when the limited available resources available to the entrepreneur is well managed and utilized it will largely cause most locally-owned businesses in Ghana to grow and develop. In view of this, hypothesis 2 is supported. Though it may be difficult for entrepreneurs most especially in Africa to grow businesses from an SMME into large companies, it is important to for businesses to constantly formulate new strategies, new products, new methods of manufacturing, distribution and selling (Nonaka and Kenney, 1991) and all is dependent on a well-managed resources. For a business to grow, develop and survive, is it dependent on managing well those limited resources which Weinzimmer (2001) also argues that for a business to be successful there must be an effective resource management by maximising capabilities to gain a competitive advantage.

In the assessment of other related variables in connection to how resources can be managed, the results indicated that most businesses have the future projections of investing more into improving operations and building the businesses. The results showed that majority of entrepreneurs have the desire to expand in future but still hold back considering the years of existence and operation. This confirms the fact that entrepreneurs in Africa though would wish to grow and expand, there exist the fear of taking the risk to expanding the business and thereby resulting in their offer of limited range of services or products (Ogbor and Ogbor 2009). These findings can arguably be explained by the fear of taking risk, in that, when the entrepreneur would make the effort to manage and channel resources in the right direction, this is likely to yield business growth and development in Ghana.

H3 = “A sense of business culture contributes to local business growth and development”.

**BUSCULT** realised a result of 0.010. This variable although reading a positive result, was almost a zero (0) and this cannot be considered as significant. Therefore hypothesis 3 is not supported. The result indicates that the entrepreneur’s sense of

business culture does not help in the growth, development and survival of locally-owned businesses in Ghana. This therefore contradicts the findings of previous research conducted by Taylor (2012, 4) when he says a strong business culture ensures productivity and rapid increase in initial small and highly productive firms. It also thus contradicts the proposed theory used in this study.

In terms of the results obtained on the other variables related to business culture, the criteria used in assessment revealed that entrepreneurs show more commitment to the running of their businesses. All the variables scored an above average mean point value of 5, which suggest that they pursue their business ventures with much dedication. With the desire to run their own businesses, they are willing to create an impact in society. This again contradicts Taylor (2012) argument that Africa's lack of business growth and development even at both the medium and large-scale business levels is due to its lack of business culture and firm competitiveness. The findings here then, suggest that the business culture of entrepreneurs may indeed have an effect on the growth and development of businesses in Africa but business culture does not necessarily impact or drive the growth of local businesses in the context of Ghana.

## **5 CONCLUSION**

This chapter seeks to present the summary and findings this thesis paper. It will seek to discuss the implications of the thesis and point out the delimitations of the research. It will further present the extent of reliability and validity and also point out future suggestions for any further research.

### **5.1 Summary and findings of the study**

The growing number of large firms in the world today is a drive to economic growth, wealth creation and improvement in standard of living. Though the challenge may not be an easy one, more and more business start-ups and small firm's desire and hunger to become large firms and create significant positive impact on the society as a whole. As this may be true in developed economies, it is not so in developing economies most especially on the African continent. Growth of businesses have been extremely slow. The African continent heavily relies on Foreign Direct Investments (FDIs) to boost its economy. This has been largely due to the fact that majority of locally established businesses in Africa are small and medium-size businesses many of which are newly established by young entrepreneurs and the long existing ones turn to collapse or remain as it is without any change or signs of growth and expansion.

Previous research has indicated that the major influencing factor and strength of Africa's economy stems from small and medium scale businesses (SMBs) which contributes to over 50% of African employment and adds to about 20% of the continent's gross domestic product (Kahyihura, 2013). With this knowledge, why is Africa failing to produce more giant corporations and in developed economies. As the case may be, could it be that many African entrepreneurs see themselves as having been able to achieve everything they want; working for themselves, running their own businesses, making enough income to support their lifestyle and livelihood and also doing their little part of employing a small number of people or is this related to other implicating factors.

The research question of the paper was therefore to identify the challenges and shortfalls posing as a threat to the survival and growth of locally established businesses in the context of Ghana. To answer this question, the study sought to empirically investigate whether growth and development of locally-owned businesses are affected by (1) the operating environment, (2) management of available resources and (3) the entrepreneurial sense of business culture. The general purpose was therefore to broaden our knowledge of locally established businesses in terms of what they are and their role in the local economy and bring to light the challenges faced by locally established firms in Ghana.

The organization of the thesis is in 5 chapters; chapter one introduces the topic of the thesis by discussing the general background, research question and hypothetical questions for the work and concludes by presenting the structure of the thesis work. It is followed by chapter 2 which presents and analysis the theories and a review of literature in relation to the topic and subject matter of the thesis. Chapter 3 is a discussion of the research case study-Ghana and the methodological approach used. It also discusses the population sample and an overview of the statistical technique applied. Chapter 4, is a presentation of the process of data collection and the results and empirical findings of the study. It provides frequency bar and pie charts the business structure and statistics. Hypothesis testing presented by OLS regression results and mean results of other related variables are also presented. Chapter 5 is the concluding chapter which summarises the thesis work. It also entails implications, criticisms and recommendations for future research.

The empirical findings of the work indicated that majority of the sample fell into the description and definition of an SMME based on the number of employment, annual turnover, ownership/management and operational area of which it is in line with previous research by (Käser, 2010 and Edinburgh Group, 2012). The following table...shows the summary results of hypothesis tested.



TABLE 6. Summary of tested hypothesis

	<b>Hypothesis</b>	<b>Results</b>
H1	OPRENV(There was a positive relationship between the operational environment and growth of business)	Accepted: significance at $p < 0.431$ . It is in line with prediction of hypothesis.
H2	AVRESOU(There was a positive relationship between available resources and growth of business)	Accepted: significance at $p < 0.446$ . It is in line with prediction of hypothesis.
H3	BUSCULT(There is a negative relationship between business culture and growth of business)	Not Accepted: significance at $p < 0.010$ . It is opposite to the prediction of hypothesis.

The results of other factor variables examined shown in graphs 19 – 21 related to the OPRENV, AVRESOU and BUSCULT showed mean results which indicated that the operating environment and the management of available resources have a direct effect on the future grow and development of the business depending on whether or not these factor variables favourable. The expected results for entrepreneurial business culture was to identify if indeed entrepreneurs in Ghana lacked a sense of business culture which according to Taylor (2012) is one of the reasons for poor business development in Africa since a good sense of business culture brings about productivity, trust and interdependencies among entrepreneurs. The results however indicated otherwise as entrepreneurs were willing and committed to their business and society.

## 5.2 Implications

The objective of the study was to investigate the reason for Africa's stunt business growth and development which has in turn produced very little large corporations as compared to that of developed countries. The results brought to light the theoretical and practical implications regarding the relationship between the growth of businesses and the operating environment, management of available resources and entrepreneurial sense of business culture in Ghana. The theoretical framework which was based on previous research showed the interactive, interdependent and influential characteristics of the business ecosystem and how local institutions,

culture and behaviour can shape business growth and development. The study showed that all three proposed factors do not have equal level of effect on locally-owned businesses.

With regard to the operating environment, results of the study revealed that entrepreneurs are generally conducting and operating businesses in an unfavourable environment. Lack of financial support from financial institutions due to very high interest rates and unfavourable loan terms dissuade entrepreneurs from seeking start-up capital and/or additional financing. This is coupled with high rate of corruption, taxes, poor foreign currency rates and inadequate infrastructure and technology. This is an indication that businesses are being crippled which definitely makes them either stunt growth or barely surviving. Again, the management of available resources proved to be a very influential factor in the performance of the business in that how much and how effective are the limited resources put to use seeing that the environment is already unfavourable in the mist of high rate of corruption, poor financial instruments, foreign currency issues and problems arising out of governmental policies and regulations. Though some may not have any immediate plans for expansions, the lot of them have future expansions and growth plans. Though this may be possible for some of them it requires reasonable, effective and workable strategic plans with consideration to the operating environment which if not done right could lead to the collapse of businesses and could be deemed as mismanaged resources. Lastly results for the entrepreneurial sense of business culture was an indication that entrepreneurs are developing a sense of entrepreneurial qualities and attributes seen in developed countries. However, seeing that the three proposed factors are interrelated, interdependent and influence each other, though the qualities may exists, it could be suffocated or swallowed up by the inadequacies of the other two factors.

### **5.3 Comparison of Pre-Assumption with Results**

The hypothesis was formulated as a result of the literature review of the thesis. Examining previous research conducted in the field of the research topic brought about the assumed questions for this work. The dependent variable being growth of

the business was said by Taylor (2012) as Africa not having well-developed business sectors in which the existence of a great number of such firms could possess the ability to generate revenue and surplus and reinvest that surplus in productive enterprises and also contribute to employment, increase the national treasury through tax payments and also provide both direct and indirect benefits to the local economy. Based on this argument, the assumptions drawn was to identify if indeed assumed factors such the operating environment, management of resources and entrepreneurial sense of business culture could be the cause of this predicament faced in Ghana and Africa for that matter.

After analysing and evaluating the results obtained a better view of the nature and characteristics of locally-owned businesses in Ghana can be formed. The following can therefore be said about assumptions made and the empirical results of this thesis work.

With respect to hypothesis one, an assumption was made on the fact that a conducive operating environment can lead to business growth and development. The result of the survey was in line with the assumption made. It was realised that most entrepreneurs agree to the fact that if conditions in the country were much better, it could drive and motivate them to push forward in growing their businesses. The major problematic factors has been seeking financing, poor infrastructure and technology (such as electricity, transportation and internet etc.), high tax rates, corruption, foreign currency rates, governmental regulations amongst others which are hampering operations and causing much of them gearing towards the services and retail sectors leaving the other business sectors manufacturing and wholesale.

The second assumption being that if the limited resources available to the entrepreneur is managed well it could lead to a thriving and growing business. The result of the survey was again in line with the assumption made. The population were of the view that putting their resources into good use could grow the business. Therefore an investment into newer markets, conducting R&D, reinvesting profits, and employing much more qualified labour could be a drive to business development.

Lastly, hypothesis three which stated that entrepreneurial sense of business culture is likely to also lead to growth of the business in comparison to the result of the survey was not in agreement with the assumption made. Though previous research suggest that business culture plays a vital role in the business development, it was not the case in the Ghanaian situation. On the contrary business culture did not seem to be a driving force for entrepreneurs in Ghana.

#### **5.4 Limitations and Suggestions for Future Research**

##### **Limitations**

In cause of conducting the study on this thesis work, certain shortfalls and limitations were identified. The first limitation was related to the questionnaire. The questionnaire were designed based on the hypothesis and literature review. The structure of the questionnaire were not formulated in an absolute correct manner which posed a bit of a challenge during the running and analysis of the data. With the realisation of the challenges that came up with running the data, it was noted that the questions could have been redesigned to better suit the hypothesis and also allow respondents to reply concisely.

The second limitation is the small sample size (n=63). Due to the sample size, generalizing the results of this thesis work could prove to be problematic. In addition, the sample population were only confined to two regions out of 10 regions in Ghana. Also conclusions drawn on the work (emphasizing only on locally owned businesses in Ghana) cannot be wholly used to generally characterize all domestic or locally established businesses in developing economies or Africa. This is so because; there exist different market economies and cultural environments which greatly impact the existence and survival of a business.

Lastly, there are a great number of variables and factors that can cause underdevelopment and lack of expansion of locally owned businesses in Ghana and Africa. The three variables used as the bases of analysis and drawing of conclusion cannot be solely considered as the only causes to the stunt growth of businesses in Ghana. It must be pointed out that it is almost impossible to include all variables in

one study. This limitation is therefore as a result of decisive decisions and limited resources.

### **Suggestions for Future Research**

The study for this thesis work concentrated on the problems and challenges currently facing locally-owned businesses in Ghana which in turn is the cause of Ghana's stunt business sector growth and development. Though the work has made some added contributions to the topic of research, there are still a number of issues that need to be addressed further in later researches.

Firstly, the study concentrated on combining all forms of business sectors and industries in general. The point here being that the various sectors and industries are likely to be facing a unique form of challenges that may only be an issue in that particular industry or sector. For example, in the sector of manufacturing or agricultural industry. It would be of great interest to understand and know why there are less and less manufacturing companies in Ghana and why the agricultural industry seem to exporting less produce. It would be recommended that further research could be conducted by exploring the characteristics, challenges and problems faced by each sector or industry to better understand and provide solutions and formulate strategies to gradually improve local businesses in Africa.

SMMEs have for a long time almost always remain small, evidence of which is indicated in the findings of this work. It is time SMMEs migrate with time from being considered small scale into a larger corporation and plunge itself into the economic mainstream. It would be interesting to research further into this area of development, by investigating into the process and medium by which the very few success stories in Africa overcame these hurdles.

Regional integration and trade can promote trade amongst businesses in Africa. However regional integration has been met with a very slow response as discussed in the literature review. It would be recommended that a future study should be undertaken to investigate the reasons for the slow response to regional integration and a further probe into the issues restraining the development of intra-regional

trade in Africa. A liberalised trading environment could boost trade and encourage local or domestic enterprises especially the SMMEs, to seek and explore into newer markets which can also encourage growth and development.

In conclusion, previous studies conducted believes that Africa has much potential and if harnessed effectively could promote the creation of wealth, competitiveness and dynamism. The underlying truth is that Africa has major structural deficiencies and many more challenges that plague the continent causing the problem of underdeveloped business sectors. The effect of this problem will eventually bring about poor economic growth and a further decrease in production. If change can occur, development of local or domestic businesses, composed greatly of SMMEs must be addressed to boost employment, increase productivity and ensure a fair distribution of incomes to reduce poverty both as individuals and the nations as a whole.

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Ghana's Key Economic Indicators in relation to GDP (Source: <http://www.tradingeconomics.com/ghana/indicators>)

<b>GDP</b>	<b>Last</b>	<b>Reference</b>	<b>Previous</b>	<b>Range</b>
GDP Growth Rate	1.2 %	Sep/15	1	-2.2 : 8.1
GDP Annual Growth Rate	3.6 %	Sep/15	3.9	-3.8 : 25
GDP	38.61 USD Billion	Dec/14	48.59	1.2 : 48.59
GDP Constant Prices	8642 GHS Million	Sep/15	8538	4410 : 130410
Gross Fixed Capital Formation	29741 GHS Million	Dec/14	21280	4047 : 29741
GDP per capita	775 USD	Dec/14	760	321 : 775
GDP per capita PPP	3953 USD	Dec/14	3873	1920 : 3953
GDP From Agriculture	7365 GHS Million	Dec/15	7362	5322 : 7365
GDP From Construction	3772 GHS Million	Dec/15	2888	1016 : 3772
GDP From Manufacturing	2288	Dec/15	2335	1801 : 2366
GDP From Mining	2727 GHS Million	Dec/15	2834	497 : 2834
GDP From Services	17470 GHS Million	Dec/15	16679	8690 : 17470
GDP From Transport	3416 GHS Million	Dec/15	3646	2357 : 3653
GDP From Utilities	307 GHS Million	Dec/15	266	224 : 307

## Name of Business Enterprises involved in the Research Survey

1.	The Royal Bank Ghana
2.	Universal Merchant Bank
3.	Metropolitan Insurance Ghana Limited
4.	Mosons Trading Ghana Limited
5.	Fast Food Operator
6.	Binkins Limited
7.	A.S.T. Ltd
8.	Editrans Services
9.	Inert Inc.
10.	Omni Media Ltd
11.	Big Frimpong Motors
12.	Sancoway Guest House
13.	Hertish Services
14.	Fruit Processing Limited
15.	Odomena Family Shopping Center
16.	Ghana Life Insurance
17.	Libmab Enterprise
18.	Galvanised Domestic Product
19.	Mansion Hardware
20.	Dena's Company Limited
21.	Abengoo Services Limited
22.	Kobie & Sons Enterprise
23.	WILLOGH
24.	L23 Enterprise
25.	Buka Restaurant
26.	Queens Creation
27.	Senyo Global
28.	AnG Tissues
29.	Tonaton.com
30.	PEINI
31.	Andkat Café and Business Center
32.	Ideas Publicity
33.	Golden Palm Financial Services
34.	Radford University College
35.	Berk's Collection
36.	Felix K. Ventures
37.	PHASTOR Company Limited
38.	City Lights
39.	Impression Management Consult
40.	John Mankind Enterprise
41.	Kings Cosmetics
42.	Prettz Sparks Company Limited
43.	Auntie Muni Chopbar

44.	Ashanti Foam Factory Limited
45.	Rite Place Catering Services
46.	Royal Beck Limited
47.	Cute Hair Cut
48.	Theresah Catering Services
49.	Nayak Fabrics
50.	Wilhem Ws Limited
51.	Cydia Boutique
52.	Starlight Poly Company
53.	Advans Savings and Loans Ltd
54.	Masai Computer Services Limited
55.	Sobolobo Enterprise
56.	Glomobile Ghana
57.	I-TEXON Ghana
58.	Adehyie Estate Limited
59- 63	Companies chose to remain anonymous

**Structure of your Business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole Proprietorship	40	63,5	64,5	64,5
	Partnership (number of owners)	11	17,5	17,7	82,3
	Other	11	17,5	17,7	100,0
	Total	62	98,4	100,0	
Missing	System	1	1,6		
Total		63	100,0		

**Business Existence**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	3	4,8	4,8	4,8
	1-3 years	15	23,8	23,8	28,6
	4-5 years	16	25,4	25,4	54,0
	6-10 years	12	19,0	19,0	73,0
	11-15 years	7	11,1	11,1	84,1
	More than 15 years	10	15,9	15,9	100,0
	Total	63	100,0	100,0	

**Type of Business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Wholesale trade	6	9,5	9,5	9,5
	Manufacturing	7	11,1	11,1	20,6
	Retail trade	15	23,8	23,8	44,4
	Services	35	55,6	55,6	100,0
	Total	63	100,0	100,0	

**Number of Employees**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Sole manager/owner	10	15,9	16,7	16,7
Valid 1-4 employees	13	20,6	21,7	38,3
Valid 5-10 employees	10	15,9	16,7	55,0
Valid 11-19 employees	4	6,3	6,7	61,7
Valid 20-49 employees	6	9,5	10,0	71,7
Valid More than 50 employees	17	27,0	28,3	100,0
Total	60	95,2	100,0	
Missing System	3	4,8		
Total	63	100,0		

**Annual Business Turnover**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less or = \$10,000	31	49,2	56,4	56,4
Valid \$11,000 - \$100,000	16	25,4	29,1	85,5
Valid \$101,000 - \$990,000	6	9,5	10,9	96,4
Valid \$1,000,000 >	2	3,2	3,6	100,0
Total	55	87,3	100,0	
Missing System	8	12,7		
Total	63	100,0		

**Change in Number of Employees**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Increase	34	54,0	55,7	55,7
Valid Decrease	6	9,5	9,8	65,6
Valid No Change	21	33,3	34,4	100,0
Total	61	96,8	100,0	
Missing System	2	3,2		
Total	63	100,0		

## Business Location

		Frequency	Percent	Valid Percent	Cumulative Percent
	Local Vicinity	37	58,7	60,7	60,7
	Branches within a Region	12	19,0	19,7	80,3
Valid	Branches in different Regions (National)	12	19,0	19,7	100,0
	Total	61	96,8	100,0	
Missing	-99	2	3,2		
	Total	63	100,0		



**Descriptive Statistics Variables related to BUSCULT**

	Mean
Bus Commitment to Society	8,87
Business Ownership	7,32
Importance to Life	6,71
Extent of Commitment	5,83
Effort/Time Commitment	5,78
Personal Sacrifice	5,60
Valid N (listwise)	

**Descriptive Statistics Variables related to OPRENV**

	Mean
Family Demands	,14
Market Demand	,21
Skilled/Qualified Labour	,22
Strong Management	,30
Corruption	,41
Foreign Currency	,44
Infrastructure & Technology	,49
Tax Rates	,54
Gov. Policies/Regulations	,57
Financing	,83
Valid N (listwise)	

**Descriptive Statistics Variables related to management of AVRESOU**

	Mean
Intro. New Products/Services	5,52
Expanding Distribution Channels	5,60
Seeking Additional finance	6,97
Increasing Facilities	7,13
Expanding Operational Space	7,17
Upgrade of IT Systems	7,32
Selling to New Markets	8,10
Researching New Markets	8,57
Seeking Professional Advice	8,60
Employing Qualified Labour	8,75
Acquisition of Equip. & Machinery	9,95
Valid N (listwise)	

## **SURVEY ON LOCAL BUSINESS DEVELOPMENT IN GHANA**

This questionnaire is designed to study the reasons why there is a lack of business development in Africa centering on why a large number of locally-owned businesses mostly in the category of Small Business Enterprises (SBEs) do not grow and expand into large corporations. The study is purely academic and *identifying your company is optional*, though it will be most appreciated. Data you provide will be treated with the utmost discretion and confidentiality. Thank you for your time and cooperation.

### **Name of Business:**

.....

### **Knowledge and Structure of Business**

1. What is the structure of your business?
  - a. Sole Proprietorship
  - b. Partnership (number of owners) .....
  - c. Other (please specify) .....
  
2. How long has the business been in existence? Please tick one of the following.
  - a. Less than 1 year
  - b. 1 -3 years
  - c. 4- 5 years
  - d. 6-10 years
  - e. 11 - 15 years
  - f. More than 15 years
  
3. Which of the following industries or activity does your business operate in?
  - a. Wholesale Trade
  - b. Manufacturing
  - c. Retail Trade
  - d. Services
  - e. Other (Please Specify)

.....

4. Please circle/tick from 1-5 below, the responses to indicate how you feel about the statement

1= *Strongly Disagree*, 2 = *Disagree*, 3 = *No Opinion*, 4 = *Agree*, 5 = *Strongly Agree*

a. In your opinion, does the entrepreneur’s sense of business culture affect the growth of his/her enterprise?

1                       2                       3                       4                       5

b.

The business is the most important thing in my life	1	2	3	4	5
I will go to all extends to make it succeed	1	2	3	4	5
I will put in all effort to make my business succeed no matter how long it takes	1	2	3	4	5
I am willing to make personal sacrifices to stay in business	1	2	3	4	5
I would wish for the business to make significant contribution to society	1	2	3	4	5
I would rather run my own business than to work for someone else.	1	2	3	4	5

### **Business Statistics**

5. How many employees do you employ?

- a. Sole manager/owner
- b. 1-4 employees
- c. 5-10 employees
- d. 11-19 employees
- e. 20- 49 employees
- f. More than 50 employees

6. Has there been any significant change in the number of workers employed since the inception of the business.

Increase       Decrease       No Change

7. What is the annual turnover of the business?

Less or = \$10,000     \$11,000 - \$100 000     \$101,000-990,000   
 \$1,000,000 >

8. What Geographical area does your business mainly cover?
- Local
  - Regional
  - National

**Factors Hindering Business Growth and Development**

9. Which of the following factors would you consider as an important growth measure for your business?
- Increase in customer base or clients
  - Increase in sales turnover
  - Increase in production
  - Increase in market demand
  - Increase in profits after taxes

10. a. The operating environment in which the enterprise operates, largely contributes to the growth of the business? Please circle/tick from 1 to 5 as follows: 1= *Strongly Disagree*, 2 = *Disagree*, 3 = *No Idea*, 4 = *Agree*, 5 = *Strongly Agree*

1                       2                       3                       4                       5

- b. What are some of the problematic factors for doing business in Ghana? Please tick one or more of the following commonly listed challenges faced by most businesses:

- Lack of financing
- Lack of market demand
- Family demands
- Lack of skilled or qualified labour
- Lack of strong management team
- Legal or governmental policies/regulatory issues
- Limited access to necessary infrastructure/technology
- Corruption
- Tax rates
- Foreign Currency Issues

**Business Projections and Survival**

11. Please circle/tick from 1 to 5 as follows:

1= *Strongly Disagree*, 2 = *Disagree*, 3 = *No Idea*, 4 = *Agree*, 5 = *Strongly Agree*

- a. Do you think that when limited resources available to the entrepreneur is managed and utilized effectively it could lead to business growth?

1                       2                       3                       4                       5

- b. What is the probability of your business undertaking any of the following activities within the next 5 years?

Selling to a new market	1	2	3	4	5
Introducing new product or service	1	2	3	4	5
Expanding distribution channels	1	2	3	4	5
Acquisition of new equipment/machinery	1	2	3	4	5
Acquiring or Upgrading computer systems for current operations	1	2	3	4	5
Expanding operating space	1	2	3	4	5
Increasing current facilities	1	2	3	4	5
Employing more and qualified employees	1	2	3	4	5
Seeking additional financing	1	2	3	4	5
Researching new markets	1	2	3	4	5
Seeking professional advice	1	2	3	4	5