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**UNIVERSITY OF SOUTHAMPTON**  
**FACULTY OF BUSINESS AND LAW**

**School of Management**

**Capacity Building for Entrepreneurship Development in Ghana: Prospects and  
Challenges**

**by**

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**Thesis for the degree of Doctor of Philosophy**

**JULY 2013**

## **Abstract**

Entrepreneurship development is vitally important for the growth and development of all nations. Thus developing countries must put the necessary measures in place to ensure the growth and development of the small business sector. The overarching aim the study was to investigate the prospects and challenges of building the capacities of owner managers and/or entrepreneurs for growth and development. Purposive random sampling technique was used to collect data from forty-one owner managers and nineteen officials of enterprise support organisations. Data collection tools were interviews, documentary analysis and focus group. The main findings of the study were that enterprise support organisations have bespoke programmes aimed at supporting small businesses in Ghana. These programmes were mainly training and financial support. The key challenge they face is the poor attitude of owner managers to their programmes. It was also revealed that the some of the owner managers find it difficult accessing the programmes of the enterprise support organisations because of problems such as inadequate awareness creations, commercialization of training programmes, high cost of accessing finance among others. Apart from these challenges, it was realised that many other challenges such as poor national infrastructure, poor attitude of employees, high rent charges and stiff competition from foreign products. However, the study realised that the owner managers have put measures in place to deal with these challenges in order to survive. It was therefore commended among other things that there should be a central body responsible for the coordination of all activities which are geared towards the development of entrepreneurship. Thus the study contributes to knowledge by developed a framework for entrepreneurship development in Ghana and the developing world. Moreover, there is the application of institutional theory to the study of entrepreneurship development in Ghana, which is unprecedented.

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## Declaration of Authorship

I, BYLON ABEEKU BAMFO declare that the thesis entitled Capacity Building for Entrepreneurship Development in Ghana: Prospects and Challenges, and the work presented in the thesis are both my own, and have been generated by me as the result of my own original research. I confirm that:

- this work was done wholly or mainly while in candidature for a research degree at this University;
- where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated;
- where I have consulted the published work of others, this is always clearly attributed;
- I have acknowledge all main sources of help;
- where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself;
- part of this work this work has been published as: Bamfo, B. A. (2012), Exploring the challenges of small businesses in Ghana, *Indian Journal of Economics and Business-IJEB*, Vol. 11, No. 3, pp. 593-606.

**Signed:** .....

**Date:** .....

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## **Abbreviations**

VCTF – Venture Capital Trust Fund

MASLOC- Microfinance and Small Loans Centre

REP- Rural Enterprises Project

NBSSI- National Board for Small Scale Industries

EDIF- Export Development and Investment Fund

UBA- United Bank for Africa

FASL –First Allied Savings and Loans

OISL- Opportunity International Savings and Loans

KNUST – Kwame Nkrumah University of Science and Technology

CEED - Centre for Entrepreneurship and Enterprise Development

UNDP – United Nations Development Programme

SMEs – Small and Medium Scale enterprises

MFIs – Micro Finance Institutions

MSMEs – Micro Small and Medium Enterprises



## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND TO THE STUDY**

One of the more puzzling facts of history is that, at certain times, certain countries seem to rise rapidly to assume economic leadership, not just a single industry, but a wide range of industries. The emergence of the European Imperial Powers in the nineteenth century, of US hegemony in the mid twentieth century, and Japanese dominance in large scale manufacturing in the latter half of the 21<sup>st</sup> century, and the current rapid development and prosperity of the Chinese economy are all examples of this (Casson, 1988). It has been argued that the development of entrepreneurship and small businesses has contributed to the assumption of economic leadership of most countries in a wide range of industries (Stokes, 1995). Throwing more light on the importance of entrepreneurship to economic development, Acquah (2005) posits that entrepreneurial capitalism is seen as central mechanism in promoting efficiency, productivity, economic development and international competitiveness of enterprises.

Entrepreneurial stakeholders have recognised the importance of entrepreneurship in contributing to employment and gross domestic product (GDP) of countries, and developing countries in particular. The United Bank for Africa (UBA) Growing Business Programme studies show that about 90 percent of all businesses in Africa fall under the SME sector and the sector's contribution to GDP and employment in most African countries is estimated to be about 40 per cent and 70 per cent respectively (Graphic Business, 2009). In their study of the contribution of small and medium enterprises to the growth and development of African countries, Page and Steel (1984) concluded that small-scale enterprises make significant contribution to income and employment and have the potential for self-sustaining growth.

It has been observed that stakeholders in the small business sector have come to regard the small business sector as a major source of alleviating poverty, generating employment and overall economic development. Small and medium enterprises in developing countries account for more than 90 per cent of all firms outside the agricultural sector. The small business sector, therefore, is the biggest source of employment and provides livelihood for over 90 per cent of the work force, especially women and the young in the developing world. Since majority of small and medium enterprises are scattered in the rural areas of developing countries, they may serve as a starting point for the development of

entrepreneurial talents in the villages, especially for women (Tambunam, 2008; Sam, 2007).

Thus, Ghana's developmental agenda hinges to a very large extent on the effective development of the small business sector. As stated earlier, one of the significant characteristic of flourishing and growing economy is a strong and dynamic small and medium-scale enterprises (SME) sector. SMEs can contribute to Ghana's economic development in various ways; such as the creation of employment for the rural folks and providing desirable, sustainable and innovative economy, since small scale enterprises do employ more people in all economies, especially the developing world (Jayraman & Lanjouw, 2004; Graphic Business, 2009). For example, small firms employing less than thirty (30) people are believed to account for about 92% of Ghanaian enterprises and are highly recognised as having a vitally important role to play in the nation's economic development agenda (Kayanula & Quartey, 2000).

The current study examines how the capacities of these small businesses could be built with the assistance of the major enterprise support organisations in Ghana. Capacity has various meanings. In this context it means the ability to understand or do something (Oxford Advanced Learner's Dictionary, 2010). Entrepreneurs in Ghana an understanding of good management practices. In addition they need the necessary resources to be able to management their ventures effectively and efficiently for growth and development. Thus, capacity building in this study refers to the acquisition of modern management skills, financial and other relevant resources by entrepreneurs with the assistance of enterprise support institutions for effective running of their ventures. This capacity building is vitally important if small businesses in Ghana are to contribute meaningfully to the economic development of the country. As the study further examines the challenges of small business capacity building in Ghana, it is expected that the recommendations of the study will receive acceptance by the major stakeholders in Ghana, particularly the government, for affirmative action on the necessary programmes to reduce if not completely eliminate the challenges of small businesses as a way of enhancing their capacity for growth and development.

## **1.2 POLICY CONTEXT IN GHANA**

Ghana is a country on the West Coast of Africa. It is the first in sub-Saharan Africa to gain independence in 1957. It has a population of approximately 24 million (Ghana Statistical Service, 2013). The official language of the country is English with 9 government-

sponsored languages and several non-government-sponsored languages. It has one of the thriving democracies on the continent of Africa. The country's economy is dominated by agriculture, which employs about 40% of the working population. Ghana is a developing country and the government of the Republic is leaving no stone unturned to accelerate the growth of the economy ([www.ghanastats.gov.gh](http://www.ghanastats.gov.gh), [www.ghanaweb.com](http://www.ghanaweb.com)).

The policy goal of many a government is to develop a culture of entrepreneurial thinking among its citizens. Governments are creating the enabling environment for entrepreneurship by integrating entrepreneurship into the education system especially at the higher level, coming out with legislations to support risk taking and national campaigns in support of small business activities (Johansson, 2004). Entrepreneurship is seen as the key to unlocking economic growth; thus policy makers all over the world have attempted to develop and implement strategies that nurture and sustain entrepreneurial activity (Lynskey, 2002).

The importance of entrepreneurship and small business to the development of national economies has been recognised in Ghana. Attempts are being made by the Government of Ghana, non-governmental organizations, venture capitalists and other groups and individuals to help current and prospective entrepreneurs to build capacity and/or establish their businesses as a way of contributing to the development of Ghana. Over the past years, the Government of Ghana has advocated the strengthening of the private sector as the engine of growth of the Ghanaian economy. This has resulted in the declaration of a policy of 'Golden Age of Business'. The policy seeks to assist private businesses and entrepreneurs to build capacity and to succeed. To this end, the Ministry of Private Sector Development is initiating moves to encourage entrepreneurial spirit among the youth. In other words, the youth in particular are being assisted to establish their own businesses. (<http://www.modernghana.com>).

The government of Ghana through an Act of Parliament, Act 680 in December 2004 established the Venture Capital Trust Fund (VCTF) to offer low cost, long term financing to small and medium scale enterprises (SMEs). This became operational in December of the following year with an endowment fund of \$25 million. The objective of the Trust is not only to provide financial resources to SMEs and local entrepreneurs but also to initiate relevant activities for the development and promotion of the venture capital industry in Ghana. As of December 2007, the Trust had established venture capital finance partnership with four finance companies. The finance companies comprised of Activity Venture

Finance Company, Fidelity Equity Fund II, Bedrock Venture Capital Finance and Gold Venture Capital Limited. Entrepreneurs who wish to build financial capacity and access the funds are required to apply through the finance companies which act as intermediaries between the Venture Capital Trust Fund and entrepreneurs (Business & Financial Times 2009, <http://www.venturecapital.com/gh>).

The Minister of Finance, Dr. Kwabena Duffour, has charged the new board of the Venture Capital Trust Fund to push for the review of legislation on the fund to allow for the improvement of venture capital funding in Ghana. The Minister reiterated the fact that small and medium enterprises play a very important role in the country but about 90 per cent of these enterprises rely on personal resources or loans from friends and family members. However, these resources or sources of funding are inadequate or unsustainable, he said. The Finance Minister went ahead to emphasise the point that the new board has the responsibility of providing the needed support and guidance for SMEs to develop them to a point where they can easily access credit. The Minister again indicated that more attention should be given to business angel finance because of the pivotal contribution it makes to the growth and development of SMEs. He shared the government's preparedness to support business angel transactions if it works out successfully (Business & Financial Times, 2009).

Commenting on the preparedness of governments to support entrepreneurship and small and medium scale enterprises, the Minister for Local Government, Mr. Joseph Yiekeh Chireh is reported to have indicated that the government was more than prepared to support entrepreneurs and/or small and medium scale businesses by putting measures in place to address the problems of local entrepreneurs such as poor management practices, inadequate financial capital and poor infrastructure. This, he claimed, was because of the fact that the small business sector forms an integral part of the government's development agenda (Graphic Business, 2009).

Speaking at an international conference on the theme "Towards a more conducive environment for SMEs in Ghana: The SME Charter", another influential public figure, Mr. Tony Oteng Gyasi, the president of the Association of Ghana Industries (AGI), reiterated the fact that small and medium scale enterprises sector is the mainstay of the nations' economy that stimulates growth and creates employment for the youth. The AGI president indicated that the association was preparing to present to the Government of Ghana a Small and Medium Scale Enterprises (SMEs) Charter. This charter prepared by AGI with the gathering of inputs from other stakeholders in all the regions of the country, details policy proposals towards the creation of a favourable business environment. The government is

expected to take action on the document. This action will go a long way to assist the SME sector and the nation at large. In other words, the action of the government on the charter will create an enabling environment for small and medium enterprises to flourish and impact positively on the economy (Graphic Business, 2009).

The SME charter was actually presented to the government on November 6, 2009. Receiving the charter on behalf of the Government of Ghana; the Minister of Trade and Industry, Ms. Hannah Tetteh said the government was putting policies and programmes in place to improve the business environment and to make Ghanaian businesses more competitive in the global market place. The Minister added the fact that Ghana is lagging behind in recent surveys on competitiveness and doing business. The situation therefore calls for immediate government intervention (Graphic Business, 2009).

### **1.3 THE CONTRIBUTION OF ENTERPRISE SUPPORT ORGANISATIONS**

Other organisations have been contributing to building entrepreneurial capacity in Ghana. One sector that has been very supportive of building entrepreneurship capacity for growth and development is the financial services sector. Banks and micro finance institutions (MFIs) are very important in entrepreneurship development (Sacerdoti, 2005). The Standard Chartered Bank has launched what it calls ‘Africa SME Month’, for small and medium scale enterprises in its African market. This launch was against the backdrop that, small and medium scale enterprises would be the key drivers of sustainable economic growth and development on the African Continent over the next ten years. This initiative was introduced in 2007. The General Manager of the bank in charge of SMEs; Mr. William Kofi Boateng, stressed at the launch that the bank was in the business of partnering SMEs in Ghana by providing more channels for entrepreneurs to access the bank’s world class services. Unleashing the enormous potential of small and medium enterprises by developing banking solutions that cater for their peculiar needs has been at the heart of Standard Chartered Bank’s consumer banking business; he indicated (Graphic Business, 2009).

Barclays Bank, Ghana, has started giving owners of small and medium scale enterprises foreign exposure. Official report coming from the bank indicated that the bank was sending a group of small and medium scale entrepreneurs from Ghana to China to explore opportunities. The trip was sponsored by the bank’s Business Club. The purpose of the trip was to enable Ghanaian entrepreneurs to hold discussions with their Chinese counterparts on how they can collaborate for the enhancement of their businesses. Apart from the Chinese exposure, there were plans underway for the entrepreneurs in Ghana to meet their

counterparts in other African countries to share ideas and experiences for their common good. In addition, the bank has been offering entrepreneurs in Ghana the benefit of receiving financial training such as book-keeping. Furthermore, entrepreneurs are offered access to lending products, electronic banking and investment advisory services (Ghana News Agency, 2010; Daily Graphic, 2010).

The United Bank for Africa (UBA) has committed to the development of small and medium scale enterprises in Ghana. The bank's intention is to provide owners and managers of small and medium enterprises insight into what they can do to grow their businesses in the 21<sup>st</sup> century. Consequently, the Bank has launched a small and medium enterprises training programme dubbed "Growing Business Workshop". The current Up-Country Regional Director of the bank, Mr. Chris Odamtten at the opening of the workshop made mention of the fact that the training for entrepreneurs was most appropriate at the time when the government of Ghana was committed to the creation of an environment for economic empowerment, employment generation, poverty alleviation, food security, among others. He continued by reiterating the belief of the bank in the critical role small and medium scale enterprises play as a catalyst for economic revival and growth. Therefore, the bank in collaboration with Empretec Foundation and United Nations Conference on Trade and Development (UNCTAD) has put measures in place to run the workshop in other West African countries such as Nigeria, Cameroon, Cote D'voire, Burkina Faso and Uganda.

Another important factor that came to light was the fact that the bank had recognised the neglect the small business sector had suffered in the area of entrepreneurial capacity building which is imperative for success; hence the desire of the bank to provide the springboard for supporting the sector in the area of capacity building and entrepreneurial development. Mr. Odamtten further explained that the bank was embarking on the project because statistics had indicated that a sizeable percentage of businesses in Africa fell under the small and medium scale enterprises sector and contributes approximately 40 per cent of GDP of most African countries (Daily Graphic, 2009).

Zenith Bank has launched a programme of organising seminars for SMEs. These seminars offer the bank the opportunity to explain to entrepreneurs the various tailor made products available to them from the bank. Such products included cash management services, wealth management services, overdrafts and guarantee bonds. The Managing Director of the Bank argued that the seminar was beneficial because of the fact that entrepreneurs needed adequate information regarding the right kind of financing and management of their businesses. There is the need for the bank to organise the programme yearly as a way

of partnering SMEs and to help them grow because the multinationals started small; he disclosed (Graphic Business, 2009).

Related to the above is the championing of SME growth by UT Bank, Ghana. The bank has reiterated its commitment to supporting small businesses in Ghana. The Chief Executive Officer (CEO) of the bank, made this known when he was speaking at the “Facts behind the Figures” series organised by the Ghana Stock Exchange. The CEO said that “with the additional capital injection, the SME sector is to be better served. We have always believed in the SME sector. We will focus on the SMEs and extend banking services to increase the penetration of banking into the informal sector” (Business & Financial Times, 2012, p.24).

The capacity building process has become very necessary because of the need for Ghana and African countries to compete favourably with countries from other parts of the world. This was suggested by Mr. Andani, the current Managing Director of Stanbic Bank Ghana. He indicated that Ghanaian businesses and/or entrepreneurs needed to build capacity to competitive levels. He went on to say that Ghana and the rest of Africa should prepare themselves by building capacity and expertise at all levels (Graphic Business, 2009).

The Journalists for Business Advocacy (JBA), a media practitioners association, committed to advocacy work for the growth of entrepreneurship and small and medium scale enterprises in Ghana has pledged to hold policy makers in charge of the growth and development of SMEs accountable in line with a constitutional provision (Article 165 clause 5 of the 1992 constitution). This was contained in the constitution of the group which was adopted at its first annual general meeting. The General Secretary of the group declared that with the exploration of oil in the Western Region of Ghana, there was going to be the springing up of SMEs and therefore members were to do all they could to support these new enterprises (Graphic Business, 2009).

The capacity building programme in Ghana has also been receiving the assistance of international organisations. For example, the International Labour Organisation (ILO) has been supporting small business enterprises in the country. The support has come in the form of making financial capital available to small business enterprises and/or entrepreneurs in the rural areas as way of helping them to build capacity for growth. One of such assistance from the ILO was their workshop which was organised for small business owners in the Gomaa District of the Central Region of Ghana; where \$40,000 was used to support small business enterprises. It was disclosed at this workshop that the ILO

had lined up capacity building programmes for small business enterprises in some selected districts in Ghana (<http://news.myjoyonline.com/business>).

#### **1.4 BRIDGING THE ENTREPRENEURIAL GAP**

Despite efforts by the government and other stakeholders to help build capacity for the development of entrepreneurship and small business in Ghana; there are still gaps in terms of business and organisational skills, business enhancing behaviour, attitude and access to finance. These gaps or challenges are impeding the growth of entrepreneurship and/or small and medium businesses (Graphic Business, 2009, Business & Financial Times, 2012, Ghanaian Times, 2012; [www.ghanawe.com](http://www.ghanawe.com)).

The contribution of entrepreneurship and/or small businesses to the Ghanaian economy has not been fully achieved yet. There are a lot of barriers in Ghana, which impede the development of entrepreneurship in the country. Some of these barriers include accessibility to credit, political interferences, poor national infrastructure, to mention but a few (Ghanaian Times, 2011). What happened in the developed countries as mentioned earlier is not the same as what pertains in Ghana. The Ghanaian experience of the entrepreneurship and small business revival has not been as impressive as expected.

In Ghana, the small enterprise sector had not been fully integrated into the main stream of economic activity before the advent of the Economic Recovery Programme (ERP). In 1983 the government launched the Economic Recovery Programme (ERP) under the guidance of the World Bank and the International Monetary Fund (IMF). The overall purpose of the ERP was to reduce Ghana's debts and to improve its trading position in the global economy. The objectives of the programme focused on restoring economic productivity at minimum cost to the government and included the following policies: reducing inflation through stringent fiscal, monetary, and trade policies; increasing the flow of foreign exchange into Ghana and directing it to priority sectors; restructuring the country's economic institutions; restoring production incentives; rehabilitating infrastructure to enhance conditions for the production and export of goods; and, finally, increasing the availability of essential consumer goods. In short, the government hoped to create an economic climate conducive to the generation of capital (<http://www.countrystudies.us/ghana>). Support for the SME sector in the past was ad hoc, irregular and uncoordinated. Little research has been done on specific policies on the small-scale firms due mainly to their neglect by policy-makers. This is as a result of the frequent changes in government and policy makers for that matter (Boachie-Mensah & Marfo Yiadom, 2007).



After independence in 1957 from the British rule, little was done to promote the small business sector because the policy at the time did not favour individual ownership of businesses. The policy at the time was geared towards state ownership of businesses; hence there was inadequate support for entrepreneurship and the small business sector (Boachie-Mensah & Marfo Yiadom, 2007; [www.mongabay.com](http://www.mongabay.com); [www.ghanaweb.com](http://www.ghanaweb.com); [www.internationalentrepreneurship.com/africa/ghana](http://www.internationalentrepreneurship.com/africa/ghana)).

It was during the early 1980s that more attention was given to entrepreneurship and the role of the small business sector in the economy. This is explained by the fact that the National Board for Small-Scale Industries (NBSSI) was established in 1985 (Act 434) for the promotion of small scale industries. The policies under the NBSSI Act (Act 434) had the aim of correcting the imbalance created by the ERP. This policy context brought about the setting up of the Entrepreneurship Development Programme (EDP) and the Business Advisory Centres (<http://www.ghanaweb.com>; <http://www.myjoyonline.com>).

The attempts by the government and other organisations to build capacity for entrepreneurship development are steps in the right direction. The prospects are bright; however, there are challenges. The small and medium business sector is characterised by inadequate and infrequent financing, political interferences, poor national infrastructure, among others. Furthermore the sector is beset with a lack of access to improved technology (Graphic Business, 2009).

This study attempts to address a gap in knowledge. Extant literature on entrepreneurship in Ghana has focused on activities that are going on in Ghana with the view to helping small business to grow and develop (Kayanula & Quartey, 2000; Abor & Quartey, 2010; Boachie-Mensah & Marfo Yiadom, 2007). Despite these activities, small business development is somewhat stagnated in Ghana. This study, therefore, seeks to investigate how small businesses can build their capacities for accelerated growth and development with the support from enterprise support institutions. The study is done with the application of institutional theory. The application of institutional theory will lead to the development of a framework for effective building of entrepreneurship capacity for growth and development.

## **1.5 CONCEPTUAL CONTEXT: GHANAIAN PERSPECTIVE**

The elusiveness of entrepreneurship and SMEs for that matter is prevalent in Ghana as well. Thus, what constitutes a small business or SMEs in Ghana is still not conclusive as far as academic literature is concerned. The two main criteria which have been used in defining

small business in Ghana are the number of employees and the value of fixed assets owned (Abor & Quartey, 2010). The Ghana Statistical Service (GSS) considers firms which employ at most 10 people as small scale enterprises. Firms with more than 10 employees are considered medium and large enterprises. Sometimes this numeric definition creates “official confusion” as the GSS in its national account indicated that firms with up to 9 employees were SMEs (Kayanula & Quartey, 2000). In the studies of Steel and Webster (1991) and Osei *et al* (1993), small-scale enterprises were classified as having 30 employees or less. However, Osei *et al* categorised small-scale enterprises into micro, very small and small and the number of employees are less than 6 people, 6-9 people and between 10 and 29 respectively. The Regional Project on Enterprise Development Ghana manufacturing survey paper also classified firms into: (i) micro enterprises, less than 5 employees; (ii) small enterprise, 5-29 employees; (iii) medium enterprise, 30-99 employees; (iv) large enterprise 100 and more employees (Abor & Quartey, 2010).

The National Board for Small Scale Industries (NBSSI) is the body in Ghana that is charged with the responsibility for promoting small firms. This apex body was established by an Act of Parliament-Act 434 of 1981. The NBSSI combines fixed assets and number of employees criteria for defining small businesses in Ghana. It considers small businesses as those which have 29 or less employees with capital investment requirements not exceeding the cedi equivalent of \$100,000. The board further divides a small business into two: micro enterprise and small enterprise. Micro enterprises employ up to five (5) people or have fixed assets excluding land and buildings not exceeding \$10,000. Small enterprises on the other hand employ between 6-29 people or have fixed assets excluding land and buildings not exceeding \$100,000 (Boachie-Mensah & Marfo-Yiadom, 2007; NBSSI Bulletin, 2012). The Ghana Enterprise Development Commission (GEDC) on the other hand, uses a 10 million Ghanaian cedis as the upper limit for plant and machinery (Abor & Quartey, 2010). It has been argued that the use of fixed assets in the definition of small businesses and/or the process of valuing fixed assets poses a lot of challenges. The Ghanaian local currency has been under threat considering its continuous depreciation against the major trading currencies (Business & Financial Times, 2012; Graphic Business, 2012). This makes the use of fixed assets in defining small businesses problematic and outdated (Kayanula & Quartey, 2000).

This study, however, adopts the small business definition by NBSSI since the study is Ghana oriented and the fact that the NBSSI is the main official body charged with the responsibility for promoting small enterprises in Ghana. Thus the use of small business in this study denotes both micro and small enterprises. Moreover, since it was very difficult in

valuing the assets of the small businesses by the researcher, the definition of small businesses in this study is limited to the number of employees.

Small businesses in Ghana are divided or categorised into urban and rural enterprises. The urban categorisation is further divided into 'organised' and 'unorganised' enterprises. The organised ones more often employ permanent paid employees with registered offices. These organised small businesses have their businesses registered with the Registrar of Companies in Ghana. The unorganised small businesses category is mainly made up of artisans who work in open spaces, temporary structures, or at home. Most of them have no salaried workers and more often employ temporary and/or few immediate family members (Abor & Quartey, 2010; Kayanula & Quartey, 2000)

Rural enterprises are made up of mainly family groups, individual artisans and women engaged in the production of food from local crops. This sub- sector is characterised by activities such as soap making, fabrics (locally known as tye and dye), clothing and tailoring, textile and leather, blacksmithing, ceramics, timber and mining (known in local parlance as "galamsey"), beverages, bakery, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (World Bank, 2011; Benin & Randriamamonjy, 2007; Gray, Cooley & Lutabingwa, 1997; Osei et al, 1993) Another important distinguishing feature is the efficient use of resources. Research (e.g. Benin & Randriamamonjy, 2007; Steel & Webster, 1991) has confirmed that small businesses in Ghana make efficient and better use of resources than their larger counterparts. There is evidence to show that small businesses in Ghana and other developing countries, particularly those in West Africa, have higher capital productivity. This is as a result of the fact that small businesses in Ghana are labour intensive and they have small amounts of capital invested. It has, therefore, been recommended that, the promotion of the small business sector in developing countries will go a long way to accelerate the rate of growth in these countries. This is because the sector has the potential to absorb more labour and help in the equitable distributions of income (Benin & Randriamamonjy, 2007; Steel & Webster, 1991).

Majority of the small business are owned by women. The businesses owned by these women entrepreneurs are mostly home based compared to those owned by their male counterparts. Since most of them operate from home, they are mostly not considered in official statistics in Ghana. They also have difficulty in accessing financing schemes. The reason is that such programmes are designed not with these women entrepreneurs in mind (Abor & Quartey, 2010; Graphic Business, 2012; Ghana Statistical Service, 2012).

The characteristics as discussed above clearly point to the fact that small businesses need to build their capacities for growth and development and they need bespoke support services. If small businesses in Ghana remain as they are, their growth and development will be stagnated and they cannot make any meaningful economic impact. Thus, the current study examines capacity building for small businesses' growth and development; detailing the prospects and challenges. This is done from the perspectives of both support providers and receivers i.e. small businesses and enterprises themselves. Moreover, the study hinges on institutional theory as a way of providing a framework for the building of entrepreneurship capacity in Ghana. Effective building of entrepreneurship capacities in Ghana is urgently needed to ensure accelerated growth of the Ghanaian economy since the growth of the economy is linked up with the growth and development of small businesses.

Conceptually, it has been argued that small businesses contribute to the economic development of Ghana in various dimensions. "SMEs in Ghana have been noted to provide about 85% of manufacturing employment of Ghana. They are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana" (Abor & Quartey, 2010). SMEs are important source of employment and income to many Ghanaians.

Despite the important contribution to the economy of Ghana, SMEs still face a lot of challenges. It is argued that SMEs in Ghana have not received the required support from government agencies, financial institutions and other enterprise support organisations. This lack of support militates against the competitiveness of SMEs both locally and globally. Other challenges of SMEs in Ghana include limited capital and knowledge, inadequate suitable technology, low production capacity, ineffective marketing strategies, lack of capacity to identify new markets and the use of unskilled labour, lack of managerial skills, regulatory issues and access to international market (Business & Financial Times, 2012; Gockel & Akoena, 2002; Aryeetey *et al*, 1994; Steel & Webster, 1991)

The discussion so far points to the fact that most of the conceptual discourse on small businesses or entrepreneurship in Ghana has been on the characteristics, constraints and a little on contribution to the economy. Very little or nothing at all has been done conceptually on the issue of building entrepreneurship capacity for growth and development. Thus the current study sets out to investigate this conceptually untapped area of research. For small businesses to grow, develop and contribute positively to the economic development of Ghana; there is the need for building their capacities and this is what this study sets out to do.

## 1.6 RESEARCH OBJECTIVES AND QUESTIONS

The overall aim of the research is to explore the prospects and challenges of building capacity for entrepreneurship and small business development in Ghana. The specific objectives and their resultant questions together with the theoretical considerations are illustrated in Table 1.1. The theoretical considerations are discussed in detail in chapter three of this study.

**Table 1.1 Research objectives and questions and themes.**

Research objectives		Research questions	Themes/Concepts
1.	To investigate the role of the key enterprise support organisations by exploring their motivations and collaborations.	What are the key roles of the key enterprise support organisations?  Do the roles overlap?  Why do they support entrepreneurs? What forms of collaborations are preferred?	Government involvement in entrepreneurship development  Entrepreneurship education and training.  Access to finance by small business.  Role of international organisations and small business development agencies.
2	To identify the impact of training programmes offered by such enterprise support organisations on small business owners.	What is the impact of training programmes offered by such enterprise support organisations on small business owners?	Financial literacy. Small business growth. Understanding rules and regulations. Accessibility to information. Establishment of

			<p>business relationship.</p> <p>Effective management of human resource.</p> <p>Development of effective marketing strategies for competitive advantage.</p>
3	To examine the challenges that the key enterprise support organisations face in fulfilling their objectives and achieving the intended impact.	<p>What are the main challenges enterprise support organisations face?</p> <p>In the face of these challenges are they able to fulfil their objectives?</p> <p>To what extent have they impacted SMEs positively?</p>	<p>Illiteracy on the part of some owner managers.</p> <p>Financial mismanagement.</p> <p>Inability to fulfil financial obligations.</p> <p>Inadequate business information.</p> <p>Unwillingness to implement change.</p>
4	To understand the expectations of small business owners of the key enterprise support organisations and explore their level of awareness of support programmes and schemes.	<p>What do small business owners in Ghana expect of the key enterprise support organisations?</p> <p>Are they really aware of the various support programmes?</p>	<p>Bespoke financial facilities to small businesses.</p> <p>Flexible terms of payment.</p> <p>Low interest rate.</p> <p>Non-commercialization of support programmes</p>
5	To identify the type and nature of assistance and support that small businesses receive from enterprise support organisations.	What kinds of assistance do small business owners receive from enterprise support organisations and what are the reasons why	<p>Financial facilities.</p> <p>Business information.</p> <p>Management and technical training.</p>

		some have not received any assistance?	Business advisory services.  Domestic and international business networking.
6	To explore challenges small businesses face in Ghana and in particular the challenges they face in accessing finance and investigate how they can tackle such challenges for business development and growth with support from enterprise support institutions.	What are the general challenges small businesses face in Ghana and in particular; what challenges do they face in accessing finance in Ghana?  How are these challenges being tackled by small businesses in Ghana?	High interest rate  Demand for collateral  Commercialisation of support programmes  Inflexible loan payment terms.  Inadequate information on support programmes.  Poor national infrastructure.  Competition from foreign products.  Poor attitude of staff.

## 1.7 OVERVIEW OF RESEARCH METHODOLOGY

The study ascribes to the paradigmatic choice of interpretivism as against positivism. The study seeks to understand the activities of enterprise support organisations and small businesses as a way of understanding the prospects and challenges of building entrepreneurship capacity in Ghana. This understanding will be gained by interviewing officials of the enterprise support organisations and small business owners where the subjective state of the participants is taken into consideration. Again, the current study intends to investigate the reasons (meanings) behind the activities of the enterprise support organisations and small businesses. The focus, therefore, is on meaning instead of measurement. Moreover, the study is based on the interpretation of non-numerical data and

this can provide meaning to human behaviour missing in quantitative data (Guba & Lincoln, 2000; Wright, 2006; Creswell, 2003; Sale, Lohfeld & Brazil, 2002).

With regards to the assumptions underpinning research paradigms, the study, is linked with phenomenological ontology, axiology and epistemology which are discussed in detail in chapter four of the study. Thus, the study is mainly qualitative because among many other reasons discussed in chapter four of the study, data used for the study are those not characterised by numbers but instead are in the textual, visual, or oral form (Zikmund et. al., 2010).

The study is an exploratory one. It seeks to explore the prospects and challenges involved in entrepreneurship capacity building in Ghana. It also seeks to generate new insights and assess the role of enterprise support organisations in the development and growth of entrepreneurship in Ghana. Another reason for considering the study as exploratory is that it follows to a very large extent, the principal ways of conducting exploratory research given by researchers (Saunders, Lewis & Thornhill, 2007; Easterby-Smith *et.al.*, 2012). The researcher examined relevant literature in the fields of entrepreneurship and small business and interviewed experts in entrepreneurship and small business development in Ghana as well as small business owners in order to explore the prospects and challenges of building entrepreneurship and small business capacity in Ghana.

The research revolved around four main stakeholders-government agencies, financial institutions, international organisations and higher educational institutions. With regards to the government agencies, the research limited itself to those at the national level. The main agency-National Board for Small Scale Industries- was the focal point in addition to three other government institutions. Even though the original plan was to have more international organisations to participate in the study, only one of them was prepared to be part of the study.

For financial institutions, two categories of financial institutions were selected. These are commercial banks and micro finance companies. The study limited itself to four banks that have the reputation for developing entrepreneurial programmes and five micro finance companies.

Three higher institutions of learning were also selected for the study. These were universities and one Polytechnic. Finally, forty-one (41) entrepreneurs were included in the study. These entrepreneurs and small businesses were drawn from two big cities of Ghana-Kumasi and Accra. The study was conducted within the time frame of 2010 to 2012.



In view of the broad and exploratory nature of the research questions, the fieldwork/empirical research was designed along two interrelated lines: (1) semi-structured interviews with key respondents in the enterprise support organisations, (2) semi-structured interviews with entrepreneurs and/or small business owners. A total of 60 interviews were carried out. Therefore, the thesis draws on rich qualitative data collected from a large sample.

The purpose of the interview with these categories of informants was to gain insight into the capacity building activities and how entrepreneurs are responding to the capacity building effort. The research relied on semi-structured interviews. The interviews revolved around a list of topics on an interview guide for the respondents to express themselves. In a sense, the study followed what Lofland and Lofland (1994) refer to as guided conversation. This was necessary to discover both capacity builders and entrepreneurs' views on the prospects and challenges in the capacity building process. Following Creswell (1998), the objective here was to elicit rich, detailed material about variety of views concerning the development of entrepreneurship. It would allow room for the participants to raise topics of interest to them (Silverman, 1993; Morgan, 1997; Yin, 2003) and to provide their perspective on entrepreneurial development issues. In addition to note taking, the interviews were tape-recorded.

Besides interviews with the two categories of respondents, the study embarked on focus group discussion as well as analysis of documents, particularly of those of the enterprise support organisations. With the help of Nvivo, the study used thematic analysis (Patton, 2002; Miles & Huberman, 1998) to analyse the empirical evidence. This allowed greater analytical depth and detail interpretation of interviewees' views of what is going on rather than the analyst's view (Stoke, 1995).

## **1.8 SIGNIFICANCE OF THE RESEARCH: CONTRIBUTION TO KNOWLEDGE**

Since the development of most economies has been linked to the development of entrepreneurship and small business; the current research addresses a gap in knowledge pertaining to entrepreneurship development in emerging markets, by focusing on the role of macro-institutional actors such as enterprise support institutions, from an institutional theory perspective. This is because the recommendations will help entrepreneurs in Ghana to find better ways of developing their capacities. The research will also offer recommendations that will help small businesses identify the best ways of accessing capacity building programmes for growth and development.

It is important to mention the other stakeholders in the capacity building process. Government agencies which are responsible for creating the necessary enabling environment for the development of entrepreneurship and small business in Ghana are considered. The research does reveal the strengths and weaknesses of their policies and actions. The recommendations that are made will help them build on their strengths and improve their weaknesses. For example, the research brings to the fore the expectations of entrepreneurs and/or small business owners with respect to the role of government agencies. It will reveal the extent to which entrepreneurs are satisfied with the role they are playing as facilitators of the entrepreneurship and small business development agenda of the nation. It will also help them streamline their relationship with entrepreneurs and small businesses.

Related to the above are the other stakeholders such as financial institutions, foreign and/or international agencies and non-governmental organisations (NGOs). These organisations are into the business of building entrepreneurship and small business capacities. Since these organisations have expectations and/or objectives in developing programmes for entrepreneurship and small business capacity building, the research reveals the extent to which they have achieved successes and offer suggestions that will help improve their performance for the benefit of the stakeholders and the nation as a whole.

The research contributes to knowledge by offering researchers and academicians new insights into entrepreneurship capacity building in Ghana with the application of institutional theory. Thus, it offers researchers the foundation for further research into entrepreneurship in emerging markets with respect to capacity building. This is very crucial since little or no research has been embarked upon in the area of entrepreneurship capacity building in Ghana, particularly with the application of institutional theory.

## **1.9 RESEARCH INTEREST**

This section deals with what has motivated the researcher to go into this area of research. Of course there are many areas in the management discipline which could have attracted the attention of the researcher but the researcher chose to concentrate on capacity building for entrepreneurship and small business development in Ghana: prospects and challenges.

The first reason why the researcher chose this area of research is the importance of entrepreneurship and small businesses to the development of developing countries and Ghana for that matter. There is evidence to show that all the countries that have developed did so on the shoulders of entrepreneurship and effective small business management

(Casson, 1988). The giant multinationals of today started small. Small businesses serve as the bedrock for economic development. For example, SMEs have been noted to provide 85% of employment in the manufacturing sector in Ghana. In terms of contribution to GDP SMEs account for about 70% and also account for 92% of businesses in Ghana (Abor & Quartey, 2010). If the small business sector is given the attention it deserves, it will serve as a driving force for Ghana to achieve its vision of becoming an economic giant in Africa. The recommendations of this study will therefore be geared towards providing policy makers with suggestions as to what could be done to revamp the small business sector for sustainable growth and development.

Related to the above are the countless challenges that the small business sector is facing in the country. The small business sector faces a lot of challenges in the developing world and Ghana is no exception. The researcher therefore believes that there is the need to research into the area to unearth some of these problems which are militating against the growth and development of entrepreneurship and small businesses in the country. This is important because, until the problems are identified and solutions found to them, it will be very difficult if not impossible for the small business sector in Ghana to play its meaningful role in the country. One could argue that the mere identification of the challenges will not bring about solutions. However, raising awareness of the issues and challenges serves as a starting point for decision makers and/or policy makers in finding pragmatic solutions to the problems.

## **1.10 STRUCTURE OF THE THESIS**

The thesis is structured around eight main chapters. Chapter One is the general introduction. This consists of the background of the study, policy context in Ghana, conceptual context, research objectives and questions, overview of research methods, significance of the research, contribution to knowledge, research interest and the structure of the research. Chapter Two discusses institutional theory as the overall theoretical lens for the study. The three main pillars of the theory of the regulatory pillar, the normative pillar and the cognitive pillar and their links to the current study are established. Chapter 3 follows with a review of the pertinent literature on entrepreneurship and small businesses with a focus on the role of institutions at the macro-level. Chapter 4 explains the methodology underpinning the research. Chapter 5 presents the research findings surrounding perceived roles and functions of the key enterprise support organisations. Chapter 6 continues with the interplay of the activities of the key players and growth and development of entrepreneurship and small businesses in Ghana. Chapter seven lends itself

to the development of a framework for entrepreneurship ecosystem for developing countries which is underpinned by institutional theory. Chapter eight presents a summary of key findings and recommendations of the study and its contribution to the scholarly debate on the role of institutions for capacity building for entrepreneurs in developing countries and to practitioners.

## **1.11 SUMMARY OF THE CHAPTER**

One of the significant characteristics of a flourishing and growing economy is a strong and dynamic small and medium-scale enterprises (SME) sector. SMEs contribute to economic development in various ways; such as the creation of employment leading to desirable, sustainable and innovative economy. Thus, the policy goal of the Ghanaian government is to develop a culture of entrepreneurial thinking among its citizens. Integrating entrepreneurship into education system especially at the higher level, legislation to support risk taking and national campaigns are some of the ways by which governments are creating the enabling environment for entrepreneurship development.

The issue of entrepreneurship and/or small business development in Ghana has become a major concern for entrepreneurs, the government and other stakeholders. The role that small businesses play in the development process of Ghana has become the concern of major stakeholders. This is as a result of the importance of entrepreneurship to the development of Ghana. This study basically seeks to investigate capacity building for entrepreneurship development in Ghana: prospects and challenges. The study adopts institutional theory as the underpinning theoretical lens. A total of 60 interviews were conducted. This comprised of forty-one and nineteen interviews of owner managers and officials of enterprise support organisations respectively. The study therefore, hinges on rich qualitative data collected from a large sample.

The main contribution of the study to knowledge lies in the fact that it offers a new framework for capacity building in entrepreneurship from an institutional theory perspective by delineating the interplay among regulative, normative and cognitive institutional factors. This is very crucial because little or no research has been embarked upon in the area of entrepreneurship capacity building in Ghana with the applications of institutional theory. The researcher investigates this area of research because of the important link which entrepreneurship and small business development has with economic development of countries. Since Ghana is a developing country and is seeking to accelerate its development, it is very important that entrepreneurship and small business capacity building is given the needed attention.

## **CHAPTER TWO**

### **INSTITUTIONAL THEORY: THEORETICAL APPROACH UNDERPINNING THE STUDY**

#### **2.1 INTRODUCTION**

Institutional theory has become popular with writers and researchers as they are increasingly utilising the theory as a lens for many areas of research including entrepreneurship. Given the emphasis of the current doctoral research on macro-institutional factors such as enterprise support organisations in building capacity for entrepreneurship, this theoretical lens offers an enabling framework to understand complexities and dynamics of such complex processes. Entrepreneurial firms and small businesses in the Ghanaian environment face rapid and dramatic shifts in the institutional environment. These shifts present owner managers with challenges as they seek to grow and develop their ventures (Ahlstrom & Bruton, 2010). The discussion of institutional theory in this chapter is very important because it provides an overarching theoretical lens through which organisational strategies (DiMaggio & Powell, 1991; Scott, 1994) of these enterprise support institutions and organisational responses of small businesses in Ghana can be illuminated. Thus, the discussion of institutional theory will serve as a guide for explaining the behaviour of small businesses as well as enterprise support organisations of the government, financial institutions, higher educational institutions and international organisations in Ghana. The rest of the chapter is structured as follows: the first section defines institutions and discusses types of institutions. The other sections explore the pillars of institutional theory and reasons for employing institutional theory in the current study.

#### **2.2 INSTITUTIONS DEFINED**

It is important to define the fundamental constituents of the theory. This section thus explores the meaning of “institutions” with reference to institutional theory. This understanding will help in finding out the underpinning elements of institutional theory.

There is a debate in the literature with regards to the distinction between institutions and organisations. It has been established that there is no single universally acceptable or agreed definition of the concept of ‘institution’ (Scott, 2002). In other words, the term institutions may mean different things in different contexts and therefore it is very difficult to pin it down to one unarguable definition. It is therefore, not uncommon to have different

definitions and interpretations of the term “institutions” (Hoffman, 1999; Japperson, 1991; Scot, 2002).

Institutions have been defined as “rules, norms, and beliefs that describe reality for organisations, explaining what is and is not, what can be acted upon and what cannot” (Hoffman, 1999, p. 351). They are taken-for granted, cultural understandings, which specify and justify social arrangements and behaviours, both formal and informal.

Therefore, institutions can be viewed as performance scripts which provide “stable design for chronically repeated activity sequences”, deviations from which sanctions are imposed (Japperson, 1991, p.145).

According to the key premises of institutional theory, institutions are social structures that have attained a high degree of resilience and they comprise cultural-cognitive, normative and regulative components (Scott, 2007, Goodstein & Scott, 2002). These elements together with related activities and other resources bring about stability and makes social life meaningful. Even though this definition emphasises stability, some researchers believe that institutions are subject to change process, both incremental and discontinuous (Scot, 2002, 1995).

Broadly speaking, the term has been used to refer to the formal set of rules, ex ante agreements, less formal shared interaction sequences and taken-for-granted assumptions which organisations as well as individuals are supposed to follow (Scott, 2007; Garud & Karnoe, 2003; Dacin, Goodstein & Scott, 2002; Bonchek & Shepsle, 1996; Scott, 1995). These take their root from rules such as regulatory structures, government agencies, laws, courts, profession, scripts and practices in the societal and cultural domain which exert conformance pressure (DiMaggio & Powell, 1991). Thus North (1991) argues that institutions are humanly devised constraints that structure political, economic and social interaction. They comprise both informal constraints such as values, norms, sanctions, taboos, customs, traditions, and codes of conduct and formal rules such as constitutions, laws, economic rules, property rights, and contracts. Examples of informal constraints in Ghana with respect to entrepreneurship development are customs and traditions. The customs and traditions of Ghanaian societies require the entrepreneur or the owner manager to employ extended family members first, even if their skills and/or competences are not enough to perform the job. As an example of formal constraints, the realisation is that the laws, economic rules, property rights and contract favour large businesses at the expense of small businesses.

Given this emphasis on regulative and normative aspects within the extant literature, other researchers have looked at “institutions” from another perspective. For example, Powell and DiMaggio (1991) bring their neo-institutionalism to bear on the explanation of institutions. The new institutionalism organisational theory rejects the rational-actor model, and is interested in institutions as independent variables, a turn toward cognitive and cultural explanations.

The discussion above of institutions suggests that they create expectations which determine the appropriate actions for organisations and also form the reasons by which laws, rules and taken-for-granted behavioural expectations appear natural and abiding. Therefore, institutions define in objective sense what is an appropriate behaviour of organisations and thus any behaviour that is contrary to what has been defined by these institutions is considered inappropriate or unacceptable. It has thus been argued that the institutions set the rules of the game and/or define the way the game is played, whereas the organisations are the players which must play in accordance with the set rules (Scott, 2007; Garud & Karnoe, 2003; DiMaggio & Powell, 1991).

In the current study, the institutions are the major enterprise support organisations, mainly the government agencies, financial institutions, higher educational institutions and international organisations. These institutions determine the regulative, normative and cognitive infrastructures for small businesses in Ghana. These institutions set the rules for small businesses in Ghana and the small businesses are thus expected to play according to their rules. The building of entrepreneurship capacity is thus dependent on the conformance of small businesses to the rules of the institutions in Ghana. The conformance is also dependent on how flexible these rules are and the readiness of the small businesses to comply. This calls for collaborative efforts on the part of the institutions and the organisations-the small businesses- which is part of the investigation of this study. On the cognitive level, development and growth of small businesses and hence capacity for entrepreneurship is highly linked to training and education offerings of these enterprise support institutions. The three pillars of institutional theory and how they apply to the current research will be discussed in ensuing sections of the chapter.

### **2.2.1 Types of institutions**

Two types of institutions are identified. They are formal and informal (North, 1990). The formal institutions are political and economy-related rules that facilitate or inhibit opportunities in the field of entrepreneurship. Examples include laws and regulations for market entry and exit or private property regulations. Informal institutions on the other hand comprise the norms and attitudes of a particular society which influence the

recognition of and exploitation of opportunities by entrepreneurs and access to resources (Welter & Smallbone, 2011).

Studies have highlighted that both formal and informal institutions have a strong impact on entrepreneurship (Welter, 2011; Davidsson, Hunter & Klofsten, 2006; Manolova, Eunni & Gyoshev, 2008).

In almost every country, the development of entrepreneurship and the way entrepreneurs behave are influenced by the appropriateness and operationalization of formal institutions. The institutional context influences the nature, pace of development and the extent of entrepreneurship and as well as the way of behaviour of entrepreneurs (Welter & Smallbone, 2011). The institutional matrix and the opportunities that it creates in the environment determine organisations that come into existence. Thus, North argues that if the institutional framework rewards productive activities, then organisations will come into existence to engage in productive ventures (North, 1994). This is particularly apparent in challenging environments such as developing countries with uncertain, ambiguous and turbulent institutional frameworks (Welter & Smallbone, 2011), or non-existence of such frameworks.

In the field of entrepreneurship, the concern has been how the institutional matrix affects- positively or negatively-the emergence of entrepreneurs, the rate at which new ventures are created and the growth and development of new ventures (Welter, 2011). Current research in the domain of entrepreneurship is much more diversified and has the characteristics of referring mainly to developing, emerging or transition economies and researching on public policy and support programmes.

Institutions operate at different levels of influence, from the world system to localized interpersonal relationship. Various types of carriers are the transmitters of institutions. Some of the carriers are symbolic systems, relational systems, routines and artefacts (Welter, 2011; Manolova, Eunni & Gyoshev, 2008; Davidsson, Hunter & Klofsten, 2006).

The current study investigates the formal institutions of the government, international organisations, financial institutions and higher educational institutions as enterprise support institutions. This is as a result of the fact that the development of small businesses and the way entrepreneurs behave are greatly influenced by the formal institutions than the informal ((Abor & Quartey, 2000; Kyanula & Quartey, 2000). Thus the current study focuses on the level, nature and operationalization of these formal institutional infrastructures for enterprise development and hence fostering entrepreneurship in Ghana by enhancing the capacity of small businesses for further development and growth.



## 2.3 THE PILLARS OF INSTITUTIONAL THEORY

Institutional theory acknowledges the importance of economic forces and technical imperatives in shaping social and organizational systems. Besides it seeks to examine the behaviours and preferences of organisations, individuals and other outside forces (Ahlstrom & Bruton, 2010; Carney, Gedajlovic & Yang, 2009; Scott, 2001; Tolbert, David & Sine, 2011; Dacin, Oliver & Roy, 2007; Delmar & Shane, 2004; David & Bitektine, 2009). Institutional theory focuses on the regulatory, social and cultural influences that bring about survival and legitimacy of an organisation rather than concentrating solely on efficiency seeking behaviour (Scott, 2002; Hitt *et al*, 2004; Roy, 1997). The theory emphasizes the environmental factors experienced by an organisation, such as the norms of society, rules and requirements which organisations are expected to conform to. This helps in creating legitimacy and support for such organizations (Ahlstrom & Bruton, 2010; Carney, Gedajlovic & Yang, 2009; Scott, 2001; Tolbert, David & Sine, 2011; Dacin, Oliver & Roy, 2007).

Institutional theory depends to a very large extent on the social construct to help in defining the structure and processes of organizations. The distinctive and the most basic characteristics of institutional theory is conformity. This conformity is what is used in determining the legitimacy of organizations. The concept conformity seeks the establishment of “rational myths” in which it is just “rational” that there is the incorporation of certain norms of society, rules and requirements into missions and goals of organizations (Shortell & Katunky, 2000, p. 24; Welter, 2011; Manolova, Eunni & Gyoshev, 2008).

The discussion of the pillars brings to the fore the important role which entrepreneurs and small businesses need to play in societies such as Ghana. The Ghanaian society requires entrepreneurs to contribute, among other things, to the creation of employment to thousands of unemployed people in Ghana and thus reduce unemployment and poverty. This is very useful in creating legitimacy and support for small businesses. However, small businesses cannot gain the full support of society if their contribution to the growth and development of the Ghanaian economy is infinitesimal. There is the need for the building of entrepreneurship capacities to propel entrepreneurs and/or owner managers to contribute more to national development. This is what the current study seeks to investigate and to recommend a framework for the building of entrepreneurship capacity with the application of institutional theory.

How to organize various institutions has presented some conceptual debates and disagreements (Hirsch & Lounsbury, 1997). However, three categories of institutional forces have been identified and/or formulated by Scott (2001, 2007). He argues that institutions are viewed as made up of three component elements: (a) meaning systems and related behaviour patterns, which contain (b) symbolic elements, including representational, constitutive and normative elements that are c) enforced by regulatory processes (Scott, 1994:56). Thus, the three pillars are the regulatory pillar, the normative pillar and the cognitive pillar (Scott, 1995, Shorttall & Katunky, 2000; Scott, 2007; North, 1990) as will be discussed below.

### **2.3.1 The regulative pillar**

The regulative pillar takes its roots from the studies in economics and thus represents a rational actor model of behaviour, based on sanctions and conformity. By means of the rules of the game, monitoring and enforcement, institutions guide behaviour (North, 1990; Ahlstrom & Bruton, 2010; Carney, Gedajlovic & Yang, 2009; Scott, 2001; Tolbert, David & Sine, 2011, Dacin, Oliver & Roy, 2007). Thus, Scott (1995) argues that the regulatory dimension of the institutional profile consists of laws, regulations, rules, and government policies in a particular national environment which promote certain types of behaviour and restrict others. In other words, the regulatory pillar of an institutional system works to give support or incentive and sanction to organizations and individuals from authoritative bodies such as a government which regulates the actions of individuals and organizations (Scott, 2001; Brandl & Bullinger, 2009; Hinnings & Tolbert, 2008; Lawrence & Suddaby, 2006).

The regulative processes consist of rule-setting, monitoring, and sanctioning activities. The regulative processes involve the capacity to establish rules, inspect or review others' conformity to them, and as necessary, manipulate sanctions-reward and punishments- in an attempt to influence future behaviour. These rules and regulations stem primarily from legislations by government and industrial agreements and standards. These legislative instruments provide guidelines for entrepreneurial organisations, particularly new ones. This more often than not results in organisations and individuals complying with laws or may require a reaction if there is a lack of regulation in the region of the entrepreneurial firm (Bruton, Ahlstrom & Li, 2010; North, 1990).

As stated earlier, the current study investigates capacity building for entrepreneurship development in Ghana. The institutions identified are the government, financial institutions, higher educational institutions and international organisations. These institutions come out with policies and rules that control the activities of small businesses in Ghana. These

policies and rules are important in entrepreneurship research because they serve as a guide for the behaviour of entrepreneurs and small businesses (North, 2000; Brandl & Bullinger, 2009; Hinnings & Tolbert, 2008; Lawrence & Suddaby, 2006). In order to ensure effective entrepreneurship capacity building, therefore, small businesses and entrepreneurs should comply with the laws of the government agencies as well as the rules and regulations of the other key enterprise support organisation (Bruton, Ahlstrom & Li, 2010, Scott, 2004). It must be, however, stated that, these rules and regulations sometimes are not easily complied with as some of them are made without taking into account the needs and the capacity of these small businesses to comply. In other words, policies, rules and regulations are not necessarily situated in the current reality of small businesses. Some of these rules are regulations made by these institutions with reference to global business circumstance (Abor & Quartey, 2000; Kayanula and Quartey, 2000). Therefore, this study offers a useful contribution to knowledge through an in-depth exploration of the needs of small businesses as well as offerings of enterprise support organisations in portraying a holistic understanding of the macro-level dimensions of capacity building activities for enterprise development in Ghana

### **2.3.2 The normative pillar**

The normative pillar represents models of organisational and individual behaviour based on obligatory dimensions of social, professional and organisational interaction. By defining what is appropriate and/or expected in various social and commercial situations, institutions guide behaviour (Burton, Ahlstrom & Li, 2010). Normative systems are typically comprised of values and norms that further establish consciously followed ground rules which people must conform to. It is also often called culture. Normative systems define goals or objectives and also designate the appropriate ways to pursue them (Scott, 2007). Thus, normative institutions exert strong influence because of social obligation to comply, rooted in social necessity or what organisations and individuals should be doing (March & Olsen, 1989). It has also been argued that some societies have norms that are geared toward the facilitation and financing of entrepreneurship while some other societies do not encourage it by making it difficult, often unwittingly (Baumol, Litan & Schramm, 2009).

The relevance of this pillar to the current study is that entrepreneurs in Ghana in seeking to build their capacity for growth and development must take into consideration the societal and/or cultural implications of their actions. The goals and objectives of these entrepreneurs must be cultural and societal driven (Scott, 2007). It is only by doing this that the norms of the Ghanaian society will be geared towards encouraging and facilitating

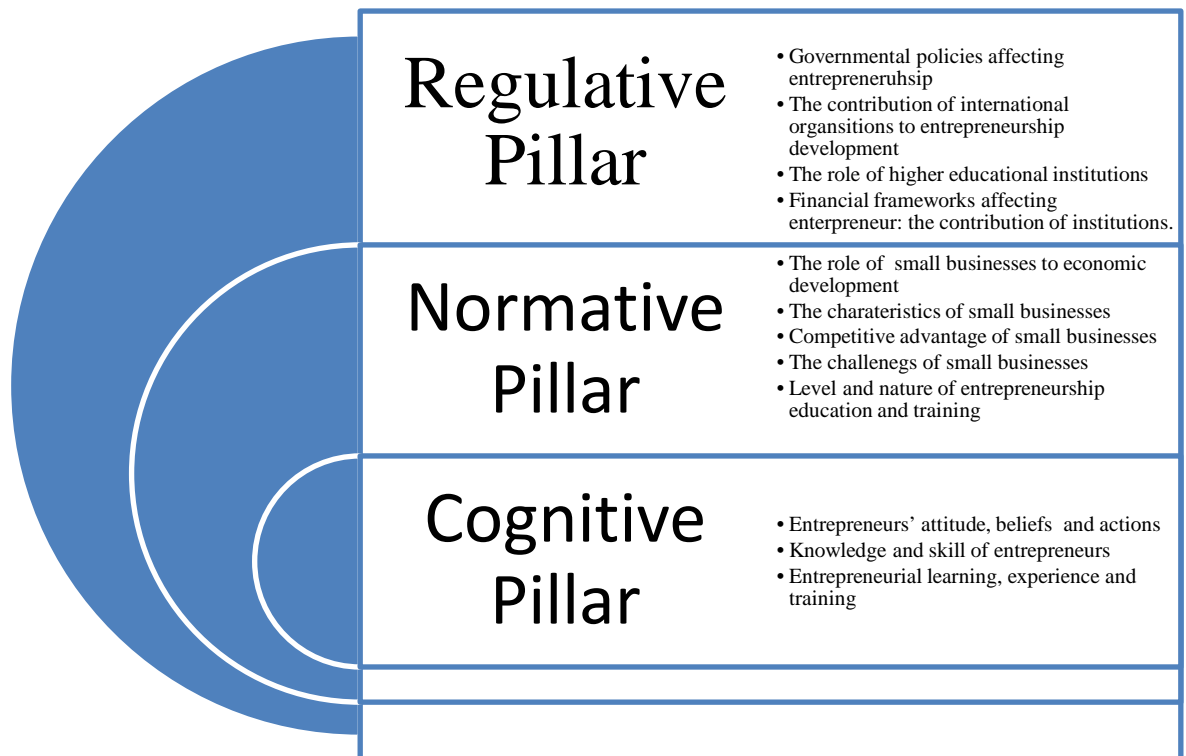
entrepreneurship (Baumol *et al.*, 2009; March & Olsen, 1998). Wealth generation and employment provision, particularly in certain localities, are considered to be legitimate socio-economic functions of new enterprises and small businesses in Ghana. Therefore, normative considerations include the attitudes, norms and cultural values towards entrepreneurship, which underpin the philosophy and approach behind setting up enterprise support programmes by such institutions such as government agencies, financial institutions, higher education institutions and international organisations. These will be taken up in the current study and the findings and discussion chapters will reveal findings pertaining to Ghanaian context.

### **2.3.3 The cognitive pillar**

The last pillar is the cognitive pillar. It is derived from the cognitive turn in social science (DiMaggio & Powell, 1991). It represents models of individual behaviour based on subjective and constructed rules and meanings that places limits on appropriate beliefs and actions. The cognitive elements of institutions are the rules that constitute the nature of reality and the frames through which meaning is made. Cognitive structures affect the cognitive programs, i.e. schemata, frames, and inferential sets, which people use when selecting and interpreting information (Markus & Zajonc, 1985). The cognitive pillar often operates more at the individual level in terms of culture and language and other taken-for-grantedness and preconscious behaviour that people rarely think about (Scott, 2007; DiMaggio & Powell, 1991; Meyer & Rowan, 1991). The importance of this pillar to entrepreneurship research is explained in terms of how societies accept entrepreneurs, inculcate values and even create a cultural environment whereby entrepreneurship is accepted and encouraged (Bosma *et al.*, 2009; Harrison, 2008; Li, 2009). This is very closely linked to normative pillar but the emphasis is more on knowledge base and learning of entrepreneurs and small business owners; and making sense of such knowledge for synthesising it for effective enterprise development.

Institutional theory as discussed above with its regulative, normative and cognitive pillars and how it relates to the current study is demonstrated in figure 2.1 below. This serves as a guide to the discussion of the literature in the next chapter.

Figure 2:1 The link of institutional theory to the current study.



Source: Author, 2013.

## 2.4 REASONS FOR EMPLOYING INSTITUTIONAL THEORY IN THE CURRENT RESEARCH.

A lot of theories of entrepreneurship research have been formulated; such as economic theory of entrepreneurship, entrepreneurship innovation theory and theory of achievement motivation. However these theories more often venerate efficiency but do not recognise social forces as motives of organisational action. The dissatisfaction with these theories has resulted in the increasing standing of the institutional perspective in entrepreneurship research (Barley & Tolbert, 1997). The institutional perspective is what shifts attention to the rules, norms and beliefs that influence organisations and their members. This varies greatly across regions and cultures (Fang, 2010, Scott, 2007). The structures, processes, and mindset that are taken for granted or become taken for granted are either not scrutinised at all or are subjected to scrutiny and judged as suitable, appropriate and taken for granted (Jepperson, 1991). Entrepreneurship research and practice can therefore be understood fully by finding out what was institutionalised, that is, which activities, beliefs and attitudes have come to acquire taken for granted or rule like status, thus in turn

enabling and constraining entrepreneurship in the environment in question (Bruton & Ahlstrom, 2003).

Related to the above is the argument that institutional theory is an important way forward for understanding the legitimacy of organizations and how they exert influence and power on other socio-economic components of a system, such as small businesses in the context of the current research. Other theories of organisations do not extend the same level of power to its stakeholders in which they set the standards (Handy, 2003).

#### **2.4.1 Application of institutional theory in the field of entrepreneurship and small business**

Application of Institutional theory to entrepreneurship research has been imperatively considered since 1990s with growing emphasis recently (Shane & Foo, 1999; Ahlstrom & Bruton, 2002, Peng, 2006). Overall, the theory is concerned with how various groups and organisations (entrepreneurs) better secure their positions and legitimacy by conforming to the rules and norms of the institutional environment (Scott, 2007; Bruton et al., 2006; Tolbert, David & Sine, 2011, Dacin, Oliver & Roy, 2007; David & Bitektine, 2009).

It has been argued that, globally or in almost every country, the appropriateness and operations of formal institutions to a very large extent influence on entrepreneurship and the behaviour of entrepreneurs. For example, the regulatory framework in Ghana stipulates who is an entrepreneurs or what constitute a small business. Furthermore, it stipulates what activities small businesses can enter into. Thus entry into and exit from a particular business is under the control of the appropriate institutions (Smallbone, 2010). Besides formal institutions, values, attitudes, and norms of a society constitute the informal institutions, including attitudes toward entrepreneurship. Whether society will accept or tolerate entrepreneurship depends on its norms and values which in turn elicits entrepreneurial response (Welter and Smallbone, 2010). It has also been established that the creativity, drive and commitment of individuals in a particular country or environment results in entrepreneurial behaviour. Nonetheless, the business environment can invariably have a major impact on the nature and extent of entrepreneurship and the behaviour of entrepreneurs (Smallbone, 2010) particularly in most challenging and emerging environment such as Ghana. Researchers thus apply institutional theory to entrepreneurship research in order to understand the interrelationship between institutions and entrepreneurial firms or small businesses.

The study of Bruton, Ahlstrom and Li (2010) fundamentally explains the three main areas of the application of institutional theory to the study of entrepreneurship by researchers.

The first is the interrelationship between institutions and entrepreneurship. It has been posited that the institutional environment can constrain or enable the activities of entrepreneurs and owner managers (Scott, 2007; Bruton & Ahlstrom, 2003). The institutional environment can control the rate and size of new ventures by defining and limiting entrepreneurial opportunities in the system. Some institutional factors which can have impact on entrepreneurial and small business development are market incentives, availability of capital and direct action of government (Baumol *et al*, 2009; Soto, 2000). Thus the currently study investigates the activities of the government, higher educational institutions, international institutions and financial institutions in understanding the effective ways by which they can support entrepreneurs and small businesses in Ghana. The direct action of the Ghanaian government in entrepreneurship development, for example, is very crucial in constructing and maintaining an environment that is supportive of entrepreneurship. The level of development of entrepreneurship in Ghana is directly related to the regulations and policies of the key enterprise support organizations. There is thus the need for government and other enterprise support organisations to collaborate to remove all impediments in the way of entrepreneurship (Baumol *et al*, 2009, Broaman *et al*, 2004).

The second area of application of institutional theory to the study of entrepreneurship is legitimacy – the right to exist and perform an activity in a certain way. Institutional theory thus serves as a foundation for understanding how entrepreneurs and owner managers create goods and services as well as seek legitimacy (Ahlstrom & Burton, 2001, 2010). Entrepreneurs need to gain cognitive and moral legitimacy which is facilitated by the institutional environment to ensure their survivability. Within the socially constructed system, therefore, entrepreneurs need to behave in an acceptable and desirable manner to avoid being sanctioned for deviating from the accepted norms (Schein, 2009). Translating these ideas to the current research, Ghanaian entrepreneurs can ensure their survival not only by encountering a favourable regulatory framework but also ensure that they seek legitimacy for their activities to ensure the securing of resources and support from the enterprise support organizations and the larger Ghanaian society (Ahlstrom & Burton, 2002).

The concept of institutional entrepreneurship (Greenwood & Suddaby, 2006; Garud, Jain, & Kumaraswamy, 2002) is the third area of entrepreneurship research where institutional theory is applied. In emerging economies such as Ghana, not only are the legal institutions weak, but also professional and commercial norms are just being established. The role of some organisations such as nongovernmental organizations (NGOs) is very little and

invariably civil society is under-developed (Ahlstrom *et al*, 2008). Under such circumstances or weak institutional environment, it is difficult for entrepreneurs to secure the needed legitimacy. Entrepreneurs may have to play the role of institutional entrepreneurs with the view to improving the environment and creating structures that help their ventures to gain recognition and promotion (Ahlstrom *et al*, 2008). In the nutshell, it can be argued that the concept of institutional entrepreneurs seek to gain understanding into the manner in which entrepreneurs help shape their institutional contexts. For example the Association of Ghana Industries (AGI) presented to the Government of Ghana a Small and Medium Scale Enterprises (SMEs) Charter. This charter prepared by AGI with the gathering of inputs from other stakeholders in all the regions of the country, details policy proposals towards the creation of a favourable business environment. The government is expected to take action on the document. The action of the government on the charter will create an enabling environment for small and medium enterprises to flourish and impact positively on the economy (Graphic Business, 2009).

## **2.5 CRITIQUES OF INSTUTUTIONAL THEORY**

Some scholars have advanced arguments against institutional theory pointing out its shortcomings. Even though institutional theory is crucial in drawing attention to the influence of external forces on entrepreneurial behaviour, it has several shortcomings when it comes to the explanations of the patterns that may be observed in different environments (Smallbone & Welter, 2006).

One area of shortcoming is that the theory has somehow proven to be too mechanistic because of its emphasis on the fact that entrepreneurial behaviour is a reaction to institutional pressures despite the recursive nature of institutions, institutional change and behaviour (Zafirovski, 1999). Just as institutional change can influence entrepreneurial behaviour, so too can entrepreneurial behaviour influence institutional changes (Welter & Smallbone, 2011). The implication is that changes and entrepreneurial behaviour can influence each other and not only one of them influencing the other. It is a reflexive process.

Another drawback of institutional theory lies in its lack of accounting for the heterogeneity of entrepreneurship since entrepreneurs do not behave the same way everywhere as the theory implicitly assumes (Peng, 2000). Context-dependent nature of entrepreneurship should be taken into account. For example, the current study investigated capacity building for entrepreneurship development in Ghana. The behaviour of entrepreneurs in Ghana may not necessarily be the same as those in other African countries and the rest of the world.



Related to this is the argument that apart from organizations being embedded in the institutional arrangement in their industry, they are also influenced greatly by country-specific institutional settings based on the legal regime and the local environment (Busenitz *et al*; 2000). Generally institutions are situated in a specific country or regional context; researchers should therefore analyse institutional characteristics of a country with respect to a specific phenomenon instead of the general arrangement approach (Busenitz *et al*, 2000; Orru, Biggart & Hamilton, 1997).

It has also been established that institutional theory is intrinsically difficult to explicate because it has taken-for-granted assumptions at the core of social action. In addition, the theory places a lot of constraints on organisations to conform to societal norms, rules or requirements. This level of constraints can prove to be detrimental to organizations. This is because; the constraints can limit the ability of organizations to be adaptable, creative, and innovative within the fields in which they operate (Zafirovski, 1999; Welter & Smallbone, 2011; Peng, 2000).

There is also the concept of legitimacy which is complex. Legitimacy, most of the time, causes organisations to resist change with the view to keeping to the norm. In other words, due to fear of breaking away from the norm with the concomitant results of losing their legitimacy or having their legitimacy challenged; organizations stick to the status-quo and thus resist any meaningful change. Management of organisations, therefore, have but little freedom to make decisions which may stifle the structural process with organizations (Zafirovski, 1999; Welter & Smallbone, 2011; Peng, 2000). Hence, the fundamental question that remains is that, how does this idea reconcile with entrepreneurship and business growth, which implies organisational change?

In conclusion, despite the aforementioned critiques of institutional theory, it has a pivotal place in the field of entrepreneurship. In other words, institutional theory is relevant and applicable to entrepreneurship (Shane & Foo, 1999; Ahlstrom & Bruton, 2002; Peng, 2006) and the current study is no exception. In the process of building entrepreneurship capacity for growth and development in Ghana, the key institutions of the government, financial institutions, higher educational institutions and international organisations should come out with flexible and bespoke policies, regulations, training programmes that govern and support the activities of small businesses in Ghana. These policies and rules are important in serving as a guide for the behaviour of entrepreneurs and small businesses (North, 2000). As small businesses and entrepreneurs comply with the laws of the government agencies as well as the rules and regulations of the other key enterprise support organisations (Bruton, Ahlstrom & Li, 2010; Scott, 2004) the overall objective of effectively building

entrepreneurship capacity in Ghana can be achieved. Besides, as entrepreneurs in Ghana seek to build their capacity for growth and development, they must take into consideration the societal and/or cultural implications of their actions. As their goals and objectives are interwoven into the expectations of the Ghanaian society; there is the likelihood of encouragement and facilitation of entrepreneurship. Thus, another area of importance of institutional theory to the current study is explained in terms of how the Ghanaian societies accept entrepreneurs, inculcate values and even create a cultural environment whereby entrepreneurship is accepted and encouraged (Scott, 2007; Baumol et al., 2009; March & Olsen, 1998; Bosma et al, 2009; Harrison, 2008; Li, 2009). Overall, entrepreneurs and small businesses in Ghana will better secure their positions and legitimacy by conforming to the rules and norms of the institutional environment (Meyer and Rowan, 1991; Scott, 2007; Burton et al., 2006).

## **2.6 SUMMARY OF THE CHAPTER**

Institutional theory has become popular in academic domains, particularly in organisation studies and entrepreneurship research. In broad terms, departing from the premise of institutional theory entails researchers to view institutions as rules, norms, and beliefs that describe reality for organisations, explaining what is and is not, what can be acted upon and what cannot, with associated regulative, normative and cognitive pillars. These institutions create expectations which determine the appropriate actions for organisations and also form the reasons by which laws, rules and taken-for-granted behavioural expectations appear natural and abiding. Thus, institutional theory focuses on the regulatory, social and cultural influences that bring about survival and legitimacy of an organisation rather than concentrating solely on efficiency seeking behaviour. These translate to the three pillars of institutional theory: the regulatory pillar, the normative pillar and the cognitive pillar.

The current study identifies the government, financial institutions, higher educational institutions and international organisations as the main institutions and small business as the organisations. These institutions come out with policies and rules that control the activities of small businesses in Ghana. These policies and rules are important in entrepreneurship research because they serve as a guide for the behaviour of entrepreneurs and small businesses. The next chapter discusses relevant literature as far as the study is concerned, underpinned by institutional theory.

## **CHAPTER THREE**

### **LITERATURE REVIEW**

#### **3.1 INTRODUCTION**

This chapter explores the entrepreneurship literature particularly those that relate to the building of capacity for entrepreneurship development. The current study is about capacity building for entrepreneurship development in Ghana. This chapter, however, will discuss entrepreneurship capacity building activities in its broader perspective and with particular emphasis on developing countries as a whole since there is not much specific literature on entrepreneurship development in Ghana.

The chapter explores the literature through the overarching lens of institutional theory as discussed in the preceding section. Thus, the literature will mainly revolve around the three pillars of institutional theory: regulative pillar, normative pillar and cognitive pillar.

The chapter begins with the regulative pillar under which the role of the government and other enterprise support organizations are discussed. Under the normative pillar the meaning of entrepreneurship in different contexts; the role of entrepreneurship in economic development are discussed. In addition, the characteristics of entrepreneurs, the advantages and disadvantages of entrepreneurship and competitive advantages of small businesses are explored. The last part of the chapter centres on the cognitive pillar. Under this pillar literature on entrepreneurship learning, experience and entrepreneurship training are discussed.

#### **3.2 OVERVIEW OF THE REGULATIVE PILLAR**

In the previous chapter, institutional theory was outlined. The discussion focused on the three pillars of regulative, normative and cognitive pillars. Thus Scott (1995) argues that the regulatory dimension of the institutional profile consists of laws, regulations, rules, and government policies in a particular national environment which promote certain types of behaviour and restrict others. The regulative processes consist of rule-setting, monitoring, and sanctioning activities. It also involve the capacity to establish rules, inspect or review others' conformity to them, and as necessary, manipulate sanctions-reward and punishments- in an attempt to influence future behaviour. These rules and regulations stem primarily from legislations by government and industrial agreements and standards. These legislative instruments provide guidelines for entrepreneurial organisations, particularly new ones. This more often than not results in organisations and individuals complying with

laws or may require a reaction if there is a lack of regulation in the region of the entrepreneurial firm (Burton, Ahlstrom & Li, 2010).

In a nutshell, the regulative pillar is concerned with governmental regulations, industrial agreements and standards, business set-up requirements, international agreements affecting entrepreneurship and SMEs and financial frameworks. Therefore, in this part of the chapter; with reference to the regulative pillar; there is the exploration of the role of government, and other enterprise support organisations such financial organisations, higher educational institutions and international organisations. This is as a result of the fact that the current study explores the role of these enterprise support organisations in entrepreneurship capacity building.

### **3.3 GOVERNMENT INVOLVEMENT IN ENTREPRENEURSHIP DEVELOPMENT**

Governments all over the world are putting measures in place to encourage the growth and development of entrepreneurship as part of their overall national development strategy (Ahlstrom & Bruton, 2012; Abdullah & bin Baker, 2000). Even governments of industrialised nations have a host of programmes to support entrepreneurship. An example is what pertains in the nations of the European Union (EU). The governments within the European Union offer different forms of assistance to aid individuals in starting their own business or to compete favourably. The seven distinct categories of assistance include financing, labour, development assistance, assistance with regulatory bureaucracy, start-up advice, export advice and information sources (Peng, 2009; Michael & Pearce, 2009).

Governments of the developing world have more crucial roles to play in building entrepreneurship capacity in their countries. This is because, in most developing countries such as Ghana, governments once owned and run a lot of businesses (Boachie-Mensah & Marfo-Yiadom, 2007). However, the situation is changing and now individuals can gather resources for the creation and running of their own ventures. Governments, therefore, need to play their roles in promoting entrepreneurship. “The development of small and medium enterprises and the changes in their structure over time through employment and output shares, output composition, market orientation, and location are usually thought to be related to many factors, including the level of economic development and government promotion programmes” (Tambunan, 2008, p 1).

The study of Tambunan (2008) on “SME development, economic growth, and government intervention in a developing country: The Indonesian Story” brings to the fore important

findings that have some resemblance for Ghana since Ghana is also a developing country. The study discusses the importance of small and medium enterprises in a developing economy and the fact that the sector needs the support of governments. It is observed that governments of developing countries' expenditure on development have positive effect on the growth of entrepreneurship and small businesses. Thus, the growth in small and medium enterprises is positively related to government development expenditures. The sustainable growth and development of the economy of developing countries and Ghana for that matter, through the building of entrepreneurship capacity, therefore, demand government commitment (Zahra et al., 2000; Ahlstrom & Bruton, 2012; Abdullah & bin Baker, 2000). The readiness of the government to spend by building entrepreneurial infrastructure and training programmes are very necessary.

Due to the increasing importance of entrepreneurship to the growth and development of national economies, governments all over the world, particularly the developing world, have given their unflinching support to entrepreneurship in their countries. One of such areas of support is the development of favourable policies. It has been argued that government support in the form of favourable policies should focus on increasing human capital, upgrading technology availability, labour market reform and deregulation of financial markets. This is important for the growth and development of entrepreneurship and small businesses in developing countries (Acs & Szerb, 2007). The government of Ghana through the then Minister of Trade, Industry and Presidential Special Initiatives indicated that the government was committed to its policy agenda of promoting, developing and growing a vibrant, productive and competitive SME sector that generates sustainable employment, creates wealth and addresses spatial imbalance in development, because SME's contribution to the socio-economic development and growth of Ghana as well as the attainment of its middle income status of \$1,000 per capita per annum by the year 2015 was significant ( [www.thestatemanonline.com](http://www.thestatemanonline.com)).

Another important issue is access to credit. Governments of most countries, developed and developing seek to encourage the growth of small businesses and the job creation that many believe is fostered by such growth. Significant growth of these businesses usually requires expansion of capital. It is often perceived that compared with larger firms, small businesses face disproportionately less access to the debt capital they need for start-up, growth, and survival (Llisteri, 1997). Consequently, government of the developing world have often intervened in credit markets by taking on the role of guarantor of loans that financial institutions advance to small businesses (Riding & Haines, 2001). Since access to credit is not very easy in most emerging markets (Ahlstrom & Bruton, 2006; Le,

Venkatesh, & Nguyen, 2006); governments of developing or emerging economies extend loans to entrepreneurs and/or new ventures as a way of encouraging a pro-capitalist political ideology (Zahra et al., 2000). The Government of Ghana in an attempt to provide easy access to credit by small businesses set up a partial credit guarantee scheme of \$20m aimed at indemnifying banks against any losses in respect of lending to small businesses in the country. As part of the scheme, the International Finance Corporation was to provide a guarantee of 50 percent to banks on losses on their medium, small and micro enterprises (MSME) loan portfolios ([www.thestatemanonline.com](http://www.thestatemanonline.com)).

Although the government of Ghana is doing what it can to promote access to credit by small businesses, not much has been achieved and, therefore, entrepreneurs in Ghana still face the challenge of access to and cost of credit. It is actually hampering and stifling the growth and development entrepreneurship since entrepreneurs and small business owners shy away from borrowing from the financial institutions (Graphic Business, 2010). For this reason, the Private Enterprise Foundation (PEF), which comprises key private sector players such as the Association of Ghana Industries (AGI); and the Ghana Association of Bankers (GAB) submitted proposals to the current Government of Ghana to lower the cost of borrowing or credit in the country. The proposal was presented to the Finance Ministry at a pre-budget forum in Accra Ghana. The proposal put forward some measures among which are incentives to specific banks to reduce their lending rates for others to follow suit. The PEF submitted that government should allocate funds annually to targeted banks at about 5% interest rate for them to on-lend to strategic sectors capable of influencing economic growth at about 12%. Furthermore, the proposal suggested that “tax breaks or incentives should be given to banks which are willing to lower their lending rates to, say 10% to growth-catalytic sectors”. Proposals put forward to expand access to credit by SMEs included tax rebates to banks that grant about 40% of their total advances to SMEs. It was also suggested that the government established a special fund with revenue from oil to develop the SME sector of the country (Business and Financial Times, 2010, p. 1&2).

Government involvement in entrepreneurship development is also seen in the area of providing the right environment for the growth and development of businesses through effective deployment of national infrastructure. The availability of good road network, availability and continuous supply of energy sources, effective and efficient communication facilities and many others are very necessary for the development of entrepreneurship (Okpara & Wynn, 2007; Latenko & Lvov, 2004). Some of or all of these infrastructural facilities are inadequate or nonexistent in developing countries. Rail network which was once effective during the colonial days and immediately after

independence in Ghana for example has completely deteriorated. Entrepreneurs cannot be sure of constant supply of energy such as electricity for sometimes a week. Other utilities such as water are not in constant supply (Business & Financial Times, 2011). All these constraints affect the development of entrepreneurship negatively. Government involvement in these areas is necessary because individual small business owners cannot provide these infrastructural facilities themselves. It will be very difficult if not impossible for entrepreneurs to construct their own road and to build their own generating plants. This is because most small business owners in the developing world do not have adequate financial facilities for the provision of these facilities. The involvement of the government then becomes inevitable (Kayanula & Quartey, 2000). The government of Ghana through the Ghana Investment Promotion Centre (GIPC) is committed to improving the level of infrastructure in the country. The goal, among other things is to create an enabling environment for the private sector and the small business sector for that matter to spearhead the country's development in the areas of information and communication technology, energy, transportation among others ([www.gipc.org.gh](http://www.gipc.org.gh)).

The involvement of government in entrepreneurship is invaluable in the sense that small businesses in developing countries are beset with myriad of problems that need some form of interventions. Without these interventions, these problems will persist and the development of entrepreneurial talents and small businesses will be hampered to the detriment of the nation's economy (UNCTAD, 2001). There cannot be viable and efficient small and medium enterprises in an economy where they are countless constraints (Tambunan, 2008). Thus, the current study identifies some of the constraints of entrepreneurs in Ghana and how the government is helping the entrepreneurs to circumvent these constraints.

Constraints differ from region to region or country to country, between sectors or enterprises within a sector. However, in most developing countries, certain constraints are common to all small and medium enterprises. The constraints include lack of or difficulty in having access to capital, especially financial capital, difficulty in having access to raw material since most of them have to be imported; lack of access to relevant business information, difficulty in marketing and distribution of goods and services, low technological capacities, high transportation cost, communication problems, the problem of bureaucracy (red tapeism) and policies and regulations that generate market distortions (Tambunan, 2008; Michael & Pearce, 2009).

### **3.4 THE CONTRIBUTION OF HIGHER EDUCATIONAL INSTITUTIONS TO THE DEVELOPMENT OF ENTREPRENEURSHIP**

Entrepreneurship capacity building is not attributable to any single factor. In other words, entrepreneurship capacity is a function of many factors. Of these factors, education and training are regarded as necessary components for the development of entrepreneurship and small businesses (Galloway & Brown, 2002). Entrepreneurship education is a continuous process that facilitates the development of necessary knowledge for effective starting and managing of new ventures (Politis, 2005).

According to the Global Entrepreneurship Monitor (GEM) Special Report (2008, p. 11) entrepreneurship education is defined broadly as “the building of knowledge and skills “about” or “for the purpose of” entrepreneurship generally, as part of recognised education programmes at primary, secondary or tertiary-level educational institutions. The report also defines entrepreneurship training as “the building of knowledge and skill in preparation for starting a business”. Although entrepreneurship education and training seem to have different purposes, they are not mutually exclusive. Higher educational institutions therefore provide entrepreneurship education and training. Since entrepreneurship education is broader than that of training which is very specific; the use of entrepreneurship education in the current study therefore encapsulates entrepreneurship training as well as foundational education for entrepreneurship.

Higher educational institutions have three missions of teaching, research and community service or engagement. The third mission complements the first two missions of teaching and research which are considered the core mission of higher educational institutions. Higher educational institutions have skills and knowledge that can aid small businesses growth and development. For this reason, in some countries, there has been an interaction between higher educational institutions and the small business world and this interaction is rich and extensive (Bolden, Petrov & Gosling, 2008). The richness of the interaction, however, may depend on the environment in which either party operates and how open each party is to the other. For example, the interaction will be richer and more extensive in developed countries than developing countries such as Ghana. This is explained by the fact that in Ghana for example, many of the small business owners are either illiterates or semi-literates and are sometime sceptical of people from academia. The interaction between higher educational institutions and the small business community may be initiated by either party. The two way relationship between small businesses and higher educational institutions yields mutually beneficially outcomes.



Through the third mission or the outreach to the community outside, academic training and other services are provided by higher educational institutions to other organisations including small businesses to facilitate their growth and development. Thus, the current study investigated the services and training that higher educational institutions in Ghana are providing to facilitate the growth and development of small businesses (Bolden, Petrov & Gosling, 2008; Cosh, Hughes & Lester, 2006). The training to small businesses could be in the form of short courses, in-company programmes and work-based learning programmes. Services which higher educational institutions offer include consultancy, knowledge transfer, and work placement for students among others. Whatever the case may be, small businesses most of the time require assistance from higher educational institutions in the areas of finance, marketing and human resource (Bolden, Petrov & Gosling, 2008). These areas are more important areas in the developing world where majority of the small businesses have problems with financial management and marketing of products. Related to these problems is the inability of some small businesses in the developing world to hire people with the right skills and abilities (Kayanula & Quartey, 2000; Bartlett & Bukvic, 2011).

The importance of higher educational institutions for the development of entrepreneurship in developing countries is that entrepreneurship education is a vitally important means of encouraging business start-up among potential graduates (Galloway & Brown, 2002). It has been established that there is a positive correlation among entrepreneurship development, performance and/or the survival of small businesses and education (Alam, 2009; Hostaker & Vabo, 2005; Preisendorf & Voss, 1990; Bruderl et al., 1992; Forrest, 1994). Entrepreneurial capacity can be built through experiential learning which more often is provided by universities and polytechnics. Through this type of learning, potential entrepreneurs develop and grow and become more efficient in the management of their ventures (Slaughter Rhoades, 2004; Vught, 2006, Bygrave et al., 1998).

It has been widely acknowledged that entrepreneurship education, should encompass both academic knowledge and practical skill to prepare young people for responsible citizenship and the corporate world. Entrepreneurship education, therefore, should be practical oriented or encapsulate a variety of practical activities for the enhancement of experiential learning which is an important element as far as entrepreneurship education and training are concerned. "If appropriately packaged, therefore, entrepreneurship education has the potential to promote economic development through training for employability where learners acquire skills, knowledge, and values that enable them to create employment for

themselves and others”. This is particularly important in countries of the developing world where there is an upsurge of graduate unemployment (Mafela, 2009, p. 2).

There is also the need for the fostering of entrepreneurship attitudes and skills to raise awareness of career opportunities. This has the resultant effect of propelling young people to contribute immensely to the growth and development of their communities and the national economy for that matter. Moreover, this will go a long way to reduce poverty, social marginalization and social vices among the youth (Mafela, 2009).

Entrepreneurship and small business related courses are therefore springing up all over the world and developing countries are no exception. It has been reported that there has been an increase in the number of schools offering entrepreneurship and small business courses. This can be attributed to the interventions of governments of some countries especially those in the developing world. For example, Niyonkuru (2005) and Solomon, Duffy and Tarabishy (2002), report that, in almost all countries of the world, governments have embarked on reorientation of education curriculum and pedagogical approaches to ensure that learners acquire skills and knowledge that are reflection of the spirit and principles of entrepreneurship.

Mafela (2009) gives an example of the Government of Botswana’s education planning that emphasises equipping learners with the needed entrepreneurial skills that have the potential of enabling them to employ themselves through the creation and management of their own businesses as well as creating opportunity for life-long learning. Since the 1990s therefore, emphasis has been on the inclusion of entrepreneurship education into students’ educational experiences in almost all levels of education; from secondary to the tertiary. Through business and entrepreneurship education programmes, the curriculum of higher educational institutions of many a country of the developing world increasingly reflect the role of education as a catalyst for entrepreneurship development.

Entrepreneurship education has become very important to governments all over the world because of the fact that all regional and national economies need a constant churning of new entrepreneurs who have the requisite skills and abilities (European Union, 2012; Harmeling & Sarasvathy, 2011). The impact of entrepreneurship education and training on the attitudes, actions, skills and ambitions of individuals has received the attention of many policy makers in recent years (GEM Special Report, 2008). No economy can compete favourably without individuals who invariably renew business processes and bring out innovation in the areas of products and strategies. Academically educated entrepreneurs are very instrumental in the development of national and regional economies than those whose

level of education is low or have no formal education at all. This assertion has been supported by various studies that revealed that entrepreneurs who have very good academic background are more innovative, use modern business methods and/or strategies, and exploit new technologies as a way of building competitive ventures (Pajarinen et al., 2006). Minniti and Le vesques (2008) have argued that academic education offers students or learners the opportunity to see the new developments in their areas of study. This gives them the opportunity to have a clearer view on how to implement them in their ventures in the future. They further disclose that, the business field itself is not vitally important, as academic entrepreneurs may be successful in both research-based and imitative business. What is important is the use of high-level skill in starting new ventures and nurturing them to grow and develop. Thus, Taatila (2010) suggests that national governments should find ways of encouraging the pursuit of entrepreneurial career through churning out a large proportion of academically educated people, particularly in the field of entrepreneurship.

The importance of entrepreneurship education to the development of national and regional economies could be explained in the light of risk taking propensity and uncertainty. Entrepreneurs are willing to take calculated risks and have the ability to make decisions with a limited amount of information as they desire to set and reach increasingly challenging goals (Denslow & Giunipero, 2003). Entrepreneurs have high tolerance for ambiguity and changing situations in the environments in which they operate. The ability to handle uncertainty is critical in the sense that entrepreneurs invariably make decisions using new, sometimes conflicting information obtained from various unfamiliar source (Zimmerer & Scarborough, 2002). Entrepreneurially oriented students have proven to have high risk taking propensity, internal locus of control, high need for achievement and high innovativeness than those students who are not entrepreneurially oriented (Koh, 1996).

On the issue of educational methods, Taatila (2010) has advised that, if the goal of societies is to increase the number of academically educated entrepreneurs, then educational methods need to be adjusted accordingly. Jamieson (1984) divides entrepreneurship education methods into three dimensions - education about, for, and in enterprise. To achieve the desired results in entrepreneurship education, there should be a shift from transmission models of learning (learning about) to experiential learning (learning for). This is the surest way of exposing students to the rudiments of venture creation in the real world (Herrmann et al.; 2008). The GEM Special Report (2008) corroborates this fact by explaining that although the type of entrepreneurship education and training approaches that works best depends on the educational context; there is general agreement that experiential learning is more effective for the development of

entrepreneurial skills and attitudes than traditional methods like lectures (European Commission, 2008; Walter & Dohse, 2009). For example, a study by Taatila (2010) on learning entrepreneurship in higher education revealed that learning within a real business environment is the key to success in entrepreneurial education. “Thus, we can conclude that despite the fact that there are physiologically favourable conditions for entrepreneurship behaviour, entrepreneurship competences can also be learned and enhanced. The most effective methods used so far for learning these skills have been very practical entrepreneurial projects conducted in a real environment and with real customers. For example, each small business can provide internship opportunities for students. The personal experience a student gains in such an environment is of crucial importance in creating the required holistic competence set of psychological and business substance skills required of an entrepreneurs” (Taatila 2010, p 54).

The issue of what to teach and where to teach it as far as entrepreneurship education is concerned have been discussed by researchers and practitioners (GEM Special Report, 2008). With regards to what to teach, ten most desired topics, which are primarily business concern, have been identified. These topics include among others selling and/or marketing, financing growth, managing cash flow and managing human resources-hiring and training employees (Sexton & Smilor, 1997). Entrepreneurship education, however, may need to be much broader to impact attitudes, help people recognise opportunities and be creative thinkers and also help them to build leadership skills and have self-confidence. Thus, the goal of entrepreneurship education should be the promotion of creativity, innovation and self-employment. Entrepreneurship education, thus, goes beyond the acquisition of particular business knowledge or skills (European Commission Report, 2008). Entrepreneurship should therefore be regarded as not belonging exclusively to the business disciplines but a multi-disciplinary.

The multi-disciplinary nature of entrepreneurship leads to the discussion of where it should be taught. There is argument as to whether entrepreneurship should be taught in business schools or outside of the business schools (Hindle, 2007; Klein, 2006; Kuratko, 2005). Some researchers have suggested that, given the multi-disciplinary nature of entrepreneurship and the fact that most innovative and workable ideas are more likely to come from the technical and creative disciplines, the business school is not the appropriate place to teach it since growth in entrepreneurship education and training is not likely to come from business schools but outside the business school (The European Commission, 2008, Katz, 2003). However, there is evidence to support that, since the inception of

entrepreneurship into the mainstream of higher educational institutions' curriculum; it has been the exclusive preserve of business schools all over the world.

### **3.5 THE CONTRIBUTION OF FINANCIAL INSTITUTIONS TO THE DEVELOPMENT OF ENTREPRENEURSHIP**

The desire of governments of developing countries to create vibrant economies and to relieve their people from the clutches of poverty and its concomitant problems have compelled them to come out with varying degrees of strategies to achieve their economic goals (Sacerdoti, 2005). However, the impact of these strategies has not been far reaching in developing entrepreneurship because of the numerous political and economic hindrances that are prevalent in these countries. It is therefore argued that a well-managed, effective and efficient private sector stands a better chance of developing entrepreneurship and small business in less developed countries. This is further explained that the private sector is more dynamic, innovative and results oriented (Nwoye, 1997). The private sector is that part of the economy which is not under the direct control of government. This definition comprises the economic activities of private individuals, groups or firms of different forms and sizes (Nwoye, 1997). The private sector which includes the financial service sector is invaluable for the development of entrepreneurship and small business in less developed countries because the sector is effective in mobilising resources.

In this section, therefore, the study discusses the contributions of one important member of the private sector-the financial services sector. The focus is on banks and micro finance companies. This is because studies have shown that banks are the main sources of external finance to small businesses in developing countries (Beck, Demirguc-Kunt & Peria, 2009) and that micro finance institutions (MFIs) are contributing immensely to the growth of SMEs in the developing world (Sacerdoti, 2005). Thus one of the objectives of the current study was to identify what financial organisations in Ghana were doing to support the development of entrepreneurship. The two key financial organisations in Ghana that were selected for the study were the banks and micro finance companies.

Gaining sufficient access to external sources of finance is a critical success factor for entrepreneurial firms in developing countries (Ahlstrom & Bruton, 2006; Le, Venkatesh, & Nguyen, 2006). One of such important source which entrepreneurs and small businesses owners require to function effectively is bank financing (Le, Nguyen & Freeman, 2006). This is particularly true in developing economies because governments' financial assistance to small businesses in developing countries is either inadequate or nonexistent. Such resources are severely constrained. For example, capital markets, venture capital, and

angel investors are at their infantile stages of development. For this reason the only important source of lending to small business owners in developing countries is bank loans (Le, Nguyen & Freeman, 2006).

To serve small business, banks have embarked on policies of setting up dedicated departments that are solely responsible SMEs. To this end they have also decentralised the sale of financial products to small businesses to the branches (Beck, Demirguc-Kunt, & Levine, 2003).

In helping to build entrepreneurship capacity, banks in the developing world embark on various support programmes. One of such programmes is the exposure of entrepreneurs to their counterparts in other countries. These they do with the aim of helping the entrepreneurs to establish profitable business contacts and to learn from their counterparts in other countries. This programme has been successful and ongoing in Ghana by the Barclays Bank Ghana Limited and is soon to be emulated by other banks (Ghana News Agency, 2010; Daily Graphic, 2010). These foreign trips, however, are sponsored by the entrepreneurs themselves but the facilitation is done by the bank.

Modern entrepreneurship calls for the acquisition of knowledge. Knowledge, particularly in the area of business is imperative for successful entrepreneurial ventures. The provision of training to small business is based on the premise that training is a powerful agent which facilitates the development and growth of businesses and develops their capabilities and profitability for that matter (Jennings & Banfield, 1993). Small firms which have taken part in management training schemes generally suggest that their businesses have benefitted immensely from such participation. Most notably, staff who participate in such training go about their business activities with confidence (Westhead & Storey, 1999). In this regard, banks in developing countries are helping to build entrepreneurship capacity by imparting business knowledge to entrepreneurs through the organisation of management training programmes. Most of these entrepreneurs happen to be the customers of the banks which organise the training programmes. Entrepreneurs are taught on many topics including how to prepare business plans, proper book keeping, marketing strategies, effective loan application, effective human resource management and the list is endless. Some of these programmes are free and others come with moderate fees (Graphic Business, 2010; Business & Financial times, 2011).

Empirical research has however, failed to link the provision of management training in small businesses with enhanced performance in the recipient businesses. Some reasons account for such occurrence. It may be the poor quality of the training programme

provided or the fact that the time for the training programmes is too short to exert an influence on the business (Westhead & Storey, 1996).

In financing small businesses in developing countries, banks encounter a lot of challenges. One of such challenges is that the small business sector is risky. Thus commercial banks in emerging markets find funding small businesses very risky. The challenge arises out of the underdevelopment of the institutional environment in developing countries. Banks rely on stable market institutions to ensure repayment of loans by borrowers at the right time (Nguyen, Le, & Freeman, 2006; O'Connor, 2000). However, such market institutions such as auditable business information with predictable rule of law that is enforceable to ensure repayment of loans are still in their developmental stages making it even riskier to finance small businesses in developing countries (Ahlstrom & Bruton, 2006; Nguyen, Weinstein, & Meyer, 2005; Peng, 2003).

Another area of challenge is the macroeconomic instability of most developing countries. Banks consider the SME segment as being profitable. Thus, their reactions to the government programmes aimed at supporting SMEs finance is positive. Banks, however, consider macroeconomic instability in developing countries as one of the main obstacles impeding small business financing (Beck, 2009).

It is widely recognised that for bank intermediation to deepen in developing countries; there is a need for developing countries to put the necessary measures in place to ensure that financial information on borrowers is available, of good quality and controllable. In addition, collateral should be sufficiently available to borrowers and enforceable to lenders. Credits rights should be adequately protected through an effective and efficient judicial system and are instrumental to conflict resolution (Sacerdoti, 2005).

Other important financial organisations that are playing significant roles for the development of entrepreneurship are the micro finance institutions (MFIs). Today, in many countries, particularly developing countries, micro finance organisations are playing significant roles in financing small businesses. In Cameroon, an African and a developing country; report has it that there is an extensive network of MFIs and they have played extensive role in financing small businesses in the country (Sacerdoti, 2005). The story is not different in Ghana, where there has been an upsurge in the number of MFIs that have been established in the country in the last decade. These MFIs have spread across the country and are helping small business financing (Graphic Business, 2011). Currently, there about 80 regulated and non-regulated micro finance institutions that are serving about 60,000 clients. The micro finance institutions have formed a network-Ghana Microfinance

Institutions Network (GHAMFIN). GHAMFIN regularly collaborates with government and donor organizations in Ghana, particularly in the area of policy change activities and implementation of capacity building and institutional strengthening programs e.g., MicroStart (UNDP/AfDB), and the Social Investment Fund. These collaborations are necessary to ensure collective effort at improving access to micro credit by small businesses ([www.ghamfin.org](http://www.ghamfin.org)).

The MFIs have some advantages over the traditional banks because of a lot of factors. One of such factors is that most of the time their requirements for accessing financial facilities by small businesses are not as cumbersome as the commercial banks. Small businesses find it easier meeting the requirements of the MFIs for loans than the traditional banks. Thus, Sacerdoti (2005) argues that small businesses find conventional banking criteria such as the provision of a formal financial statement cumbersome as compared with the use of cash flow based lending, scoring techniques, prior lending experience with the clients which are used by MFIs.

Despite the intervention of the financial service sector in providing support for entrepreneurs in the developing world, there are still challenges which small businesses face in securing finance in developing countries; particularly from the traditional banks, due to some problems such as information asymmetry between banks and small firms and the underdevelopment of formal and extensive financial market (Ebben & Johnson, 2006; Wimborg & Landstrom, 2000; Boisot & Child, 1996; Harrison, Mason & Girling; 2004, Brush et al., 2006; Berger & Udell, 1998). Due to these challenges; it has been argued that it is necessary and desirable for entrepreneurs in the developing world to find alternative means of financing their ventures. The two main sources of financing to the small business are debt and equity financing. Debt financing is a method of financing involving an interest-bearing instrument, usually a loan. Equity financing does not require collateral and offers the investor some form of ownership in the business (Hisrich, Peters & Shepherd, 2009).

Various alternative sources of external debt financing available to small businesses are trade credit, loans from friends and relatives and support from government through the establishment of venture capital firms (Business & Financial Times, 2009; O'Connor, 2000; Smallbone & Welter, 2001; <http://www.venturecapital.com/gh>). The advantages of these sources of financing are that they are more often accessible, convenient and relatively cheaper. Government support programmes for small businesses in developing countries provide loans with interest rates well below those offered by commercial banks (Hussain, Millman & Matlay, 2006, GEM Special Report, 2008).



The pocket of the entrepreneur is the first place to look for start-up money. The most common source of equity finance, particularly during the start of a business is the entrepreneur's own pool of personal savings also known as founder fund (GEM Special Report, 2008; Scarborough & Zimmerer, 2006). Personal savings has become a very important source of finance for businesses in the developing world because access to capital remains a challenge. Thus, African entrepreneurs tend to depend on their own savings (Gray, Cooley & Lutabingwa, 1997; Kallon, 1990; Keyser et al., 2000). It is the least expensive source of finance to entrepreneurs and provides the benefit of self-sufficiency (Scarborough & Zimmerer, 2006, Lambing and Kuel, 2007).

The expectation of outside investors is that entrepreneurs first of all put their own money into a venture before they will be willing to invest in the small business. If entrepreneurs are not willing to risk their own financial resources, potential investors will not be willing to risk their money in the small business either. Lambing and Kuehl (2007) argue that some financial institutions and investors expect entrepreneurs to invest some personal money into a venture if they are seeking financial assistance from them. Failure to put in sufficient personal financial resources in the venture means that entrepreneurs must either borrow excessively or give up a significant portion of ownership to outside investors in order to fund the venture properly (Scarborough & Zimmerer, 2006). Thus, personal financial commitment has become imperative in funding entrepreneurial firms.

Family and friends are among the common sources of financing to small businesses. Family and friends are likely to invest in the venture of the entrepreneur because they have relationship with him or her. More often, entrepreneurs find it relatively easy to receive money from family and friends. This is explained by the fact that family members and friends are more often patient than other outside investors and are less meddlesome in business affairs. (Scarborough & Zimmerer, 2006; Hisrich, Peters & Shepherd, 2009). This type of financing to small businesses has its limitations. "Although the amount of money provided may be small, if it is in the form of equity financing, the family members or friends then have an ownership position in the venture and all rights and privileges of that position. This may make them feel they have direct input into the operations of the venture, which may have negative effect on employees, facilities, or sales and profits" (Hisrich, Peters & Shepherd, 2009, p. 295). Thus, unrealistic expectations, misunderstood risks and disagreements have strained or ruined many friendships and family reunions (Scarborough & Zimmerer, 2006; Lambing & Kuehl, 2007).

Venture capital industry has evolved over a number of years. The focus of the industry is on early stage funding opportunities. "Venture capital can best be characterised as a long-

term investment discipline, usually occurring over a five-year period, that is found in the creation of early-stages of companies, the expansion and revitalisation of existing business, and the financing of leveraged buyouts of existing divisions of major corporations or privately owned businesses” (Hisrich, Peters & Shepherd 2008, p 377). Venture capital is a form of private equity. Private equity is a third party fund invested into a business. The third parties, more often, are venture capitalist or business angels. Venture capital is a means of financing a business where a portion of the firm’s share capital or equity is sold in return for a major financial investment in the venture. This means some measure of control over the business is lost to the new shareholder, but the amount of finance gained can be enormous. Most venture capitalist will only invest in established businesses. Similar to venture capital is business angels. These are private investors who look for opportunity to put money into new or growing businesses with the aim of getting good returns (A & C Black, 2009, Smolarki & Kut, 2009). It has been proven that the presence of venture capital financing has a positive correlation with the growth of SMEs. Davila et al. (2003) specifically wanted to find out if venture capital leads to growth of a firm or whether growth signals the need for venture capital. They suggested that lack of financing stifled many a business that started, which suggests that financing plays an important role in promoting growth in business, particularly SMEs. This has important implications for the current study. For example, since its inception in 2004 by the government of Ghana, the Venture Capital Trust Fund (VCTF) has assisted some SMEs with equity finance. However, the VCTF has not been a major source of funding for SMEs in Ghana. There is inadequate awareness of its activities among owner managers and other challenges such as inadequate funding have made it difficult for the Trust to live up to expectation ([www.venturecapitalghana.com.gh](http://www.venturecapitalghana.com.gh)).

It has been established that SMEs sometimes find it difficult to secure finance from venture capitalist and/or business angels. This difficulty arises out of the fact that these financiers find it difficult to get accurate and reliable information about SMEs for effective risk and return assessment (Berger & Udell, 1998). This situation often results in the adoption of ‘bootstrap’ financing strategies by SMEs and/or entrepreneurs that minimize the need for long term external financing (Freear, Sohl & Wetzel 1995). This also allows for securing resources at relatively low cost (Winborg & Landstrom, 2000). Trade credit is one of the most important sources of bootstrap financing for small businesses (Petersen & Rajan, 1997; Winborg & Landstrom, 2009). Trade credit is an agreement between the firm and the supplier where the firm is allowed to delay payment to the supplier. Elliehausen and Wolken (1993) explore trade credit to small firms and indicate that the provision of forms of trade credit to small businesses by suppliers has been in existence since the Middle Ages.

They further posit that because trade credit represent a large portion of the liability for small firms compared to large firms, this source of funding is very crucial for small firms. Other studies (Aaronson et al., 2004; Ebben & Johnson, 2006) emphasize the widespread use of trade credit among small firms in the developing world. As indicated earlier, small firms use trade credit because other sources of credit such as bank loans are limited or comparatively expensive. It has been argued that small firms which do not get their finance needs met by the bank tend to rely on trade credit. The reliance on trade credit by small businesses is determined by the level of risk of default on the part of the small business. Small firms with lower risk of default rely on credit from financial institutions such as the banks; whereas those with higher default risk ascribe more to trade credit (Petersen & Rajan, 1997; Aaronson et al., 2004; Ebben & Johnson, 2006; Smith, 1987).

### **3.6 INTERNATIONAL ORGANISATIONS AND ENTREPRENEURSHIP DEVELOPMENT**

Developing countries have relied on international organisations for the development of their economies. In the area of entrepreneurship development, developing countries to a very large extent depend on international organisations whose activities are geared towards entrepreneurship development for the alleviation of poverty. Some of the international organisations which have partnered the government of Ghana for economic development programme for the building of entrepreneurship capacity are Japan International Co-operation Agency (JICA), United Nations Development Programme (UNDP), and United Nations Industrial Development Organisation (UNIDO) ([www.ModernGhana.com](http://www.ModernGhana.com), [www.undp-gha.org](http://www.undp-gha.org), [www.mofep.gov.gh](http://www.mofep.gov.gh), [www.allafrica.com](http://www.allafrica.com), [www.ghanaweb.com](http://www.ghanaweb.com)).

These international organisations embark on a lot of activities that are geared towards the building of entrepreneurship capacity in Ghana. One of such programmes was organised by UNDP under the theme “Capacity building for medium, small and micro-enterprises”. The overarching objective of the project was to increase the productivity of small businesses to enhance their opportunity for growth and expansion and their capacity for absorbing more labour leading to poverty alleviation ([www.undp-gha.org](http://www.undp-gha.org)). According to the organisers, such programmes have been successful because of the collaboration between the international organisations and the government of Ghana.

As part of the capacity building programmes, the international organisations provide financial assistance to entrepreneurs or small business owners since their access to credit is limited. To this end JICA and UNDP set up a project with a seed money of US\$245,927.00 to assist entrepreneurs, particularly women in the Northern Region of Ghana; which is

considered one of the poorest (Ghana News Agency, 2007; [www.undp-gha.org](http://www.undp-gha.org)). In addition, the organisations provide training programmes in many areas to both current and potential entrepreneurs. JICA for example sponsored eight young Ghanaians for a training programme in Japan on the promotion of small and medium enterprises. The aim of the programme was to provide the young entrepreneurs with the opportunity to develop their specialities through experience and learning technologies and skills in Japan ([www.allafrica.com](http://www.allafrica.com)).

Despite the efforts of governments, higher educational institutions, financial organisations and international organisations to come out with the right policies and create the enabling environment for entrepreneurship development, which ascribes to the regulative pillar, it must be emphasised that success also depends on entrepreneurs' attitude, actions, knowledge and skills, which also ascribes to the cognitive pillar. For example, where the knowledge and skills of entrepreneurs are on the lower side as we have in developing countries such as Ghana (Kayanula & Quartey, 2000) there is the likelihood that efforts of the enterprise support institutions at encouraging entrepreneurship will be a mirage. Thus, there seems to be a conflict between the regulative and the cognitive pillar in the context of developing countries. In other words, with reference to institutional theory, the cognitive pillar seems to undermine the regulative pillar.

### **3.7 OVERVIEW OF THE NORMATIVE PILLAR: ENTREPRENEURSHIP AND ENTERPRISE AS KEY CONSTRUCTS**

This section of the literature focuses attention on the normative pillar of institutional theory. In other words, the normative pillar of institutional theory serves as guide for the review of this section of the literature. The normative pillar represents models of organisational and individual behaviour based on obligatory dimensions of social, professional, and organisational interaction. By defining what is appropriate and/or expected in various social and commercial situations, institutions guide behaviour (Burton, Ahlstrom & Li, 2010). Normative systems are typically comprised of values and norms that further establish consciously followed ground rules which people must conform to. It is also often called culture. Normative systems define goals or objectives and also designate the appropriate ways to pursue them (Scott, 2007). Thus, normative institutions exert strong influence because of social obligation to comply, rooted in social necessity or what organisations and individuals should be doing (March & Olsen, 1989). Baumol et al. (2009) argue that some societies have norms that are geared toward the facilitation and financing

of entrepreneurship while some other societies do not encourage by making it difficult, often unwittingly.

This section thus explores the constructed meaning of entrepreneurship and small business with a focus on its situated nature. It presents the attributes of entrepreneurs, the benefits and challenges of entrepreneurship and the role of entrepreneurship and small business in economic development.

### **3.7.1 Conceptualization of entrepreneurship**

Entrepreneurship has been characterised as being an intriguing or interesting but equally elusive or indefinable concept (Baumol, 1993). Thus, there are as many definitions of the term entrepreneurship as there are authors. Unlike other management disciplines such as Economics where there is generally accepted definition, a careful examination of the entrepreneurship literature discloses that there is no such definite definition for entrepreneurship (Shane & Venkataraman, 2000). The existing definitions have identified entrepreneurship with the varied functions of uncertainty-bearing, coordination of productive resources, introduction of innovation, and still others with the provision of capital. The prevalent opinion is that theoretical and empirical underpinnings of the discipline are either partial or too vague and this has resulted in confusion in the way people use the term entrepreneurship (Ahmad & Seymour, 2008). Shane and Venkataraman (2000, p. 217) observed that “entrepreneurship has become a broad label under which a hodgepodge of research is housed”. Davidsson (2003) also admits the fact that there exists confusion, signs of identity crisis and widespread confusion and frustration in the field of entrepreneurship.

Some reasons have been offered for the difficulty in defining entrepreneurship. First, it has been observed that the difficulty in pinning down the precise meaning of the concept is partly due to the sheer weight of the very fundamental function it is held for. Another reason offered for the elusiveness of entrepreneurship is the interdisciplinarity of the concept; involving scholars from the fields of economics, business strategy, organisational behaviour, sociology and psychology (Peneder, 2009, Fried, 2003; Bruyat & Julien, 2001). In recent decade however, entrepreneurship has emerged as an independent field of study, being multidisciplinary but mostly associated with the management focus of schools of management (Peneder, 2009).

Despite the lack of a generally acceptable definition of entrepreneurship, there is a need to find a suitable definition in order to guide the current study by examining or exploring some of the various definitions by different authors and researchers. This agrees with

Gartner (2001) who argues that there is the need to review assumptions about entrepreneurship, in order to develop the fundamental aspects and propose a definite definition of the concept. This idea is also supported by Casson (1988) who posits that entrepreneurship is very important; however, entrepreneurship will only become useful only when it is properly and carefully defined (Casson, 1988).

The prevailing perspective to defining entrepreneurship is about creation of new businesses. Shane (2003) for example defines entrepreneurship as the act of being an entrepreneur, which is a French word meaning one who undertakes an endeavour. Entrepreneurs transform innovations into economic goods. They do this by assembling resources such as finance and business acumen and/or insight. This may result in the creation of an entirely new businesses or organisations or may be part of revitalizing and/or rejuvenating existing and mature organizations in response to a perceived opportunity. Although entrepreneurs may bring changes to an existing business and/or organisation, entrepreneurship invariably has been associated with the starting of new businesses.

In defining entrepreneurship many scholars have focused on behavioural aspects; Shapero (1975, p.187) observes that “in entrepreneurship, there is agreement that we are talking of a kind of behaviour that includes: initiative taking, the organizing or reorganizing of social economic mechanisms to turn resources and situations to practical account, and the acceptance of risk of failure”. This definition has the main themes of initiative and risk taking. The risk taking propensity is often emphasised in the entrepreneurship literature. For example Ronstadt (1984) describes entrepreneurship as the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment of providing value for some products or services. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources. Moving on from the behavioural dimension to procedural aspect Hisrich, Peters and Shepherd (2008, p. 8) define entrepreneurship as “the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risk, and receiving the resulting rewards of monetary and personal satisfaction and independence”. The concept of risk taking is a more comprehensive one in their view as it includes not only financial risk but also the psychic and social risks. Lambing and Kuehl (2007) define entrepreneurship by making reference to what makes entrepreneurship. They define entrepreneurship as involving an opportunity, an individual, an organisational context, risk and resources. The examination

of these definitions points out that entrepreneurship mainly deals with the taking of risk and the creation of a new venture.

There are also definitions that emphasize taking of responsibility and decision making. Herbert and Link (1989) argue that anyone who specialises in taking responsibility for and making strategic or judgemental decisions that affect the location, form, and the use of resources and/or institutions is engaged in entrepreneurship.

There are attempts by some authors to come out with an “all inclusive” definition of entrepreneurship. These definitions seem to combine the different themes discussed earlier. Thus, it is difficult to place them under a particular theme. For example, in defining entrepreneurship, Wennekers and Thurik (1999) identifies, the willingness and ability of individuals to perceive and create new economic opportunities (new products, new production methods, new organisational schemes and new product-market combinations), and the introduction of their innovative ideas in the market. The individuals do these on their own or in teams, within and outside existing organisations in the face of uncertainty and other obstacles. Besides, they make decision on location, form and the use of resources and institutions.

The exploration of these definitions is very important. As argued earlier, it guides the current research in that it will have a focus by ascribing to a particular definition of entrepreneurship or a combination of them. One other merit of these definitions is that they provide an impressive synthesis of the different ideas that have appeared in the literature. They simultaneously subsumes aspects of differential ability, intentionality, independent and corporate entrepreneurship, the discovery or creation of opportunities, enumerates the Schumpeterian typology of innovations, and emphasises uncertainty as well as decision making. The definitions, however, are subject to criticism. This stems from the fact that the comprehensive definition of the concept still adds to the vagueness of the concept and does not provide policy makers the common platform for decision on entrepreneurship capacity building.

Based on the discussion above, the current study adopts the definition of Shane (2003) in which he links entrepreneurship to the creation of new ventures. Thus the definition of entrepreneurship adopted in this study focuses on the process of assembling requisite resources for the ultimate purpose of creating new ventures or businesses. The adoption of this definition does not exclude other characteristics of the process such as risk taking, taking of responsibility and decision making. All these activities take place during the process of assembling resources and running the new venture. The adoption of this

definition is situated in the Ghanaian context. In Ghana, entrepreneurship is synonymous with the creation of new ventures by harnessing resources and successfully running the venture. Thus, only those who have been successful in creating new ventures, particularly small businesses are referred to as entrepreneurs in Ghana. It is not uncommon to read that policy makers and/or government officials refer to business owners, particularly small business owners as entrepreneurs. Capacity building for entrepreneurship as manifested in the activities of the enterprise support organisations in Ghana is geared towards small businesses or small business owners (Boachie-Mensah & Marfo Yiadom, 2007).

Despite the important role of the entrepreneur in economic growth and development; very little is known about this figure. Particularly, the differences, if any, between entrepreneurs and managers in large organizations are yet to be sorted out (Lynskey, 2002; Stewart et al., 1999). Just as entrepreneurship has become an elusive concept even so the term entrepreneur has become elusive (Baumol, 1993). Wickham (2004) is of the view that, it is very challenging to come out with a specific and unambiguous definition of the term “entrepreneur”. He believes that the challenge has come as a result of the fact that there are so many definitions of the term entrepreneur. In addition, the various definitions given by different authors do not seem to agree on the essential characteristics of the entrepreneur.

Currently, there have been many interpretations as to who an entrepreneur is. Different authors have different views on the concept. Bolton and Thompson (2004, P 16) define entrepreneur as “a person who habitually creates and innovates to build something of recognised value around perceived opportunities”. Ronstadt (1985) believes an entrepreneur to be an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement these ideas, and realizes the rewards from these efforts. Stewart (2004) quotes Kirzner (1973) as defining a pure entrepreneur as one who makes decisions and whose entire role arises out of alertness to hitherto unnoticed opportunities. These definitions focus on innovation, creativity and opportunity identification. Thus entrepreneurs are those who are creative, innovative and identify and exploit opportunities that come their way in their environment. The lack of innovative and creative ideas and the exploitation of the right opportunities in the developing world are partly the cause of the economic woes.

Related to the definition is the one offered by Mohanty (2009). His definition recognises opportunity identification and further takes into consideration the creation of new ventures. According to him, the entrepreneur is a person who perceives business opportunity and



converts it into a viable business plan culminating into a business venture ultimately. The entrepreneur, however, does not only create a new venture but also contributes to the objectives of job creation, output growth, technological advancement and the like. New business creation and opportunity identification feature prominently in the definition of Scarborough and Zimmerer (2006). They see an entrepreneur as one who creates a new business in the face of uncertainty with the ultimate aim of receiving profit and growth by the identification of opportunities and the assembling of the necessary resources to capitalise on those opportunities. This definition brings to the fore the importance of profits to entrepreneurs. Entrepreneurs put in their efforts at creating new things which must be recognised and rewarded. With the emergence of democracy in Ghana and its resultant free economic system, it is anticipated that entrepreneurs will be encouraged to put in more effort at identifying opportunities and assembling the necessary resources for the creation of new ventures for the growth and development of the economy of Ghana.

The entrepreneur is also seen in the light of bringing about economic change. They undertake activities that bring significant changes to the economy in which they operate. Thus, Wickham (2004) considers the entrepreneur as a manager who undertakes certain activities; an agent of economic change since they have effect on economic system and as an individual in terms of their psychology, personality and personal characteristics. The challenge with this definition is the assumption of the entrepreneur as a manager. This deepens the confusion which exists in the literature as who really is an entrepreneur and whether entrepreneurs are managers or not. Lynskey (2002) also links entrepreneurs to economic advancement. He describes the entrepreneur as involved with the introduction of innovation, establishment of dynamic new companies, acceleration of the growth of firms and is the catalyst for economic progress. The creation of enabling environment for the building of entrepreneurship capacity by all stakeholders, therefore, is very vital for the growth of businesses and the economy of developing world and Ghana for that matter. The current study, thus, seeks to identify these key players and their respective contributions to the biding of entrepreneurship capacity for growth and development.

There is also economic and leadership dimension to the definition of an entrepreneur. French economist by name Richard Cantillon; defines an entrepreneur as an agent who buys means of production at certain prices in order to combine them into a new product (Schumpeter, 1951). The combination of resources is captured in the definition of (Lambing & Kuehl, 2007, p 16): ‘An entrepreneur is a person who tries out new combination of products, processes, markets, organisational forms, and supplies’ J. B. Say added to these definitions by introducing a leadership dimension. He was of the view that

entrepreneurs were to be leaders. He therefore emphasised that an entrepreneur is one who brings other people together in order to build a single productive organism (Schumpeter, 1951). Leadership is needed for effective combination of the factors of production. The reason entrepreneurship has suffered in the developing world is partly due to weak leadership. More often new opportunities are created which results in the creation of new venture and or new products. However, most of these new ideas do not last long because of weak leadership.

Related to the above is the concept of risk. Risk is an important dimension of entrepreneurship. Entrepreneurs are calculated risk takers (Deakins & Freel, 2009). What it does mean is that entrepreneurs are risk takers; however, they weigh their options before making a decision. In other words, entrepreneurs do not just take any risk at all. They do take risks that are potentially beneficial. Both managers and entrepreneurs do take risk but the propensity differs. In comparing managers and entrepreneurs with regards to risk propensity, Stewart and Roth (2001) argue that entrepreneurs are prepared to take high level of risk for the same level of return than managers. Different types of risks are available to the entrepreneur. These are financial, social, legal, ethical, moral and reputational risks. All these risks are considered by entrepreneurs when creating new ventures or rejuvenating existing ones. The most recognised among them is financial risk. However, there is the need to mention that the type of risk that will be more recognised by the entrepreneur depends to a very large extent on the type of entrepreneurship orientation. Whereas political entrepreneurs consider image and reputational risk, a social entrepreneur, may consider social, ethical and moral risks to be more important.

In the light of the discussion of the various definitions above and with reference to the earlier discussion of entrepreneurship and small business; the current research considers an entrepreneur as a person who assembles requisite resources for the ultimate purpose of creating new ventures or businesses (Shane, 2003). Even though the entrepreneurship literature tries to distinguish between entrepreneurship or entrepreneurs and small business or small business owners (Wickham 2004; Carland 1984); in practice it is not so in the Ghanaian context. The adoption of this definition, therefore, is in line with the fact that in Ghana there is a thin line of demarcation between entrepreneurship and small businesses and entrepreneurs and small business owners for that matter (Boachie-Mensah & Marfo-Yiadom 2007). In this study therefore, entrepreneurs and small business owners are used interchangeably.

### **3.8 ADVANTAGES AND DISADVANTAGES OF ENTREPRENEURSHIP**

The entrepreneur must be aware of the many advantages and disadvantages that are available (Lambing & Kuehl, 2007). Three main advantages of entrepreneurship are autonomy, feeling of achievement and financial control. The need for independence and the freedom to make decisions without any interference is important for entrepreneurship development. The feeling of being your own boss is very satisfying and a catalyst for entrepreneurship. It is exhilarating to start up something and see it working. “The opportunity to develop a concept into a profitable business provides a significant feeling of achievement, and the entrepreneur knows that he or she is solely responsible for success of the idea”. Being your own boss is important to having financial control. Though entrepreneurs have financial independence, they are not necessarily wealthy; neither are they seeking wealth (Lambing & Kuehl 2007, p 23).

Scarborough and Zimmerer (2006) discuss the benefits of entrepreneurship. They identify six benefits as follows: entrepreneurs have the opportunity to have control over their own destinies; they have the opportunity to make a difference; they have opportunity to reach their full potential; they have opportunity to reap impressive profits; they have opportunity to contribute to society and be recognised for their efforts and opportunity to enjoy what they like doing.

The discussion of the advantages of entrepreneurship is important to the entrepreneurship capacity building in Ghana. The key players such as the government needs to create the enabling environment for entrepreneurs to be able to reap the full benefits of their investments. This will serve as a catalyst for the boosting of entrepreneurial motivations among entrepreneurs; particularly the youth who are the future of the country. Where there is limited opportunity for the reaping of entrepreneurial benefits, entrepreneurial talents and capabilities will be made redundant to the disadvantage of the national economy (Kayanula & Quartey, 2000).

Self-employment is not an easy task all. In other words, being an entrepreneur is not without challenges. One of the most difficult careers is that of being in self-employment. Personal sacrifices, burden of responsibility and little margin for error are the main disadvantages of entrepreneurship (Lambing & Kuehl, 2007).

Writing on the potential drawbacks of entrepreneurs, Scarborough and Zimmerer (2006) indicate that anyone entering the field of entrepreneurship should be mindful of the potential drawbacks. In other words, potential entrepreneurs should be wary of the dangers

involved in becoming an entrepreneur. Uncertainty of income is one drawback. Owning and running a business is no guarantee of earning enough income for survival. There is also the risk of losing one's entire invested capital in entrepreneurship. Thirty-four per cent (34%) of new businesses fail within two years and 50% shut down within four years. Failing in business can be traumatic. Long hours and hard work is another challenge of entrepreneurs. New businesses need their owners to keep nightmarish schedules in order to keep it going. This is a daunting task and takes a big toll on entrepreneurs. Related to the latter point is the problem of having a low quality of social life at the initial stages of their ventures. Stress, complete responsibility and discouragement are the other problems that entrepreneurs may have to grapple with (Lambing & Kuehl 2007, Kayanula & Quartey, 2000; Scarborough & Zimmerer (2006).

There is the need for effective management of the challenges of entrepreneurs. This calls for proper collaboration between enterprise support organisations and entrepreneurs. This collaboration will make it possible for entrepreneurs to make known their challenges so that the enterprise support organisations can assist them in overcoming some of these challenges. This is important because many entrepreneurs in Ghana have abandoned their ventures because of the daunting challenges they faced (Graphic Business, 2011; [www.ghanabusiness.com](http://www.ghanabusiness.com)).

### **3.9. CHARACTERISTICS OF SMALL BUSINESSES**

This section discusses attributes of small businesses in general, and presents understandings about small businesses in the Ghanaian context. Stokes and Wilson (2006, p 4) describe small businesses by looking at the small business sector. "We use the term small business sector and small business management to describe a certain group of enterprises and how they are run". The implication is that small businesses have certain characteristics and management issues that distinguish them from other organisations. They further discuss the distinguishing feature of small businesses by developing quantitative and non-quantitative definitions. The quantitative definition borders on numerical parameters. Their discussion is captured by The European Commission's definitions of small businesses. The Commission in defining small businesses distinguishes among micro, small and medium-sized enterprises based on the number of employees, turnover and/or balance sheet value. Micro enterprises have zero to nine employees and a turnover of Two Million Euros. Small business has ten to ninety-nine employees and a turnover of Ten Million Euros. Medium-sized enterprises on the other hand have one

hundred to four hundred and ninety-nine employees and a turnover of Fifty Million Euros ([www.europa.eu.int](http://www.europa.eu.int)).

The quantitative definitions are important because of the ease with which they help policy formulation in the small business sector. They are also ways of reducing subjectivity. In other words, they are easy and objective in their application. However, such definitions have their own limitations. First, are the issues of differences in sectors. That is, the number of people employed in a particular venture depends on the sectors in which it finds itself. Another problem presented by the definition is that some sectors have high turnovers but have low margins. Comparing such ventures with those with similar turnovers but high margins presents a problem (Boachie-Mensah & Marfo-Yiadom, 2007; Stokes & Wilson, 2006).

As stated earlier, the quantitative definitions present us with a lot of difficulties. To overcome these difficulties, non-quantitative definitions have been proposed that purports to bring out the distinguishing characteristics of a small business. The Committee of Enquiry on Small Firms set up by the UK government under the chairmanship of J.E Bolton came out with a report in 1971 which is popularly known as the Bolton report. This report came out with non-quantitative definition of small businesses. The report came out with the following characteristics:

- A small firm is managed by its owner(s) in a personalised way.
- It has a relatively small share of the market in economic terms.
- It is independent in the sense that it does not form part of a larger enterprise and its ownership is relatively free from outside control in its principal decisions.

However, the report further considered some quantitative measures. Small firms type and the definitions used are: manufacturing-200 employees or less; construction-25 employees or less and road transport-5 vehicles or less. (Boachie-Mensah & Marfo Yiadom, 2007, Stokes & Wilson, 2006). These definitions have some resemblance to those provided by the National Board for Small Scale Industries (NBSSI) in Ghana (Abor & Quartey, 2010; Kayanula & Quartey, 2000,)

The National Board for Small Scale Industries (NBSSI) is the body in Ghana that is charged with the responsibility for promoting small firms. This apex body was established by an Act of Parliament-Act 434 of 1981. The definition of small businesses in Ghana is given by the NBSSI. It considers small businesses as those which have 29 or less

employees with capital investment requirements not exceeding the cedi equivalent of \$100,000.

The board further divides a small business in to two: micro enterprise and small enterprise. Micro enterprises are those that employ up to five (5) people or have fixed assets excluding land and buildings not exceeding \$10,000. Small enterprises on the other hand are those employing between 6-29 people or having fixed assets excluding land and buildings not exceeding \$100,000 (Boachie-Mensah & Marfo-Yiadom 2007). This current study adopts the small business definition by NBSSI. Thus the use of the term “small business” denotes both micro and small enterprises in the current research.

The next section discusses the distinguishing characteristics of entrepreneurship and small businesses and its implication for the current study.

### **3.9.1 Competitive advantages of small businesses**

Related to the above discussion is the issue of competitive advantage of small business over large businesses. In a developing economy such as Ghana, effective building of entrepreneurship capacity and small business management has the potential of helping to achieve economic goals. Small- and medium-sized enterprises potentially constitute the most dynamic firms in an emerging economy or developing countries. They are the ones most likely to move into areas of competitive advantage and high value added (Pissarides, 1999). Competitive advantage is an edge small businesses have over their large counterparts gained by offering greater value to consumers through lower prices or by providing more benefits that justify higher prices (Kotler et al, 2002). Competitive advantage is also defined as “the achievement of superior performance through differentiation to provide superior customer value, or by managing to achieve lowest delivered cost” (Jobber, 2007, p 53). Organisations develop strategic plans with the view to creating competitive advantage. Competitive advantage, with regards to small business, is the conglomeration of all the factors that set the small business apart from its competitors that gives it a unique position in the marketplace (Scarborough & Zimmerer, 2006).

Small businesses have important advantages that give them the opportunity to succeed. In other words, small businesses have special characteristics that allow them to compete successfully. The first advantage is responsiveness to market. Small businesses are responsive to their market because of their close relationship with customers. This close relationship allows them to understand the needs and wants of customers. Another important characteristic that distinguishes successful small businesses from large

companies is their ability to innovate. The independence that entrepreneurial or successful companies enjoy allows them to move quickly to exploit opportunities. Flexibility of small businesses enables them to meet the changing needs of customers with ease. This is because they are dynamic and therefore respond positively to the dynamic environment in which they operate (Pissarides, 1999).

The issue of innovation is worthy of discussion as far as the competitive advantage of small businesses is concerned. Acs and Audretsch (1990), emphasize that small businesses account for a greater amount of innovative activity when in competition with large firms. There are some aspects of small firms that make them more innovative than large firms; they are more flexible than large firms. This flexibility gives them the opportunity to be innovative (Vossen, 1998). Their ability to innovate also stems from the fact that small firms have flatter structures, and better internal communication arrangements than large firms. This gives small firms the opportunity to be relatively more innovative in their response to the changes in the marketing environment or the changes in the needs and wants of consumers. Thus, for a rapid advancement of developing economies, there is the need for a collaborative effort of the government, financial institutions and other stakeholders in ensuring a vibrant small business sector and the development of entrepreneurship (Rogers, 2004).

The contribution of small businesses to developing economies is very vital with regards to their competitive advantage discussed above. However, small businesses can play their roles very well if competitive advantage is sustainable. A sustainable competitive advantage results in a sustainable economic development. More often, however, the advantages small businesses enjoy in most developing countries are not sustainable (UNCTAD, 2000). To gain a sustainable competitive advantage, the small business should be able to develop a set of core competencies. Core competencies are unique set of capabilities that a company develops in key areas such as superior quality, customer service, delivery and responsiveness. These are the things the small businesses are doing or do better than their competitors. The size of these organisations enables them to build these competencies. The key to success in small business, therefore, is the building of core competencies and concentrating on them to provide superior value to customers (Scarborough & Zimmerer, 2006; Kotler & Keller, 2009).

In the Ghanaian context and other African countries, studies have shown that small firms are yet to develop a stronger competitive edge. In other words, small firms in Ghana do not have competitive advantage over large ones. Lack of access to human and financial

resources, for example, is one of the militating factors (Frazer, 2005; UNCTAD 2001; Kayanula & Quartey, 2000).

### **3.10. ENTREPRENEURSHIP AND SMALL BUSINESS DISTINGUISHED**

Some writers and/or researchers have attempted to distinguish between entrepreneurship and small business management. Some have argued that both small business management and entrepreneurship are very important to the development of an economy. However, it is useful to draw a distinction between them since small business and entrepreneurship ventures serve different economic functions (Gibb, 1987; Baker & Nelson, 2005).

There are three main essential characteristics that distinguish entrepreneurial venture and small business. These are innovation, potential for growth and strategic objectives (Mohanty, 2009; Scarborough & Zimmerer, 2006; Wickham, 2004; Stewart et al, 1999; Carland et al, 1984). Significant innovation characterise entrepreneurial ventures. This might be technological innovation, for example a new product or a new way of producing it, it might be an innovation in the way something is marketed or distributed; or possibly an innovation in the way the organisation is structured and managed, or the way relationships are maintained between organisations. The small firm on the other hand is characterised by delivering an established product or service. This is not to suggest that the small firm does not deliver any innovation at all. However, there is the likelihood of the output of the small business being produced in an established way. The size of a business is not the best guide as to whether it is entrepreneurial or not. The fact however, still remains that an entrepreneurial venture has more potential for growth than a small business. This is explained by the fact that an entrepreneurial venture is based on significant innovation whereas a small business operates within an established industry and its uniqueness is limited to its locality. The entrepreneurial venture usually goes beyond the small business in setting objectives. The entrepreneurial venture sets strategic objectives relating to such things as growth targets, market development, market share and market position (Wickham, 2004; Stewart et al, 1999).

The small business owner is seen as the one who establishes and manages a business to attain personal objectives. The business is an extension of the owner's needs, goals, and personality, and growth and profit for that matter might not be a motivating factor. The entrepreneur on the other hand uses a deliberate planned approach that applies strategic management concepts and techniques. He/she is also highly innovative, creating new products and markets and applying creative strategies and ways of managing (Carland et al, 1984).



The literature is full of the interchangeable use of the terms entrepreneurship and small business management. In other words, entrepreneurship has been intrinsically linked with the start and ownership of small businesses. Better still; entrepreneurs are more often regarded as the starters and owners of small businesses (Mohanty 2009; Scarborough & Zimmerer, 2006). Thus, distinction between a small business and entrepreneurial venture is not very clear. In other words, there is a thin line of demarcation between a small business and an entrepreneurial venture. This is as a result of the fact that not all entrepreneurial ventures necessarily show an obvious innovation, clear potential for growth and formally articulated strategic objectives. Some small business, however, may show one or more of these characteristics (Wickham, 2004).

The current study is largely subscribed to the school of thought, which links entrepreneurship to the start of new businesses. This is because, as stated earlier, there is no clear distinction between the terms (entrepreneurship and small business) in Ghanaian context. The two terms are used interchangeably by all, particularly policy makers (Boachie-Mensah & Marfo-Yiadom 2007; Business & Financial Times, 2011; Graphic Business, 2011; [www.ghanaweb.com/business](http://www.ghanaweb.com/business)). This leads to the discussion of the role entrepreneurs or owner managers play in economic development.

### **3.11 THE PERCEIVED ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT**

There is an argument in the literature as to whether entrepreneurship is a binding constraint on growth and development in less developed countries. A binding constraint has been defined as circumstances or factors which, as long as they exist, would serve as a hindrance to growth, even if other possible constraints or determinants of growth are addressed.

Some development economists seem not agree with the fact that entrepreneurship has a direct link to growth. This is because they take a broader view of economic development, not equating it to economic growth and productivity. Although important, it has been argued that pursuing growth and productivity may not be enough. Entrepreneurship scholars have themselves pointed out that resource coordination, new business creation, and innovation may not necessarily generate growth (Hessels, Van Gelderen & Thurik, 2008).

Development economists recognise the importance of job creation, risk taking, learning, innovation and experimentation and competition (Sun, 2003). They have not ignored the

immense contribution of entrepreneurship or entrepreneurs. There is the recognition that there are large numbers of entrepreneurs in developing countries who are contributing to economic development in the informal sector (Bennett, 2010). Some consider such informal entrepreneurs as necessary for growth in developing countries (Maloney, 2004). These entrepreneurs contribute to the alleviation of poverty in developing countries (Berner, Gomez & Knorrinda, 2008; Tamvada, 2010; Minniti & Naude, 2010). While such informal entrepreneurs may pose no constraint on development, generally they are not considered as drivers of economic growth (Beck, Demirgüç-Kunt & Levine, 2003). Instead many development economists are of the view that such informal entrepreneurs are symptoms of other constraints in the economy (De Paula & Scheinkman, 2007; Ihrig & Moe, 2004). It therefore, stands to argue that, the relative absence of the entrepreneur in development economics thinking is not what matters most for development, particularly not in the poorest countries. There are other more binding constraints (Naude, 2010).

Notwithstanding the arguments of some of the development economists, many other scholars, particularly those in the field of economics claim that there is a positive correlation between entrepreneurship and economic development. In other words, these scholars believe that entrepreneurship is an invaluable determinant of growth and development (Audretsch, Keilbach & Lehmann, 2006; Baumol, Litan & Schramm, 2007; Powell, 2008). The fact is that entrepreneurs have low market influence individually; however, collectively they have the potential to contribute to national wealth and economic growth (Dickson, Coles & Lawton, 1997).

Entrepreneurship plays a very important role in the development of the economies of both developed and developing countries (Daniels & Meads, 1998; Baumol, 2002; Peng, 2001; Smallbone & Welter, 2001; Thornton, 1999). The economic history of most developed countries of the world - America, Russia and Japan - supports the fact that entrepreneurship has played crucial role in bringing about their development (Vohra, 2006). In recent years both policy makers and researchers have become interested in the importance of small businesses. It has been widely recognized that start-ups and more established small businesses play an important role for economic growth (Winborg & Landstrom, 2001; Davidsson et al. 1996; Storey, 1994). There is the realisation that increasing entrepreneurship both qualitatively and quantitatively in developing countries is a prerequisite for achieving economic development. Entrepreneurship is a critically important dimension for predicting and explaining the economic performance of countries particularly those in the developing world (Valliere & Peterson, 2009; Vohra, 2006). “People in developing societies engage in a wide variety of income-generating activities

collectively referred to as the small business sectors; to earn their living. In many African countries, the combination of rapid population increase, expansion in education, increased urban migration, economic hardship arising from structural adjustment and economic liberalisation policies, and internal socio-political upheavals have either overtaxed or virtually destroyed the formal economy compelling the proliferation of small business activities” (Sam, 2007, p. 1024).

One area in which entrepreneurship contributes to economic development is employment. It has been generally recognized that small businesses play an important role for economic growth and job creation in society (Davidsson et al. 1996; Storey, 1994). For example, during the 1990s more than 80% of the new jobs created in the USA were from small businesses. By 2000 almost half of the general workforce was in the small business sectors (Hochberg, 2002). The level of employment in a nation is one of the determinants of the level of economic development. Most emerging markets have lower levels of employment. Entrepreneurship contributes to the development of national economies through job creation or employment. Daniels (1999) gives some examples from Kenya in East Africa. He shows that a third of the working population in Kenya are employed in micro and small businesses. This sector, contributes to the national income of the East African country by 13 per cent. In Ghana, 92 per cent of companies registered are micro, small and medium enterprises and they provide 85 per cent of manufacturing employment. In addition, SMEs contribute immensely to gross national product (GDP) and in 2012 the sector’s contribution was 49 per cent. ([www.modernghana.com](http://www.modernghana.com)). The sector also has a higher rate of growth than many other sectors of the economy. Thus, entrepreneurship and/or small business development is a pre-requisite for promoting employment, fighting poverty and stimulating sustained economic growth (Kayanula & Quartey, 2000, [www.](http://www.)). The building of capacity for entrepreneurship development has the potential of offering employment and/or creating jobs in developing countries both now and the future (Storey, 2000). Entrepreneurship is the catalyst for employment creation, output growth, technological advancement, import substitution, improvement in the quality of production, export promotion and the supply of products at reasonable prices to consumers. There is, therefore, the need for the development of entrepreneurial culture in developing countries not only as a means of job creation but also as a way of infusing entrepreneurial thinking and behaviour into the society that is not fully exposed to it (Mohanty, 2009).

The importance of entrepreneurship to the growth and development of developing countries is that, historically, small businesses have been the main player in domestic economic activities as the sector is a large provider of employment opportunities. These

small and medium enterprises play a critical role not only at the national level, but also they have been important engine for the development of local economies and communities for that matter. The SMEs sector is the main source of employment for the working population in Ghana ([www.ghanaweb.com](http://www.ghanaweb.com)).

Market efficiency is also critical for the development of the economies of developing countries and entrepreneurship is crucial in ensuring an effective and efficient economic system. Wickham (2004) underscores that entrepreneurs have an important positive effect on the economies of the world. They play critical roles in maintaining and developing the economic order. Entrepreneurship has a positive impact on macro level economic growth, innovation and business creation (Wong, Ho & Autio, 2005). Zahra et al. (2000) support this argument by explaining that economic liberalization, promotion of foreign direct investment, the development of new technologies, and decreasing cost of living are the preserve of entrepreneurship. The three primary economic factors - raw materials, labour and capital are the economic factors the entrepreneur combines in the right proportion to create value that satisfies human needs. The most effective economic system is the one in which uninterrupted market forces determine the prices of products. Efficiency in this context denotes the distribution of resources in an optimal way. Competition allows for an economic system to reach this state. Entrepreneurs provide that efficiency by entering markets and offering goods at lower prices (Mohanty, 2009; Wickham 2009; Storey, 2000).

The contribution of entrepreneurship to growth and development, however, differs from country to country. This difference arises from the different economic developmental stages these countries find themselves (Van Stel, Carree & Thurik, 2004). Vohra (2006) corroborates this fact by explaining that the role of entrepreneurship in economic development varies from economy to economy depending on material resources, industrial climates and the responsiveness of political system to entrepreneurial function in the economy. Thus, entrepreneurship matters but, importantly, it matters differently in emerging and developed countries (Valliere & Peterson, 2009).

The countries of the developing world and Ghana for that matter are lagging behind as far as their economic performance is concerned. Macro level economic growth has not been as expected. Ghana for instance has over the years relied on the International Monetary Fund and the World Bank to balance her budget over the years (AfDB/OECD, 2008). The developments of modern technologies are still at their infantile stage and thus, there is over reliance on the developed world for her technological needs. Since entrepreneurship is linked directly to economic development, there is the urgent need for entrepreneurship capacity building for the re-structuring of the activities of entrepreneurs for the betterment

of the larger society. Thus, writing on ‘the role of entrepreneurship in economic development’, Hisrich, Peters and Shepherd (2008, p. 14) disclose that “the role of entrepreneurship in economic development involves more than just increasing per capita output and income; it involves initiating and constituting change in the structure of business and society” The change, they argue, is accompanied by growth and increased output which allows for the creation of more wealth. This calls for the support of the key institutions in Ghana, particularly the government, in regulating the activities of small businesses to ensure sustainable growth and development. With the right attitude of entrepreneurs in defining their goals and designing the appropriate ways to archive them, entrepreneurship will be encouraged in Ghana through the facilitation and financing (Scott, 2007; Burton, Ahlstrom & Li, 2010) leading to the creation of more wealth.

The discussion so far points to the fact that entrepreneurs play a crucial role in the development of countries. This ascribes to the normative pillar, which emphasises among other things the role of small businesses to economic development. The contribution of small businesses to economic development in developing countries, however, has become very difficult because of some policies of government that are not favourable to small businesses (regulative pillar) and the poor attitude of entrepreneurs to skill and knowledge acquisition (cognitive pillar). In developing countries therefore, the pillars of institutional theory tend to undermine or conflict with one another. In this context for instance, the regulative and cognitive pillars undermine the normative pillar.

### **3.12 HISTORICAL DEVELOPMENT OF ENTREPRENEURSHIP IN GHANA**

This section explores the development of entrepreneurship in Ghana since independence. Ghana, a West African nation gained independence in 1957 from British rule. After independence, much was not done to promote the small business sector because the policy at the time did not favour individual ownership of businesses. The policy at the time was geared towards state ownership of businesses; hence there was inadequate support for the small business sector. Domestic entrepreneurship was seen as a threat to the political ideology of the time. This time was also characterised by poor economic performance. ([www.ghananational.com/history](http://www.ghananational.com/history); Steel & Webster, 1991).

The military that seized power from the first civilian administration after independence did a little to revamp the small business sector. There was some form of privatization of the state owned enterprises as a way of encouraging entrepreneurship and small business ownership. However, the process was fraught with problems since it was hurriedly done. Then came the next civilian administration. That administration encouraged the small

business sector through the Aliens Compliance Order which purported to encourage the citizens of Ghana at the time to own small businesses. However, the problem with this policy was that it concentrated too much on Ghanaians to the neglect of other nationals who could help the economy thorough the setting up of small businesses; thus much was not achieved ([www.ghananational.com/history](http://www.ghananational.com/history)).

The small business sector was not fully integrated into the main stream of economic activity before the advent of the Economic Recovery Programme (ERP) (Boachie-Mensah & Marfo-Yiadom, 2007). In 1983 the Government of Ghana launched the Economic Recovery Program (ERP) under the guidance of the World Bank and the International Monetary Fund (IMF). The overriding purpose of the ERP was to reduce Ghana's debts and to improve its trading position in the global economy. The stated objectives of the program focused on restoring economic productivity at minimum cost to the government and included the following policies: lowering inflation through stringent fiscal, monetary, and trade policies; increasing the flow of foreign exchange into Ghana and directing it to priority sectors; restructuring the country's economic institutions; restoring production incentives; rehabilitating infrastructure to enhance conditions for the production and export of goods; and, finally, increasing the availability of essential consumer goods. In short, the government hoped to create an economic climate conducive to the generation of capital ([www.countrystudies.us/ghana](http://www.countrystudies.us/ghana)). Critics of the programme, however, maintained that the ERP failed to bring about a fundamental transformation of the economy. This was because the nation still relied on income earned from cocoa and other agricultural commodities. Critics also contended that many Ghanaians did not benefit from the programme.

There was, therefore, the need to restore the imbalances created by the ERP which in a way affected entrepreneurship and small businesses in Ghana. As a result, the National Board for Small-Scale Industries (NBSSI) was established in 1985 (Act 434) for the purpose of promoting small scale industries. The policies under the NBSSI Act (Act 434) had the aim of correcting the imbalance created by the ERP. There was also the setting up of the Private Sectors Advisory Group. In addition, the government provided equipment leasing and alternative and flexible source of financing of plant and equipment for entrepreneurs who could not afford to buy them. A Mutual Credit Guarantee Scheme was set up with the aim of assisting entrepreneurs who had no collateral and/or limited access to bank credit (Kayanula & Quartey, 2000; Boachie-Mensah & Marfo-Yiadom, 2007).

In view of the financial constraints faced by entrepreneurs, in addition to the measure discussed above; the Government of Ghana introduced the Business Assistance Fund (BAF). It was established with an initial amount of 10 billion cedis. By the end of 1996,

552 firms had benefit from this government of Ghana credit line with a total of ₵8.56 billion being disbursed at the end of the period, thus leaving ₵1.44 billion to be disbursed in 1997. However, at the beginning of 1997, the Fund had already been over-subscribed and the government decided to replace the BAF with the Export Development and Investment Fund (EDIF). The target of the latter was the textile, wood and wood processing, food and food processing, and packaging sectors (Boachie-Mensah & Marfo-Yiadom, 2007). These sectors were chosen because of their immense contribution to the development of the country. For example, timber or wood export has been a major foreign exchange earner for the country since independence.

Currently, there are a number of interventions by the government of Ghana as a way of creating a conducive atmosphere for the revamping of entrepreneurship and the small business sector. For example, the government of Ghana through an Act of Parliament, Act 680 in December 2004 established the Venture Capital Trust Fund to offer low cost, long term financing to small and medium scale enterprises (SMEs) which constitute about 90% of all registered companies in Ghana. This was in line with the declaration of the current period as the 'Golden Age of Business' and with the private sector as the engine of growth. This became operational in December the following year with an endowment fund of \$25 million.

The objective of the Trust is not only to provide financial resources to SMEs and local entrepreneurs but also to initiate relevant activities for the development and promotion of the venture capital industry in Ghana. As of December 2007, the Trust had established venture capital finance partnership with four finance companies. The finance companies comprise Activity Venture Finance Company, Fidelity Equity Fund II, Bedrock Venture Capital Finance and Gold Venture Capital Limited. Entrepreneurs who wish to build financial capacity and wish to access the funds are required to apply through the finance companies which act as intermediaries between the Venture Capital Trust Fund and entrepreneurs (Business and Financial Times 2009; <http://www.venturecapital.com/gh>).

Recently, the Government of Ghana through the Office of the President set up Micro Finance and Small Loans Centre (MASLOC). The purpose of MASLOC as the name implies is to assist small-scale entrepreneurs with micro credit. However, the management of MASLOC are facing a lot of challenges with regards to repayment of loans by beneficiaries. To this end, the management has sought the assistance of agencies such as Ghana's Serious Fraud Office (SFO) to help in the recovery of over GH₵80 million owed it by defaulting beneficiaries. In addition, MASLOC is battling with the recovery of GH₵800,000.00 of various loans which the officials of the centre have allocated to

themselves. Available records show that the staff granted themselves loans between GH¢2,500.00 and GH¢70,000.00 for repayment to be made over four years. However, this contravenes the loan repayment convention of the centre (Graphic Business, 2010).

### **3.13 CHARACTERISTICS OF ENTREPRENEURSHIP AND SMALL BUSINESSES IN GHANA**

There are some characteristics or features that distinguish small businesses in Ghana and other developing countries from larger firms. Entrepreneurs in Ghana have limited access to international and local capital markets unlike the larger firms that have direct access. This limitation is as a result of the higher intermediation costs of smaller projects. Additionally, small businesses are faced with the same fixed costs as larger ones in complying with regulations but have less capacity to market their products in the international market (Kayanula & Quartey, 2000).

Small businesses in Ghana are divided or categorised into urban and rural enterprises. The urban categorisation is further divided into ‘organised’ and ‘unorganised’ enterprises. The organised ones more often employ permanent paid employees with registered offices. These organised small businesses have their businesses registered with the Registrar of Companies in Ghana. The unorganised small businesses category is mainly made up of artisans who work in open spaces, temporary structures, or at home. Most of them have no salaried workers and more often employ temporary and/or few immediate family members.

Rural enterprises are made up of mainly family groups, individual artisans and women engaged in the production of food from local crops and are popularly known as “chop bars”. This sub- sector is characterised by activities such as soap making, fabrics (locally known as tie and dye), clothing and tailoring, textile and leather, blacksmithing, ceramics, timber and mining (known in local parlance as “galamsey”), beverages, bakery, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (Osei et al, 1993; World Bank, 1992; Gray, Cooley & Lutabingwa, 1997).

Another important distinguishing feature is the efficient use of resources. Research has confirmed that small businesses in Ghana make efficient and better use of resources than their larger counterparts. There is evidence to show that small businesses in Ghana and other developing countries, particularly those in West Africa, have higher capital productivity. This is as a result of the fact that small businesses in Ghana are labour intensive and they have small amounts of capital invested. It has, therefore, been recommended that, the promotion of the small business sector in developing countries will



go a long way to accelerate the rate of growth in these countries. This is because the sector has the potential of absorbing more labour and helping in the equitable distributions of income (Steel & Webster, 1991).

### **3.14 GHANA NATIONAL ECONOMY**

The economy of Ghana has a diverse and rich resource base. As a result Ghana is counted among the countries in Africa with the highest GDP per capita. Despite the rich resource base of the country, the country still heavily depends on international financial and technical assistance. The major sources of foreign exchange of the country since independence have been gold, timber, bauxite, manganese and cocoa. Currently, however, Ghana is an oil exporting country after discovering an oil field which is reported to contain up to 3 billion barrels of light oil ([www.ghanaweb.com](http://www.ghanaweb.com); [www.modernghana.com](http://www.modernghana.com); [www.enotes.com](http://www.enotes.com)).

The domestic economy is heavily dependent on subsistence agriculture. In other words subsistence agriculture has been the mainstay of the economy of Ghana. Agriculture accounts for about 35% of GDP and employs 55% of the Ghanaian work force. Public sectors wage increases and regional peace keeping commitments have resulted in continued inflation, deficit financing and the depreciation of the Cedi (Ghanaian currency). This has affected the growth of the economy and therefore, Ghana's per capita income has barely been doubled over the past 45 years. However, Ghana continues to be one of the more economically sound countries in Africa, particularly, Sub-Saharan Africa. The major indicators of the Ghanaian economy are summarised in table below ([www.ghanaweb.com](http://www.ghanaweb.com); [www.modernghana.com](http://www.modernghana.com); [www.enotes.com](http://www.enotes.com) ).

**Table 3.1: The major indicators of the Ghanaian Economy (Domestic and External)**

THE ECONOMY OF GHANA	
Currency	Cedi (GH¢)
GDP current	\$44, 154 million (2013 est.)
GDP growth	7.4 % (2013 est.)
GDP per capita	\$1,668 (2013 est.)
GDP by sector	Agriculture: 21.3%; Industry 28.1%; Services: 50.6% (2013 est.)
Inflation (CPI)	11.50% (August, 2013)
Population below poverty line	3% (2013 est.)
Gini index	39.4 (2005-06)
Labour force	11.79 million (2012 est.)
Labour force by occupation	Services: 28%; Industry: 20%; Agriculture: 52% (2011 est.)
Unemployment	11% (2000 est.)
Main industries	Mining, lumbering, light manufacturing, aluminium smelting, food processing, cement, small commercial ship building
Ease of Doing Business Rank	67 <sup>th</sup>

Source: www.enotes.com, (2012); Ghana statistical service (2013).

EXTERNAL	
Exports	\$13.13 billion (2011 est.)
Export goods	Gold, cocoa, timber, tuna, bauxite, aluminium, manganese ore, diamonds, horticulture
Main export partners	China 7.2%, UAE 7.8%, Germany 4.2%, Switzerland 4.1%, Japan 2.9%, Turkey 2.5% (2012 est.)
Imports	\$14.03 billion (2010 est.)
Import goods	Capital equipment, petroleum, foodstuffs
Main import partners	China 25.8%, Singapore 4.5% India 4.5% (2012 est.)
Gross external debt	\$11.23 billion (31 December 2012 est.)

Source: www.enotes.com, (2012); Ghana statistical service (2013).

### 3.15 THE CHALLENGES OF ENTREPRENEURS IN DEVELOPING COUNTRIES

The SME sector where most African entrepreneurs find themselves is touted to be the driving force in economic growth and development in many African countries including Ghana (Sunter, 2000). In fact, in Ghana, it is considered the engine of growth of the economy and the government is leaving no stone unturned to promote the sector (www.modernghana.com; Ghana News Agency, 2010; Business & Financial Times, 2010)

Despite the recognition given to entrepreneurship and small business development in Ghana and other developing countries, entrepreneurs still face myriad of challenges. The survival rate of most entrepreneurial ventures is relatively low. Less than half of such ventures survive their first five years in operation (Lighthelm & Cant, 2002). Below are some of the challenges facing entrepreneurs and/or the small business sector in Ghana and the developing world for that matter.

One of the key challenges of entrepreneurs in the developing world is access to credit (Pissarides, 1999; Stanworth & Gray, 1991; Storey, 1994). According to Kayanula and Quartey (2000), access to finance remains a dominant constraint to entrepreneurs in Ghana and other African countries. In many surveys, access to finance has been identified as the most important factor which determines the growth and development of entrepreneurship and small business in Ghana and other developing countries (UNCTAD, 2000; Ayeetey et al, 1998). Accelerated economic growth and development will not be possible without a

deepening of the financial system and more support from the banking system in particular. In African countries, however, the banking systems are not providing enough financial support for the expansion of small businesses (Sacerdoti, 2005). Financing has, thus become a dominant constraint to small business in Ghana (Abor & Biekpe, 2007) and the rest of the developing world (Sacerdoti, 2005; Berger & Udell, 1995).

One of the reasons why small businesses in the developing world face challenges in securing finance is that there are problems of information asymmetry between banks and small firms (Ebben & Johnson, 2006; Wimborg & Landstrom, 2000). This has made it difficult for the banks to determine the real values of projects of small businesses and has thus resulted in credit rationing (Stiglitz & Weiss, 1981). Another reason is that entrepreneurs in Ghana and other developing countries have limited access to capital markets locally and internationally, partly due to the perception of high risk and high cost of intermediation for entrepreneurs. Consequently entrepreneurs often cannot obtain long-term finance in the form of debt and equity (Kayanula & Quartey, 2000).

Related to access to finance is the cost of credit in Ghana and other developing countries. The lack of access to long term credit to small businesses has resulted in small businesses relying on high costs of credit, relatively high bank charges and fees and high collateral requirements (Pissarides, 1998). Doing business in Ghana, therefore, has become very difficult and expensive ([www.bbc.co.uk](http://www.bbc.co.uk); Graphic Business, 2010). Thus, even where financial facilities are available, the interest rates and other charges from the banks have made it almost impossible for small businesses to borrow for investment (Berger & Udell, 1995). In support of this argument, Becks (2005) posits that banks in developing countries are less exposed to small businesses. They tend to provide a smaller share of investment loans and charge higher fees and interest rates to small businesses relative to banks in developed countries. The challenge, therefore, is for these entrepreneurs to find the right means of accessing bank loans efficiently. The challenge could even be more compounded given the fact that there are more of such entrepreneurs who need bank loans (Le & Nguyen, 2009).

Another area of challenge is weak institutional framework. This is explained by the fact that the institutional framework within which small businesses interact with stakeholders, particularly customers, government and other firms has a strong influence on their economic performance. An unsuitable tax system and discriminatory legal requirements can represent a strong challenge to small businesses (Bartlett & Bukvic, 2001). If the regulatory system is not favourable to small businesses, it provides an incentive for small businesses to devote a chunk of their resources to influencing the regulatory environment

in their favour. This has the potential of encouraging what Baumol (1990) describes as unproductive entrepreneurship.

There is the issue of human resources, regarding the hiring and maintaining of employees. This is another key challenge to entrepreneurs in Ghana. Some of the employees in the entrepreneurial firms in Ghana do not have the requisite abilities and skills needed for productive entrepreneurship (Bartlett & Bukvic, 2001). Entrepreneurs in the developing world are unable to attract and retain suitable staff. In addition, they lose their staff to larger organisations as the staff use the ventures of the entrepreneurs as training grounds. This challenge has a link to the financial challenges of entrepreneurs. This is because the small businesses most of the time do not have the financial capacity to hire the right calibre of labour and thus rely on unsuitable and/or low-level skilled labour. The financial difficulty they face does not allow them to provide adequate training for their staff which affects the productivity of their firms (Brink, Cant & Lighthelm, 2003).

With regards to internal challenges, there is still the problem of management incompetence on the part of entrepreneurs as managers of their firms. This deficiency has resulted in the failure of many entrepreneurial firms. Some of the entrepreneurs lack management skills, financial knowledge, and expertise in other functional areas such as marketing and human resource (Lighthelm & Cant, 2002; Kazooba; 2006). In Ghana, a lot has been achieved with regards to the provision of training and advisory services to entrepreneurs; even though there is more room for improvement. Despite the increase in the number of enterprise support organisations providing training and advisory services, there is still a skill gap among entrepreneurs in Ghana and the developing world (Kayanula & Quartey, 2000; Daniel & Ngwira, 1993). This management incompetence results in problems such as poor business planning, inability to set strategic goals and unwillingness to adapt to change (UNCTAD, 2001).

Demand for the goods and services of entrepreneurial firms is still a key challenge. Demand here could be categorised into domestic and international. Domestic demand has been a constraint for entrepreneurs in Ghana (Aryeetey et al, 1994). In most developing economies, there is low demand for products of small businesses, compared to large organisations. This is because more consumers in the developing world are less ethnocentric. That is, they prefer products that are made elsewhere, particularly Europe and America to those made within their own countries (Kaynak & Kara, 2002). Moreover, there exists inefficient distribution channels in Ghana and is often dominated by larger firms which poses a threat to entrepreneurs accessing the domestic market (Parker & Steel,

1995). This has the potential of killing entrepreneurial firms in Ghana and other developing countries.

The least said about international market, the better. Entrepreneurs in Ghana and the developing world have found it difficult to compete on the international market. The fact still remains that some of these entrepreneurs have virtually not been able to sell anything abroad. This is because domestic challenges do not allow them to operate at a lower cost. This makes the prices of their products higher than those coming from abroad. Ghanaian entrepreneurs are thus not internationally competitive. Thus, the Government of Ghana and African Development Foundation (ADF) have joined forces to develop, increase competitiveness and profitability of entrepreneurial firms in Ghana ([www.adf.gov/ghanarelease](http://www.adf.gov/ghanarelease)).

Access to raw materials is also a challenge that small businesses have to grapple with (Kayanula & Quartey, 2000). A lot of the materials used by small businesses, particularly those in the manufacturing sectors have to be imported (Graphic Business, 2000). Not only are these raw materials difficult to come by given the fact that they are in different countries; but also, the costs of importing these raw materials is staggering. This affects the production cost of small businesses and the prices of their products for that matter (Brink, Cant & Lighthelm, 2003). A survey by Association of Ghana Industries (AGI) has identified among other things that escalating raw material prices and the rising level of taxes on imported raw materials have been identified as the main obstacles to entrepreneurs and business owners in Ghana ([www.modernghana.com](http://www.modernghana.com); Business & Financial Times, 2011).

Late payment of bills by business customers of small businesses and even the government has been hampering the growth and development of entrepreneurship in the developing world. The late payment of bills to small businesses locks up their meagre working capital and slows down their growth and development (Bartlett & Bukvic, 2001; Hamilton & Fox, 1989). This challenge is linked to the poor economic environment in which the entrepreneurs in the developing world operate. The external debt of African countries keeps rising. As of 2008, the external debt of Ghana stood at GH¢694.7 million, against a budgeted GH¢293.2 million and an outturn of GH¢439.0 million in 2007 (ISSER, 2008). This makes doing business very difficult and small businesses or entrepreneurs are the worst affected.

The slow pace of economic development in Ghana and the rest of the developing world has affected the pace of the development of national infrastructure. Services such as electricity,

transportation, water and telecommunication are very critical or necessary for the development of countries of the developing world (Okpara & Wynn, 2007; Kazooba, 2006). In Ghana, the development of national infrastructure such as road and rail networks, electricity power supply, water supply and others are still at their infantile stages. There is constant power outage and water supply to some parts of the country is irregular and in some case non-existent ([www.modernghana.com](http://www.modernghana.com); [www.myjoyonline.com](http://www.myjoyonline.com)). These affect the activities of entrepreneurs as some entrepreneurial firms have to shut down for days for want of water or electricity. This has resulted in most of these entrepreneurial firms purchasing their own generating plants which in the end adds to their cost of operations and the prices of their products for that matter.

In today's competitive environment, entrepreneurs need modern equipment and technology to operate profitably. Entrepreneurs in the developing world have difficulties in accessing the appropriate technologies and/or equipment and information on available techniques (Kayanula & Quartey, 2000). Equipment and technologies that are in use currently by small businesses in the developing world and Ghana for that matter are too old to aid innovation (Parker & Steel, 1995). This challenge, just like some of the aforementioned challenges is linked to the financial challenges of entrepreneurs. The inadequacy of financial capital of entrepreneurs makes it difficult if not impossible for them to acquire the needed technology and equipment even if they are available.

Entrepreneurs in Ghana and the developing world are battling with legal constraints. Legal requirement such as licensing, registration of businesses can and have imposed unnecessary burden on entrepreneurs. In some case it has taken some entrepreneurs too long to have their ventures registered. Thus it has been identified that doing business in Africa is hard. According to a World Bank Study, out of 35 least business friendly countries of the world, 27 of them were found to be in Sub-Saharan Africa. In most of these countries business registration takes several days and even months ([www.bbc.co.uk](http://www.bbc.co.uk)). In addition the high cost of settling legal claims and delays in court proceedings have impacted negatively on the operations of entrepreneurs (Kayanula & Quartey, 2000).

Related to legal constraints is the issue of corruption. Corruption has become endemic in most African countries including Ghana. Corruption is a bane of Ghana's progress and development and a militant against justice ([www.ghanaweb.com](http://www.ghanaweb.com)). For this reason, successive governments in Ghana have pledged to deal ruthlessly with corrupt officials but very little has been achieved ([www.worldpress.org](http://www.worldpress.org); [www.cddghana.org/publications](http://www.cddghana.org/publications)). Corruption undermines the legal framework and the trust and confidence of African entrepreneurs (Pop, 2002). The legal challenges and the other constraints of entrepreneurs

lead to the creation of room for the greasing of palms of those in positions of authority or government officials before they are awarded contracts ([www.bbc.co.uk](http://www.bbc.co.uk)). This has culminated into what is popularly known in Ghana as 10%. That is, if the entrepreneur will be given government contract, he or she will have to be prepared to pay 10% of the contract sum to the official in question.

### **3.16 OVERVIEW OF THE COGNITIVE PILLAR**

The cognitive pillar of the institutional theory of entrepreneurship stems from the cognitive turn in social science (DiMaggio & Powell, 1991). It represents models of individual behaviour based on subjective and constructed rules and meanings that places limits on appropriate beliefs and actions. The cognitive elements of institutions are the rules that constitute the nature of reality and the frames through which meaning is made. Cognitive structures affect the cognitive programs, i.e. schemata, frames, and inferential sets, which people use when selecting and interpreting information (Markus & Zajonc, 1985). The cognitive pillar often operates more at the individual level in terms of culture and language and other taken-for-granted and preconscious behaviour that people rarely think about (Scott, 2007; DiMaggio & Powell, 1991; Meyer & Rowan, 1991). The importance of this pillar to entrepreneurship research is explained in terms of how societies accept entrepreneurs, inculcate values and even create a cultural environment whereby entrepreneurship is accepted and encouraged (Bosma et al., 2009; Harrison, 2008; Li, 2009). The acceptance of Ghanaian entrepreneurs in the Ghanaian society is influenced by their level of knowledge, training and experience which affect their behaviour. Thus, this section focuses attention on entrepreneurial learning, training and experience.

### **3.17 ENTREPRENEURIAL LEARNING**

The importance of learning to the survival and growth of small business has been recognised (Voudouris, Dimitratos, & Salavou, 2011; Pittaway & Cope, 2007; Cope, 2003; Sullivan, 2000; Cope & Watts, 2000). The nature of learning has been given different interpretations in the literature. There are cognitive, experiential and implicit learning (Sullivan 2000; Cope & Watts, 2000; Marsick & Watkins, 1990). Thus, learning has been given different interpretations and meanings. For example, learning has been defined as involving some form of change which cause or enable the individual to do things differently. In the context of entrepreneurship, learning is considered as continuous process which leads to the development of knowledge required for individuals to start and manage a venture (Politis, 2005).



Learning has its application in entrepreneurship. When it is applied in entrepreneurship, it is considered as the process by which entrepreneurs learn how to recognise and exploit opportunities, how to manage and organise ventures, how to compete and gain competitive advantage in both local and international markets among others. Entrepreneurial learning is, thus taken to mean learning to work in entrepreneurial ways. However, entrepreneurial learning is not only about knowing something but it is also about actively doing as well as understanding what is being done (Cope, 2003; Sullivan, 2000; Rae, 2000). According to Cope (2005) there are many areas that entrepreneurs need to explore in terms of learning. These areas include learning about oneself; the business, the environment and entrepreneurial ventures, small business management and the nature and management of relationship.

A better theoretical grasp of entrepreneurial learning is vitally important in the sense that entrepreneurs develop and learn through learning. Entrepreneurs, therefore, have the potential of developing the capability of running their own ventures successfully (Voudouris, Dimitratos, & Salavou, 2011; Pittaway & Cope, 2007; Rae & Carswell, 2000).

There is a common recognition that entrepreneurial learning is experientially based (Rae & Carswell, 2001). However, there has been the argument that entrepreneurs do not learn only through experience. In other words, experiential learning is not the only way by which entrepreneurs learn. Rather, entrepreneurial learning is a continuous process. Thus, entrepreneurs are constantly learning and developing as they manage their ventures (Hines & Thorpe, 1995; Reuber & Fischer 1993). Entrepreneurs also learn through regularised and repetitive activity as well as non-linear or discrete events (Pittaway & Cope, 2007; Cope, 2003; Sullivan, 2000; Lumpkin & Lichtenstein, 2005). Minniti and Bygrave (2001, p.7) therefore, posits that “learning is a process involving repetition and experimentation that increases the entrepreneur’s confidence in certain actions and improves the content of his stock of knowledge”.

### **3.18 ENTREPRENEURIAL EXPERIENCE**

Experience has been given various explanations and interpretations. It has been defined as a lived-through event where the individual is in the moment. It is the content of consciousness, what it is like to do something. For example, what it is like to create a new venture (Ucbasaran *et al*, 2010; Throop, 2003). Experiences may include somewhat discrete events, sets of events over a long period of time and events which encompass multiple stages over a few years. Thus experience comprises the individual receiving events into his or her consciousness and may include sensing, feeling, unconscious reaction,

reflection, interpretation and creating a link with other experiences (Cope & Watt, 2000; Bruner, 1986).

In applying the concept of experience to entrepreneurship, Reuber and Fischer (1999) posit that entrepreneurial experience has to do with the characteristics of the entrepreneur which have been influenced by his or her personal history and work experience. They continue by indicating that entrepreneurial experience consists of expertise and/or proficiency developed over the course of time (stock of experience) and the accumulation of knowledge through certain discrete events (stream of experience).

There are several reasons why entrepreneurial experience is needed. Thus, Westhead et al., (2005) have noted that habitual entrepreneurs have a lot of advantages over novice entrepreneurs. The reason is that the former has greater experience that can propel entrepreneurs to achieving greater business feat. It has been argued that entrepreneurial experience can facilitate the recognition of new opportunities and the accumulation of managerial knowledge. These, coupled with existing networks intensify the exploitation of those opportunities (Westhead et al., 2003a).

The accumulation of experience by entrepreneurs makes it possible for them to recognise the measures needed to develop the entrepreneurial venture or business and networks that can provide access to information and resources reducing the disadvantages of novelty and lack of size (Starr & Bygrave, 1991). It therefore stands to reason that, the success of entrepreneurs or owner managers, particularly those in Ghana and Africa for that matter, depends to a very large extent on their level of experience.

However, it has been argued that previous entrepreneurial experience does not necessarily translate into business success in future. In other words, the notion that habitual or experienced entrepreneurs invariably succeed better than novice entrepreneurs is actually misconstrued (Schollhammer, 1991).

### **3.19 ENTREPRENERIAL TRAINING**

There is the need for entrepreneurship development for the concomitant development of the economies of the countries, particularly those of the developing world and Ghana for that matter. Many factors have contributed or contribute to the development of entrepreneurship. One of such factors is training. It is, in fact, one of the key factors or inputs for the development of entrepreneurship.

Training has been defined in various ways by different authors and researchers. Training has been defined as “the process of learning the skills that you need to do a job” (Oxford’s Advanced Learner’s Dictionary, 2010, p. 1586).

The aim of training is for the achievement of development and change through planned efforts. Because of the significant and strategic role which training plays in entrepreneurship development; training is required for potential entrepreneurs (Sinha, 2004). This assertion is true to a very large extent. However, the recognition is that training is essential not only for potential entrepreneurs but also for current entrepreneurs. Both potential and current entrepreneurs need training for almost the same reasons.

There are many reasons or objectives of training for entrepreneurs. Some of the objectives include to inculcate and/or increase entrepreneurial spirit and skill, to motivate entrepreneurs (potential and current) for self-development and self-directedness. Other reasons are to help entrepreneurs build their self-confidence either fully or to some extent and to contribute immensely to economic growth and development (Sinha, 2004).

The development of entrepreneurship and the economies of the developed world thus depend to a very large extent on the availability of entrepreneurial training programmes on a wide range of issues as well as the readiness of the entrepreneurs to access these training programmes. Currently in Ghana, there are many entrepreneurial training centres which provide training for both potential and current entrepreneurs ([www.ghanaweb.com/business](http://www.ghanaweb.com/business)). Thus the current study sought to find out the roles which enterprise support organisations in Ghana are playing as far as their contribution to the development of entrepreneurship in Ghana is concerned.

One important area of training which entrepreneurs in Ghana and other countries in the developing world need is business planning. There is enough evidence to suggest that strategic planning has a direct relationship with increased firm performance (Orser, Hogarth-Scott & Riding, 2000; Sanberg, Robinson & Pearce, 2001). Thus, one of the most important documents that entrepreneurs and small business owners cannot do without is the business plan. In other words, business plans are vitally important for small business owners and entrepreneurs (Lambing & Kuehl, 2007). Brailsford (1995, p. 2) posits that “every business will have some form of strategic plan”. In small businesses, this may be the general thoughts of the manager, but in other cases the strategic plan will consist of a formal document which has been decided upon by key decision-makers within the organisation. This section is important because the study sought to find out what small business owners were doing with respect to planning of their businesses as a way of

building their capacities. Do they have business plans and what purpose do the plans serve? Why are some not having business plans? These are some of the questions the study sought to answer.

The importance of the business plan lies in the fact that it helps entrepreneurs and small businesses to develop their business concepts and show bankers and other interested parties such as investors that the entrepreneur has carefully thought through the business idea (Lambing & Kuehl, 2007). Stoke and Wilson (2006, p.180) contributes to this argument by indicating that the first and foremost document that is prepared by the entrepreneur and small business owner is the business plan. The importance of this lies in the fact that it is a document that is produced for the “bank manager, investor, or venture capital fund manager, in order to raise money”.

Touching on the relevance or importance of business planning, Hisrich, Peters and Shepherd (2009) suggest that business plan is invaluable to the entrepreneur, potential investors and even the new personnel who are trying to familiarise themselves with the venture, its goals and objectives. The importance of the business plan to these stakeholders is that it helps in the determination of the viability of the venture in a designated market. In addition, it provides guidance to the entrepreneur in the organisation of his or her planning activities. Moreover, it serves as an important tool for securing finance. It is also a way of telling interested parties that the entrepreneur or the small business owner is the right person to manage the business. This is explained by the fact that the experience, education and other personality characteristics are clearly identified in the plan (Lambing & Kuehl, 2007).

Business plans for small businesses serve two purposes. The first and more important is that business plans serves as a guide for the organisation’s operations by charting its future course of actions and developing the strategy for following it. Second, the business plan serves to attract lenders and investors (Zimmerer & Scarborough, 2006). Contributing to the issues of the business plan serving as a guide for small businesses, Brailsford (1995) posits that the aim of business plans is the provision of direction and objectives for the small business. This he explained by the fact that the strategic plan more often than not revolves around the mission statement of the small business. He went on to indicate that the strategic plan for the small business aims at putting in place the rights tools, methods and processes that identify and achieve the long-term goals of the business.

Despite the importance of business plans to small business owners and entrepreneurs, some small businesses; according to Stoke and Wilson (2006), tend not to write or produce any

business plan. In most small businesses, there may be no formal documentation but there will be implied plans and objectives of the small business owner (Brailsford, 1995). Many reasons account for why some small businesses do not produce any formal business plans. One reason is that some of the small businesses and entrepreneurs do not have external funding requirement. This means that some of the small businesses limit the use of business plans to raising money from the bank and other sources of finance. Another reason is that a lot of the small business owners and entrepreneurs do not have an understanding of the process or benefits of business planning. Moreover, some small business owners have the belief that strategic business planning is the exclusive preserve of large organisation and big business resources and not necessary for small firms or businesses (Stoke & Wilson, 2006).

Another reason given is that some of the entrepreneurs and small business owners think that their time would be better spent pushing the venture forward. Entrepreneurs and small business owners most of the time claim that they already know what is in the plan. Moreover, the objection of entrepreneurs and small business owners to the writing of formal business plans lies in the fact that developing a business plan demands resource commitment. For example, the entrepreneur has to spend time, energy and more often than not hard cash. Thus, other reason for not planning include lack of time, lack of specialised expertise, inadequate knowledge of the planning process, environmental uncertainties and internal implementation barriers (Wickham, 2007; Robinson & Pearce, 1984; Yusuf & Saffu, 2005). In recent times, however, small business owners do not have any excuse for not planning their businesses. For example, the issue of not having specialised expertise is neither here nor there since there are countless consultants available to help small businesses prepare their plans. The only challenge here, however, is the charges involved. Some of these consultants charge exorbitant fees which put a lot of small businesses away.

Entrepreneurial learning, experience and training are linked to the cognitive pillar of institutional theory which alludes to the fact that what entrepreneurs learn, the training they go through and the experience they acquire are pivotal to the success of their ventures. Here again there is a conflict between the regulative pillar and the cognitive pillar in the sense that entrepreneurs may all these in their right perspective, but if the enterprise supports institutions, particularly the government do not create the enabling environment, entrepreneurship development will suffer. In most developing countries, the fact still remains that governments have not done enough to encourage entrepreneurship (Tambunan, 2008).

### **3.20 SUMMARY OF THE CHAPTER**

This chapter has offered a critical review of the academic debates surrounding the topic of capacity building for entrepreneurship through the lens of institutional theory, as the overarching theoretical framework of the study. The regulatory dimension of the institutional profile consists of laws, regulations, rules, and government policies in a particular national environment which promote certain types of behaviour and restrict others. The key institutions in Ghana which regulate or influence the behaviour and activities of entrepreneurs are the government, financial institutions, higher educational institutions and international institutions. The normative pillar represents models of organisational and individual behaviour based on obligatory dimensions of social, professional, and organisational interaction. By defining what is appropriate and/or expected in various social and commercial situations, institutions guide behaviour. Entrepreneurship and small businesses are fundamentally important to the socio-economic development of emerging countries including Ghana. In discussing the literature in the light of the cognitive pillar, it has been argued that the acceptance of Ghanaian entrepreneurs in the Ghanaian society is much influenced by their level of knowledge, training and experience which affect their behaviour. When the various dimensions of entrepreneurship capacity building are in their right perspective, entrepreneurship and small businesses are the inevitable contributors to the socio economic development of Ghana.

## CHAPTER FOUR

### RESEARCH METHODOLOGY

#### 4.1 INTRODUCTION

The purpose of this chapter is to discuss the methodology of the current study. The chapter presents how the research was undertaken, including the theoretical and philosophical assumptions upon which the current study is based and their implications for the data collection and analysis methods used in the study. The chapter begins with an overview of the research problem, objectives and questions. Research paradigms and their respective assumptions are explored in this chapter. Furthermore, the chapter presents a debate on reflexivity and research design. The discussion is followed by field work strategies, data collection methods, data analysis methods, quality of the research, and research ethics and limitations.

##### 4.1.1 Research objectives and questions

As outlined in Chapter One (section 1.4), the overall aim of the research was to explore or investigate the prospects and challenges of building capacity for entrepreneurship and small business development in Ghana. The following specific objectives and their corresponding questions are represented in table 4.1.

**Table 4.1 Research objectives and questions and themes**

Research objectives		Research questions	Themes/Concepts
1.	To investigate the role of the key enterprise support organisations by exploring their motivations and collaborations.	What are the key roles of the key enterprise support organisations? Do the roles overlap? Why do they support entrepreneurs? What forms of collaborations are preferred?	Government involvement in entrepreneurship development  Entrepreneurship education and training.  Access to finance by small business.  Role of international organisations and small

			business development.
2	To identify the impact of training programmes offered by such enterprise support organisations on small business owners.	What is the impact of training programmes offered by such enterprise support organisations on small business owners?	Financial literacy. Small business growth. Understanding rules and regulations. Accessibility to information. Establishment of business relationship. Effective management of human resource. Development of effective marketing strategies for competitive advantage.
3	To examine the challenges that the key enterprise support organisations face in fulfilling their objectives and achieving the intended impact.	What are the main challenges enterprise support organisations face?  In the face of these challenges are they able to fulfil their objectives?  To what extent have they impacted SMEs positively?	Illiteracy on the part of some owner managers. Financial mismanagement. Inability to fulfil financial obligations. Inadequate business information. Unwillingness to implement change.
4	To understand the expectations of small business owners of the key enterprise support organisations and explore their level of awareness of support programmes and schemes.	What do small business owners in Ghana expect of the key enterprise support organisations?  Are they really aware of the various support programmes?	Bespoke financial facilities to small businesses. Flexible terms of payment. Low interest rate. Non-commercialization of support programmes



5	To identify the type and nature of assistance and support that small businesses receive from enterprise support organisations.	What kinds of assistance do small business owners receives from enterprise support organisations and what are the reasons why some have not received any assistance?	Financial facilities. Business information. Management and technical training. Business advisory services. Domestic and international business networking.
6	To explore challenges small businesses face in Ghana and in particular the challenges they face in accessing finance and investigate how they can tackle such challenges for business development and growth with support from enterprise support institutions.	What are the general challenges small businesses face in Ghana and in particular; what challenges do they face in accessing finance in Ghana? How are these challenges being tackled by small businesses in Ghana?	High interest rate Demand for collateral Commercialisation of support programmes Inflexible loan payment terms. Inadequate information on support programmes. Poor national infrastructure. Competition from foreign products. Poor attitude of staff.

## 4.2 RESEARCH PARADIGMS

The term paradigm has its roots from the Greek word “*paradeigma*”. It means model, pattern or example (Barker, 1992). According to Baker (1992, p. 31), Adam Smith in his book “Powers of the mind” describes paradigms as “a shared set of assumptions”. He continues by saying that “paradigm is the way we perceive the world; water and the fish. The paradigm explains the world to us and helps us to predict its behaviour”. Related to this definition is another one given by Covey (1989). He describes paradigms as the way we see the world in terms of perceiving, understanding and interpreting, a theory, explanation, model or map. Writing on “selecting a research paradigm”, Wright (2006)

explains that a paradigm describes the different beliefs held about knowledge and how that knowledge might be understood.

Covey (1989) further explains that through the use of mental maps individuals interpret everything they experience. Mental maps are rarely questioned as individuals assume that what they see is reality. Our basic attitude and behaviour come from our paradigms which affects the way individuals interact with one another. Thus, Senge et. al. (1994) are of the view that people cannot steer through the environment of life without a mental model, and that all mental model are, in some way flawed.

Paradigms are the deeply held assumptions and generalisations that go a long way to influence how individuals see the world and behave (Senge, 1990). Guba and Lincoln (1994) add their voice to the discussion of paradigms by postulating that a paradigm is a set of basic beliefs which deals with first principles. It is a description of the world, individuals' place in it and how they relate to the world. They further discuss that a paradigm is an individual's best perspective about the world based on the answer to metaphysical questions.

The term paradigm has also been defined as "the progress of scientific practice based on people's philosophies and assumptions about the world and the nature of knowledge; in this context, about how research should be conducted" (Collis & Hussey, 2003, p. 47). Kuhn (1962) quoted in Collis and Hussey (2003, p. 47) refer to paradigms as "universally recognised scientific achievements that for a time provide model problems and solution to a community of practitioners". Saunders, Lewis and Thornhill (2007, p. 112) are of the view that the term paradigm has frequently been used in the social sciences but one that can bring about confusion because of the fact that it has several meanings. They also define a paradigm as "a way of examining social phenomena from which particular understandings of these phenomena can be gained and explanations attempted".

The definitions discussed so far bring to the fore the fact that the researcher's beliefs and/or perceptions of the world, to a very large extent determine how he/she designs the research; how data are collected and analysed and even the way in which the final write up of the research will appear. This is supported by Denzin and Lincoln (2000) who postulate that the paradigm selected guides the researcher in philosophical assumptions about the research and in the selection of tools, instruments, participants, and methods that will be employed in the conduct of the research. Thus, the next section will discuss the main paradigms and justify the chosen paradigm for the research.

#### **4.2.1 Positivist and phenomenological paradigms**

Academics, researchers and other commentators have been constantly arguing, over many hundreds of years, about the best way to study, report and understand such things as knowledge, learning, facts, values, beliefs, myths and human behaviour. It is a search in some way for where the “truth” about human existence and the world around us might be found if indeed even this kind of discovery is possible (Wright, 2006).

There are numerous paradigms used to guide research, and authors incorporate different paradigmatic schemas to conceptualise and classify their research (Denzin & Lincoln, 2000). Of the numerous classification schemes introduced in the literature, this section discusses the two main paradigms of positivism and phenomenology.

There is an argument that historically the positivistic paradigm in the social sciences is based on the approach used in the natural sciences such as botany, biology and physics. This approach “seeks the facts or causes of social phenomena, with little regard to the subjective state of the individual. Thus, logical reasoning is applied to the research so that precision, objectivity and rigour replace hunches, experience and intuition as the means of investigating research problems” (Collis & Hussey, 2003, p. 52). Positivism, is therefore based on the fact that the study of human behaviour should be conducted in the same way as those conducted in the natural sciences (Wright, 2006, Creswell, 2003; Sale, Lohfeld & Brazil, 2002; Johnson & Onwuegbuzie, 2004; Denzin & Lincoln, 2000).

The current study cannot be conducted the same way as the natural sciences. This is because the experiences and perspectives of the participants in the current study (officials of enterprise support organisations and small business owners) are very important in gathering data for the answering of the research questions. These human experiences, perspectives and social relationships can only be studied from their own frame of reference (Wright, 2006). Hence it requires an alternative approach to positivism, which starts with the premise that the world is external and objective. Therefore its epistemology is based on the belief that observers are independent and that science is value free. The natural science school (positivistic) relates to the facts and causes of social phenomena and explains relationships by means of objective facts (Kapitzke, 2003; Creswell, 2003; Denzin & Lincoln). Positivism relies on description and explanation, where the thought is governed by explicitly stated theories and hypothesis. Positivism assumes that social reality is independent of humans and its existence does not depend on our knowledge of it. In other words, social reality is independent of humans and exists regardless of whether or not we are aware of it (Kapitzke, 2003; Carson et. al., 2001, Wright, 2006).

The researcher of the current study does not see himself as external to the world in which the investigation is carried out. This is because there is the need for an interaction between the researcher and the participants in order to collect the kind of data for the study. Thus, social reality in the context of the current study is not independent of humans and that social reality does not exist independent of us (i.e. researcher, research participants and readers of the study).

Some social scientists have criticised the positivistic paradigm. The critics argue among other things that, it not possible to treat people as being separate from their social context and for humans to be understood, there is the need to examine the perceptions they have of their own activities (Eisner, 1998; Moss, 1996). Thus, Smith (1983, p.7) indicated that “interrelationship of the investigator and what was being investigated was impossible to separate, and what existed in the social and human world was what we thought existed”.

Traditionally, positivistic paradigm entails quantitative research design and empirical testing as the sole means of justifying theory. In other word, one cannot justify theory without empirical testing. The debate on the relevance of scientific theories, however, has tilted towards a rather general agreement that such polarised position is unacceptable and unnecessary (Carson et. al., 2001). Anderson (1983) maintains that the idea of sole means of justifying theory cannot be maintained as a practical description of the scientific process or as a normative prescription for conducting scientific activities.

An alternative paradigmatic perspective to positivism is phenomenology which can be described as the science of phenomena in simplest terms. The phenomenological paradigm, therefore, is concerned with understanding human behaviour from participants’ own frame of reference. Considerable attention is paid to the subjective state of the individual, their views and experiences as they live it. This paradigmatic approach emphasises the subjective aspect of human activity by focusing on the meaning, rather than measurement of a phenomenon of social nature (Johnson & Onwuegbuzie, 2004; Wright, 2006).

The current study employs phenomenology as the overall paradigm as the aim of the study is to understand the interplay between institutional mechanisms of enterprise support and small businesses as a way of understanding the prospects and challenges of building capacity for entrepreneurship and small business development in Ghana. This understanding has been achieved through interviewing officials of the enterprise support organisations and small business owners, where their experiences, viewpoints and relationships were taken into account. Meanings that they attach to these institutional mechanisms of enterprise support are the focus, rather than measurement of the impact.

Therefore, phenomenology as a paradigm suggests qualitative research design, which is based on the interpretation of non-numerical data and this can provide meaning to human behaviour that is missing in quantitative data (Guba & Lincoln, 2000).

Phenomenology (qualitative techniques) is based on the interpretation of non-numerical data and this can provide meaning to human behaviour missing in quantitative data. It provides a perspective to the research giving findings relevance (Guba & Lincoln, 2000).

Phenomenologists again argue that in social science research, such as the current study, the objects being studied; in this case, officials of enterprise support organisations and small business owners; are not inanimate objects but the outcome of human minds. Thus, separating the researcher from the object of the study is not possible since a subject-subject relationship exists. In the current study for example, the researcher cannot be separated from the participants of the study. There is the need for the researcher to engage with the participants of the current study through face to face interviews in order to generate data for the study.

The experiences of research participants in a context-specific setting are important in phenomenological studies. Therefore, context is important, as in line with the institutional theory. The purpose is to describe and interpret these experiences (Denzin & Lincoln, 2000b) by recognising their situatedness within a specific context and time frame. The description and interpretation of these context-bounded experiences are what produces data for the researcher (Guba & Lincoln, 2000; Wright, 2006; Kapitzke, 2003).

Given this discussion on research paradigms and philosophical assumptions underpinning them; this research is grounded in phenomenological paradigm. It is qualitative and the emphasis is on meanings and experiences related to the institutional mechanisms of enterprise support and their interplay with the entrepreneurs and small business owner-managers. This is explained by the reason that the study made extensive use of the experiences and perceptions of the participants of the study. These participants were the officials of the key enterprise support organisations in Ghana and small business owners.

There are some critiques regarding paradigmatic divisions. Some researchers argue that there is a thin line of demarcation between these two philosophies. In other words, there is a considerable blurring when distinguishing between the two paradigms. It is best to regard the two philosophies as two extremes of a continuum. Along the continuum, the features and assumptions of each paradigm are gradually relaxed and replaced by those of other paradigms (Collis & Hussey, 2003). Carson et. al. (2001) adds that the distinction between the two paradigms may be clear at the philosophical level.

It has been noted that when it comes to the use of qualitative and quantitative methods and the issue of research design, there is the breaking down of the distinction. In other words, the distinction between the two broad paradigms is even more blurring in practical research and could only be clear at the philosophical level (Burrell & Morgan, 1979). It has been recommended that it is sometimes very necessary to mix methods because of the fact that it provides more perspectives or clearer view of the phenomenon under study (Easterby-Smith, 2002). Perry (1998) however, suggests that usually only one major methodology suits the research problem and associated gaps. This study is in line with Perry's suggestion. As stated earlier, the study ascribes mainly to the phenomenological paradigm.

Conceptually, the two main research paradigms have been given different terms by different authors and researchers. However, the terms point to the same meaning. Table 4.2 shows the different terms under the two main paradigms. Table 4.3 also shows the key differences between the two paradigms which serve as a guide for researchers.

**Table 4.2: Alternative terms for the main research paradigms**

<b>Positivistic paradigm</b>	<b>Phenomenological paradigm</b>
Quantitative	Qualitative
Objectivist	Subjectivist
Scientific	Humanistic
Experimentalist	Interpretivist
Traditionalist	

Source: Collis and Hussey, (2003).

**Table 4.3: Differences between qualitative and quantitative research**

<b>Qualitative</b>	<b>Quantitative</b>
Subject-subject	Subject-object
Intertwined values and facts	Separates values and facts
Search for understanding	Search for laws

Source: Smith and Dainty (1991).

#### **4.2.2 Assumptions of the main paradigms**

Creswell (1994) shows the different assumptions of the two main paradigms of positivistic and phenomenological. Three main assumptions were identified. These are epistemological, ontological and axiological assumptions. These assumptions are interrelated. Logically, if the researcher accepts one assumption that is within any of the paradigms, the other two complement it. This section, therefore discusses, the three assumptions of ontology, epistemology and axiology with reference to the positivism and phenomenology.

Ontology deals with the situation where the researcher must decide whether the world is objective and external to him or her; or socially constructed and only understood by examining the perceptions of the human actors (Collis & Hussey, 2003). Ontology is concerned with reality and being. It addresses the following questions: What is the nature and form of reality and what can be known about that reality? (Ponterotto, 2005; Morrow, 2005). Guba and Lincoln (1994) and Neuman (2003) propose that to develop an inquiry paradigm the first question to be addressed is the ontological question. This asks what “reality” is and what can be known about reality. This is answered by discussing the different paradigms and their respective assumptions. Positivistic ontology is where a simple reality is assumed to be governed by laws; knowledge is context free and controlled by cause and effect of laws (Guba & Lincoln, 1994). Positivists content that “there is but one true reality that is apprehendable, identifiable, and measurable, (a position known as naive realism)” (Ponterotto, 2005, p. 130).

Phenomenology maintains that “reality” is intangible and is a construction of the human mind shaped by experiences of the world. Thus, it is dependent on the individual and can be changed with new information. The phenomenological paradigm ascribes to the fact that reality is socially constructed and is a product of the social interaction of members of a particular society (Haar & Hosking, 2004; Berger & Luckmann, 1996; Martin & Sugarman, 1996; Chell, 2000; Watson, 2003; Hosking & Ramsey, 2000). Phenomenologists “believe that there exists multiple, constructed realities (known as the relativist position) rather than a single true reality. Reality is subjective and influenced by the context of the situation, namely the individual’s experience and perception, the social environment and the interaction between the individual researcher” (Ponterotto, 2005, p. 130). The existence of reality depends to a very large extent on the human beings who form and reform over time in particular contexts (Gergen, 1994; Burr, 1995).

The current study ascribes to the constructivist ontology of phenomenological paradigm. This is a study that seeks to collect data from individuals-officials of enterprise support organisations and small business owners- as a way of constructing data based on their

meaning constructions regarding the prospects and challenges of building entrepreneurship capacity in Ghana. The study will definitely depend on the experiences and opinions of these individuals. These experiences and opinions of the various individuals are not identifiable, and measurable. In other words, the opinions and experiences of these individuals from whom data is collected cannot be measured in quantitative terms. This agrees with the assertion that “reality is subjective and influenced by the context of the situation, namely the individual’s experience and perception, the social environment and the interaction between the individual researcher” (Ponterotto, 2005, p. 130).

Epistemology is concerned with the study of knowledge and what is acceptable as being valid knowledge. It involves the examination of the relationship between the researcher and the phenomenon under study. The epistemological question then is; what is the relationship between enquirer and knowledge? (Guba & Lincoln, 1994). Epistemology is concerned with the relationship between the “knower” (research participant) and the “would-be knower” (the researcher) (Ponterotto, 2005, p. 130). There is no one answer to the epistemological question. The answer to the question will depend on the answer to the ontological question posed earlier (what is the nature of reality?). For example if the world is considered “real”, then the position of the researcher will be that of objective separation from the object under study (Guba & Lincoln, 1994).

Positivist places emphasis on dualism and objectivism. The explanation is that the researcher and the phenomenon under study or the research participant and topic are assumed to be independent of one another (dualism), and by following rigorous and set procedures the participant and the topic can be investigated or studied without bias (objectivism). Furthermore, the epistemology of the positivists is that the researcher can study his/her research participants without influencing them and vice versa (Ponterotto, 2005). If values and biases of the researcher impact the research in anyway, the study becomes flawed. Replicated findings are considered “true” and enhance theory verification evidence (Ponterotto, 2005; Morrow, 2005).

Positivists are of the view that only phenomena which are observable and measurable can be validly regarded as knowledge. The positivists try as much as possible to maintain an independent and objective stance. Thus, under Lincoln and Guba (2000) positivist paradigm of “reality”; the researcher can investigate or study the phenomenon or the object of enquiry without impact. Nonetheless, there are implications for validity if either the researcher or the object under study is influenced. Laid down procedures are strictly followed to eliminate bias and repetition produces the same results. The world and its relationships are concrete or “real” and that research is independent of the object of the



research; phenomenon that cannot be observed are disregarded, “reality” is external. Human behaviour is as a result of external stimuli and responses to these follow set rules and/or procedures (Morgan & Smircich, 1980).

Phenomenologists argue in favour of a subjective stance that maintains that reality is socially constructed and, thus, the dynamic interaction between the researcher the research participant is vital to capturing and describing the experiences of research participants (Ponterotto, 2005; Morrow, 2005). Other writers and/or researchers ascribe to the view that “reality” is a construction of the mind and the nature of this “reality” can only be gained through phenomenological interpretation. Through their own experiences, humans shape their world. Thus, qualitative researchers ascribe to minimising the distance between the researcher and that which is being studied (Lincoln & Guba, 2000; Easter-Smith, 2002; Collis & Hussey, 2003; Berger & Luckmann, 1996; Gergen, 1994; Rosen, 1991).

Given this discussion, the current study adopts phenomenological epistemology as explained above. This is because the nature of the current study does not make it possible to maximise the distance between the researcher and the participants. This study collects data through direct contact with the participants of the research. The researcher embarked on interviews with the research participants which demanded a face to face interaction. Thus, the positivists’ position that the researcher and the phenomenon under study or the research participant and topic are assumed to be independent of one another (Ponterotto, 2005) is not applicable under the current study. Furthermore, the current study cannot be undertaken without any impact of the researcher on the participants of the research. For example, the ways in which the different participants are asked questions can impact their responses greatly. In a nutshell, the dynamic interaction between the researcher and the research participants as far as the current study is concerned is vital to capturing and describing the experiences of research participants in order to understand the prospects and challenges of building entrepreneurship capacity in Ghana (Ponterotto, 2005; Morrow, 2005)

The axiological assumption is concerned with values. In other words, axiology deals with the role of researcher values in the research process (Ponterotto, 2005). Thus the axiological question is; do the values of the researcher impact scientific enquiry? In other words, do the researcher’s values have a place in the research process?

Positivists believe that there is no place for values in the research process. They argue that science and the process of research is value-free. The values, hopes, expectations and feelings of the researcher have no place in research process. Therefore, the positivists

consider that they are detached from what they are researching and regard the phenomena which are the focus of their research as objects. Positivists again believe that the objects they study are present before their attention was drawn to them and are more interested in the interrelationship of the phenomena under study. In addition, they believe that the objects they study are unaffected by their research activities and will still be present after the activity (Lincoln & Guba, 2000; Easter-Smith, 2002; Collis & Hussey, 2003, Berger & Luckmann, 1996; Gergen, 1994; Rosen, 1991). “By using standardised, systematic investigative methods, the researcher eliminates or strictly controls any influence he or she might have on the participants or on the research process” (Ponterotto, 2005, p. 131).

On the other hand, phenomenologists, constructivists or interpretivists believe that researchers have values even though they may not be explicit. The researcher’s values cannot be divorced from the research process. The researcher should acknowledge and describe his or her values but not eliminate them. These values help in determining what are recognised as facts and the interpretation which are drawn from them. The phenomenological epistemology requires close, prolonged interpersonal contact with the participants in order to facilitate their construction and expression of their experiences. Thus total elimination of value biases in such interdependent research-participant interaction is fallacious (Wright, 2006; Lincoln & Guba, 2000; Easter-Smith, 2002; Collis & Hussey, 2003, Berger & Luckmann, 1996; Gergen, 1994; Rosen, 1991).

It has already been established that the ontological and epistemological positions of the current study are grounded in phenomenology. Based on this, the axiological position of the current study cannot be divorced from the phenomenologists’ point of view. In other words, the current study ascribes to the phenomenological axiology. The reason is that since the researcher cannot be divorced from the participants of the research, then it follows that the values of the researcher cannot be divorced from the research. In other words, the elimination of values biases in the current study where there is bound to be interdependent research-participant interaction is very difficult if not impossible.

**Table 4.4: Assumptions of the main paradigms**

Assumption	Question	Positivistic	Phenomenological
Ontological	What is the nature of reality?	Reality of objective and singular apart from the researcher.	Reality is subjective and multiple as seen by participants is a study.
Epistemological	What is the relationship of the researcher to that of researched?	Researcher is independent form that being researched.	Researcher interacts with that being researched.
Axiological	What is the role of values?	Value-free and unbiased.	Value-laden and biased.

Source: Adapted from Creswell (1994).

#### 4.2.3 Paradigms and methods

Recent studies have shown the apparent awareness of the strengths and weaknesses of the positivistic and phenomenological paradigms as a basis for the discussion of the choice of methodology (Philips & Pugh, 1994; Orlikowski & Baroudi, 1991; Easterby-Smith et. al., 2002; Patton, 1991; Newman, 1994; Perry & Coote, 1994; Guba & Lincoln, 1994).

Methodology and methods are important in research. Some writers have used the terms interchangeably. Under phenomenological paradigm, the method is closely knit with the assumptions and philosophies of the paradigm that it pervades the entire research (Onwuegbuzie & Leech, 2005; Collis & Hussey, 2003, p. 55). However, there is a distinction between the terms-methodology and methods (Myers, 2009; Onwuegbuzie & Leech, 2005; Harrison, 2001; Miles & Huberman, 1994). Methodology is described as “the overall approach to the research process, from the theoretical underpinning to the collection and analysis of data” (Collis & Hussey, 2003, p. 55). Methodology refers to the process and procedures of the research (Ponterotto, 2005). Silverman (1994) posits that methodologies may be true or false just like theories, only more or less useful. Methods on the other hand refer only to the various means by which data are collected and/or analysed. LeBlanc (1995b) also makes a distinction between methodology and methods. He describes methodology as a system of assumptions which determines appropriate methods in research. A method on the other hand is the system of steps taken to study a particular

phenomenon or set of phenomenon. A method involves the use of techniques for data collection and analysis.

It has been argued that the paradigm adopted goes a long way to determine the method that the researcher uses. In other words, the paradigm that the researcher adopts has a great importance for method to use. “Naturally, research method flows from one’s position on ontology, epistemology and axiology” (Ponterotto, 2005, p. 132). Smith (1983) also writes that the position taken by the researcher with regard to ontology, epistemology and axiology determines the research methods. Based on the earlier emphasis that the study is phenomenological, the study uses the methods that are associated with phenomenology. In other words the study design is qualitative and thus employs qualitative research methods. This requires interaction between the researcher and the subject of the research to form an agreed, informed construction through dialectical exchange (Guba & Lincoln, 1994). Thus, the data collection methods adopted in the current study are face to face semi-structured interview, focus group and documentary analysis. These will be explained in section 4.5.3 of the Chapter.

### **4.3 REFLEXIVITY**

The dialectical exchange referred above entails a reflexive approach. To this end this section deals with the researcher’s profile and motivation as far as the current study is concerned. According to Guba and Lincoln (1994) reflexivity is explained to mean the process by which the researcher critically reflects on the self and the research instrument. Thus, it has to do with the exploration of the dynamics of the relationship between the inquirer or the researcher and the phenomenon under study or the researched (Finlay, 2009). Reflexivity has been linked to many disciplines and recently with organisation and management studies (Watson, 2003; Easterby-Smith & Malina, 1999; Johnson & Duberley, 2003; Cassel, 2005).

Bourdieu (2003) is of the view that reflexivity demands that the researcher embarks on systematic reflection with the view to revealing how his/her formative social location or habitat influence any account. Thus researcher is to be aware of their own disposition shaped by norms, values and other regulatory forces of a particular scientific field. This is what Bourdieu (2003) refer to as “epistemic reflexivity”. Johnson and Duberley (2003) makes a distinction among three forms of reflexivity. These are methodological, deconstructive and epistemic reflexivity; which are supported by the paradigmatic position taken by the researcher.

The current researcher is in his late 30-s and a Ghanaian national. He had his primary to university education in Ghana. He obtained his Master's degree in Business Administration from the United Kingdom. Having lived in Ghana and United Kingdom for some time, the researcher observed that the pace of entrepreneurship and small business development in Ghana is very slow. The researcher's opinion about the role the government of Ghana and other enterprise support institutions are playing in providing an effective infrastructure for capacity of entrepreneurs and small business owners in Ghana has not been encouraging. There is lack of coordination among the various enterprise support organisations for the building of entrepreneurship capacity in Ghana. The development of Ghana depends to a very large extent on the building of the capacities of entrepreneurs and small business owners. Thus, the researcher is aware that small business owners and entrepreneurs operate below expectation because of the myriad of problems they face in the country. This is an area that presents a research problem that the researcher is interested in addressing. Hence, the current study has evolved.

These opinions and expectations can influence the interpretation of the data under the current study. Thus (Leedy & Ormrod, 2005, p. 151) posit that "in qualitative study, the interpretation of the data will inevitably be influenced by the researcher's biases and values to some extent, reflecting the notion of researcher as instrument".

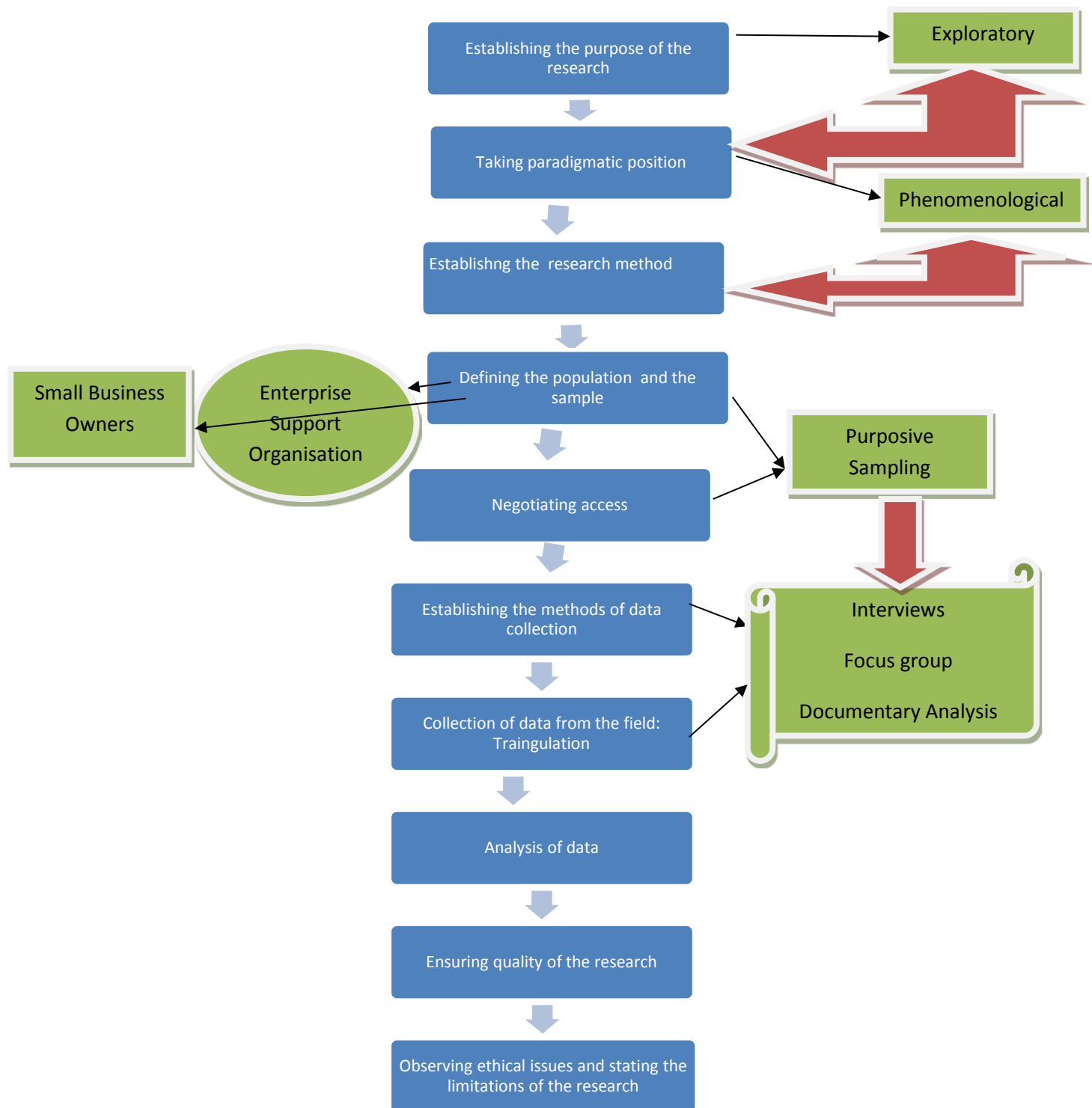
There have been suggestions for qualitative researchers to follow in order to minimize the extent to which their prior expectations and opinions influence their final analysis and this is what the current researcher adopted. First is to collect two or more different kinds of data or use two or more methods to collect data. The current study collected data using three methods-personal interview, focus group and documentary search. This allowed for getting varying perspective on the issues in the study which is the second suggestion. The third suggestion is to make conscious effort to look for information which contradicts the prior opinions and expectations of the researcher. In this study effort was made to collect data about the activities of government and enterprise support organisations aimed at building entrepreneurship capacity in Ghana, since the prior opinion of the researcher is that the government and the enterprise support organisations have not played their role well as far as entrepreneurship and small business growth and development are concerned (Leedy & Ormrod, 2005).

#### **4.4 RESEARCH DESIGN**

Research design is defined as a framework or blueprint for conducting research project. It deals with the necessary procedures for obtaining the needed information to help solve

research problems. A good research design ensures that the research is conducted effectively and efficiently (Malhotra, 2007). Saunders, Lewis and Thornhill (2007) indicate that research design is the general planning about how the researcher will go about answering his or her research questions. It contains, among other things, clear objectives, sources of data, the constraints of the research and the discussion of ethical issues. Research design according to Vogt (1993, p. 196) “is the science and art of planning procedures for conducting studies so as to get the most valid findings”. When it comes to qualitative research designs, it has been pointed out that they are the least prescriptive (Eisner, 1998). In the words of Leedy and Omrod (1985, p. 135) “there are no magic formulas, no cookbook recipes for conducting a qualitative study”. They further stated that in a qualitative study, the specific method that the researcher uses will ultimately be constrained only by the limits of his or her imagination. Figure 3.5 depicts the general planning of the current study or how the current study was designed with the view to answering the research questions.

Figure 4.1: Designing the research.



Source: Author (2011)

#### 4.4 .1 Exploratory study

Three types of studies or classes of research purposes have been identified. These are exploratory studies, descriptive studies, and explanatory studies (Saunders, Lewis & Thornhill, 2007). Exploratory studies seek to find out ‘what is happening; to seek new insight; to ask questions and to assess phenomena in a new light’ (Robson, 2002, p. 59). This type of research is very useful if the researcher intends to clarify his understanding of

the issue in question. The three principal ways of conducting this type of research is searching the literature; interviewing experts and conducting focus group interviews (Saunders, Lewis & Thornhill, 2007). One main advantage of exploratory research is its flexibility in term of the fact that it is adaptable to change. This is explained by the fact that exploratory research makes use of new data. For that reason the researcher has to be willing and ready to change his or her direction to take advantage of the new insight arising out of the new data. Adams and Schvaneveldt (1991) put forward the argument that the flexibility inherent in exploratory studies does not in any way suggest absence of direction to the investigation being conducted.

According to Racher and Robinson (2002) the main purpose of descriptive research is the description of an accurate profile of persons, events or situations. Descriptive research could be an extension of, or precede exploratory research or a piece of explanatory research. Before data is collected for descriptive studies, the researcher must have had a clear picture of the phenomena on which data is collected. Descriptive studies in management and business research has a clear place. However, it should be seen as a means to an end and not an end in itself (Saunders, Lewis & Thornhill, 2007). Explanatory studies are those that establish causal relationships between variables mostly grounded in positivistic research. The emphasis is on studying a situation or the issues at hand in order to explain the relationship between variables.

On the basis of the above, this study is an exploratory. This is because; the study seeks to explore the prospects and challenges involved in building entrepreneurship and small business capacity in Ghana. It also seeks to generate new insights and assess the role of enterprise support organisations in the development and growth of entrepreneurship in Ghana. Another reason for considering the study as exploratory is that it follows to a very large extent, the principal ways of conducting exploratory research given by (Saunders, Lewis & Thornhill, 2007; Easterby-Smith *et.al.*, 2012). The researcher examined relevant literature in the fields of entrepreneurship and small business and interviewed experts in entrepreneurship and small business development in Ghana as well as small business owners in order to explore the prospects and challenges of building entrepreneurship and small business capacity in Ghana.

#### **4.4.2 Qualitative research**

This section discusses the main characteristic features of a qualitative study and the justification that the current study is qualitative. Qualitative research has broadly been defined as “any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification” (Strauss & Corbin, 1990).



Qualitative research is taken to mean a research strategy that usually places emphasis on word rather than quantification in the collection and analysis of data (Bryman & Bell, 2007). Qualitative research addresses objectives through techniques that allow the researcher to provide elaborate interpretation of phenomena without having to depend on numerical measurements. The focus of qualitative research is on discovering true inner meanings and new insights (Zikmund et al., 2010). The current study emphasises words rather than quantification because the nature of the study, as stated earlier does not allow for quantification. It is difficult to quantify the opinions of the research participants.

The term qualitative research encompasses several approaches to research that are, in some respects, quite different from one another. Yet all qualitative approaches have two things in common. First, they focus on phenomenon that focuses on natural setting-that is, in the real world. And second, they involve those phenomena in all their complexity. Qualitative researchers rarely try to simplify what they observe. Instead, they recognise that the issue they are studying has many dimensions and layers, and so they try to portray the issue in its multifaceted form (Leedy & Ormrod, 2005). Qualitative researchers are of the belief that the ability of the researcher to interpret and make sense of what she or he sees is critical for understanding any social phenomenon. Thus, in qualitative research, the researcher is an instrument in much the same way that rating scale or intelligence test is an instrument. Under the current study, the researcher was in the field collecting data personally and could therefore be described as research instrument. In addition, in qualitative research, the belief is that “there is not necessarily a single, ultimate truth to be discovered. Instead, there may be multiple perspectives held by different individuals, with each of these perspectives having equal validity, or truth”. (Creswell, 1998; Guba & Lincoln, 1994; Leedy & Ormrod, 2005, p. 133).

Zikmund et al (2010), present some of the situations that often call for qualitative research. First of all, qualitative research is more appropriate for the clear definition of research problems. Secondly, qualitative research is necessary if the objective is to develop an understanding of the research object in great detail and in much depth. Thirdly, when the objective of the researcher is to learn how a phenomenon occurs in its natural setting or to learn how to express some concept in colloquial terms. Fourthly, when a researcher is trying to study some behaviour that is context dependent, it is useful to employ qualitative techniques. Lastly, they mention that qualitative is useful in a situation where a fresh approach to studying a phenomenon is needed.

To throw more light on the situations that call for the use of qualitative research mentioned above, Strauss & Corbin (1990) posits that there are several considerations when deciding

on embarking on qualitative inquiry. Qualitative research can be used to better understand any phenomenon about which very little is known. It can also be used in gaining new insights or perspectives on phenomena which are already known or to gain more thorough information that may be difficult if not impossible to convey quantitatively. According Peshkin (1993), qualitative research serves one or more purposes including description, interpretation, verification and evaluation. Qualitative research can reveal the nature of certain situations settings processes, relationships, systems or people. Interpretation enable qualitative researchers to gain new insights into a particular phenomenon, develop new concepts or theoretical perspectives about phenomenon and/or identify the challenges or problems that exist within the phenomenon under study. Verification also allows researchers to test the validity of certain assumptions, claims, theories, or generalisations within real-world contexts. Evaluation provides the means through which qualitative researchers judge or assess the effectiveness of particular policies, practices, or innovation (Zikmund et al, 2010; Peshkin, 1993; Leedy & Ormrod, 2005; Patton, 1990).

Several authors have identified what they consider to be some of the important characteristics of qualitative studies or research. First, qualitative research makes use of the natural setting as the source of data. Three things are, thus, done by the researcher. He or she attempts to observe, describe and interpret settings as they are, maintaining what Patton refers to as “empathic neutrality” (Patton 1991, p. 55). Second, the researcher in qualitative studies acts as the instrument of data collection. Third, under qualitative research, deductive data analysis is prominently adopted. Fourth, qualitative research is descriptive and there is the incorporation or integration of expressive language and the “presence of voice in the text” (Eisner, 1991, p. 36). Fifth, qualitative research is characterised by interpretation. Aimed at discovering the meaning events have for the individual who experience them and the interpretation of the meanings by the researcher. Sixth, qualitative research pays attention to the idiosyncratic as well as the pervasive, seeking the uniqueness of each case. Seventh, as opposed to predetermined design, qualitative research has an emergent design and the focus of researchers is on the emerging process as well as the results or the outcomes of the research. Finally, there is the use of special criteria for the judgement of trustworthiness in qualitative research ( Bogdan & Biklen, 1982; Lincoln & Guba, 1985; Patton, 1990; Einer 1991, Zikmund et. al., 2010).

Qualitative data are those that are not characterised by numbers but instead are in the form of textual, visual, or oral. Thus stories, visual portrayals, meaningful characterisations interpretations and other expressive descriptions are emphasized (Zikmund et. al., 2010). Qualitative researchers use multiple forms of data in any single study. They might include

observation, interviews, objects, written documents, audio-visual materials, electronic documents and anything which the researcher thinks will help in the gathering of data for the answering of the research questions. Thus, in qualitative study, the potential sources of data are only limited by the researcher's open-mindedness and creativity (Eisner, 1998).

Data collection in qualitative study demands a great deal of time and effort on the part of the researcher regardless of the kind of data involved. Researchers must, therefore, record any potentially useful data thoroughly, making sure that they are systematic and accurate. Field notes, audio tapes, sketches, photographs are some of the means by which data are recorded in qualitative study (Leedy & Ormrod, 2005). The current study made use of tape-recorders to record interviews while taking notes alongside. With regards to data collection in qualitative research, researchers need to identify a sample from the population under study from which they collect data. There is also the reliance on interviews and observations in most qualitative research studies (Bryman & Bell, 2007; Leedy & Ormrod, 2005). The current study also relied on interviews for collecting data.

#### **4.5 FIELDWORK STRATEGIES**

This section deals with the strategies the researcher embarked upon in gathering data from the field. As stated earlier, this study is a qualitative study which involves the interaction between the researcher and the research participants. There is, therefore, the need for the researcher to put the necessary measures in place in entering the field to collect data. Without proper field work strategies, the objectives of the research may not be achieved.

##### **4.5.1 Sampling technique and research sample**

“Qualitative researchers draw their data from many sources-not only from a variety of people, but perhaps also from objects, textual materials, and audiovisual and electronic records. The particular entities they select comprise their sample, and the process of selecting them is called sampling” (Leedy & Ormrod, 2005, p. 144). Qualitative enquiry typically focuses in depth on relatively small samples selected purposively. The idea behind purposive sampling lies in selecting information-rich cases for study in depth. Information-rich cases are those from which the researcher can learn about issues of central importance to the purpose of the inquiry, hence the term purposive sampling (Patton, 2002).

In this study, the sampling strategy adopted was purposive or judgement sampling. Leedy and Ormrod (2005) have conjectured that qualitative researchers are intentionally non-random in their selection of sources of data. Instead, their sampling is purposeful. Bernard

(2003) has stated that in judgement sampling, the researcher decides the purpose he/she wants respondents and/or informants to serve and he/she goes out to find some. In this study therefore, the researcher selected information-rich organisations among the various enterprise support organisations in Ghana. The first group of participants served to provide in-depth information on what measures they are putting in place in supporting entrepreneurship and small businesses in Ghana. The second group of participants were selected on the basis that they had the capacity to provide the researcher with information that will help in answering some of the research questions. In this case therefore, small businesses that have in one way or the other had some dealings with the enterprise support organisations were purposively selected for the study. The researcher went to the field looking for such small businesses.

It has been argued that decision about samples, sampling size and sampling strategies depend on the prior decision of the researcher about the appropriate unit of analysis. Different units of analysis are not mutually exclusive. However, each unit of analysis implies a different kind of data collection, a different focus for the analysis of data and a different level at which statements about findings and conclusions would be made (Patton, 2002). Collis and Hussey (2003) defines a unit of analysis as the kind of case to which the phenomena under study and the research problem refer, and about which data is collected and analysed. Zikmund et al., (2010, p. 119) point out that “the unit of analysis for the study indicate what or who should provide the data and at what level of aggregation”.

In this study two units of analysis were identified. These were small business owners and officials of enterprise support organisations. These are two sub-groups of sample. The former is supposed to provide data on the level of assistance they are receiving from the enterprise support organisations; their expectations of the enterprise support organisations; the challenges they go through in accessing the facilities provided by the enterprise support organisations; the challenges they are facing as individual small business owners, the steps they are taking to circumvent their challenges and their views on the future of entrepreneurship and small business with regards to their contribution to the economic development of the country. The latter is also to furnish the researcher with data relating to the various activities they are embarking upon to assist entrepreneurs and small business owners; the areas of emphasis, the challenges they go through in assisting small business owners, future plans of assisting small business owners more that they are currently doing and their views on the future of entrepreneurship and small business development in Ghana.

**Table 4.5: Summary of respondent organisations**

<b>Name of Organisation</b>	<b>Type of Organisation</b>	<b>Gender of Respondents</b>	<b>Respondents' Designation</b>
1. Venture Capital Trust Fund (VCTF)	Government Agency	Male	Investment Analyst
2. Microfinance and Small Loans Centre (MASLOC)	Government Agency	Female	Human Resource Manager (Northern Sector)
3. Rural Enterprises Project (REP)	Government Agency	Male	Small Scale Enterprises, Policy and Rural Finance Officer
4. National Board for Small Scale Industries (NBSSI)	Government Agency	Male	Regional Manager (Ashanti Region)
5. Export Development and Investment Fund	Government Agency	Male	Manager
6. Barclays Bank Ghana Limited	Banking Institution	Male	Marketing Officer
7. United Bank for Africa (UBA)	Banking Institution	Male	Branch Manager
8. Standard Chartered Bank (Stanchart) – SME Banking	Banking Institution	Male	Credit Analyst
9. Ecobank Ghana Limited	Banking Institution	Male	Branch Manager
10. EZI Savings and Loans Limited	Micro Finance Company /Savings and Loans	Male	Marketing Officer
11. Pacific Savings and Loans Limited	Micro Finance Company/Savings and Loans	Male	Head of Micro Finance
12. First Allied	Micro Finance	Male	Head of Internal

Savings and Loans	Company/Savings and Loans		Audit
13. Opportunity International Savings and Loans Limited	Micro Finance/Savings and Loans	Female	Branch Manager
14. Women's World Banking	Micro Finance/Savings and Loans	Male	Risk, Recovery and Monitoring Officer
15. KNUST School of Business	Higher Educational Institution	Male	Lecturer, Entrepreneurship Coordinator
16. University of Ghana Business School	Higher Educational Institution	Male	Lecturer, Entrepreneurship and Small Business.
17. KNUST Publishing Department	Higher Educational Institution	Male	Lecturer, SME Course Coordinator of the Department of Publishing
18. Centre for Entrepreneurship and Enterprise Development – Kumasi Polytechnic	Higher Educational Institution	Female	Head of the Centre
19. UNDP MSMEs Project	International Organisation	Male	National Project Coordinator

Source: Author's field data, April-June, 2010.

**Table 4.6: Summary of respondent owner managers**

<b>No.</b>	<b>Name of business</b>	<b>Sector</b>	<b>Number of employees</b>	<b>Gender of respondent</b>	<b>Level of education</b>
1.	Ofori Yeboah Enterprise	Trading	3	Male	Post sec. A certificate
2.	Early Life Academy	Services	10	Male	Degree and above
3.	Baron Healthcare Ltd.	Services	10	Male	Degree and above
4.	St. Louis School	Services	25	Female	Degree and above
5.	New Oxford Int. School	Services	26	Male	Degree and above
6.	Simon Brick & Tile Ltd.	Manufacturing	12	Male	Degree and above
7.	Bong Construction Ltd.	Manufacturing	20	Female	SHS
8.	Sky Limit Enterprise	Trading	10	Male	Degree and above
9.	Pangroove Enterprise	Manufacturing	20	Male	MSLC/JSS
10.	Obuasi Ridge Hospital	Services	25	Male	Degree and above
11.	Joehell Enterprise	Manufacturing	18	Male	HND
12.	Migration Solutions	Services and Trading	5	Male	Degree and above
13.	Five Star Business Initiative Ltd.	Services	12	Male	Degree and above
14.	County Hospital	Services	27	Male	Degree and above
15.	Kwamoka Group Gh. Ltd.	Trading	10	Female	HND
16.	T. Ankomah Services	Services	26	Male	SHS
17.	Kelly Gold Collections	Trading	15	Male	Degree and above
18.	Humpty Dumpty School	Services	51	Female	Diploma
19.	Unisco Model School	Services	25	Male	SHS
20.	Best Woodkraft Enterprise	Manufacturing	5	Male	No formal education
21.	Sims Consult	Services	5	Male	Degree and above
22.	Riverside Academy	Services	24	Female	Degree and above
23.		Trading	10	Male	SHS
24.	Meilun	Services	25	Male	Degree and

	Diagnostic Center				above
25.	Just Link Travel & Car Rentals Ltd.	Services	25	Male	Diploma
26.	Aduse-Poku Investment	Trading	4	Male	Degree and above
27.	Wisdom Amakye Enterprise	Trading	14	Male	G.C.E 'O' Level
28.	Charles Owusu Photography	Services	2	Male	Degree and above
29.	Trewgah Farms Ltd.	Agro Processing	5	Male	Degree and above
30.	Jokas Farms	Manufacturing	26	Male	Degree and above
31.	Corban Optometric Services	Services	2	Male	Degree and above
32.	Topman Ltd.	Manufacturing	17	Male	Degree and above
33.	Bespoke Technologies	Trading	5	Male	Degree and above
34.	MD Printing Press	Manufacturing	4	Male	Degree and above
35.	Blessed Yako Limited	Services	16	Male	Degree and above
36.	Glabovan Company Ltd.	Trading	4	Male	Degree and above
37.	KS Printkraft Ltd.	Manufacturing	6	Male	Degree and above
38.	Franchart Cybernet	Services	2	Male	G.C.E A Level
39.	Prince Motors	Trading	18	Male	MSLC/JSS
40.	Victory Shoe Complex	Manufacturing	8	Male	MSLC/JSS
41	Kantanka Enterprise	Trading	5	Female	G.C.E "O" Level

Source: Author's field data, April-June, 2010.

The other category of population consisted of small businesses in Ghana. These consisted of those small businesses that fall under the definition provided by the National Board for Small Scale Industries (NBSSI). The definition of small businesses in Ghana is given by the NBSSI. It considers small businesses as those which have 29 or less employees with capital investment requirements not exceeding the cedi equivalent of \$100,000. The board further divides a small business in to two: micro enterprise and small enterprise. Micro enterprises are those that employ up to five (5) people or have fixed assets excluding land and buildings not exceeding \$10,000. Small enterprises on the other hand are those employing between 6-29 people or having fixed assets excluding land and buildings not



exceeding \$100,000 (Boachie-Mensah & Marfo-Yiadom, 2007). In addition, the study defined the population to include only those organisations that fall within the definition and are duly registered with the Registrar of Companies in Ghana. This is as a result of the fact that a lot of small businesses in Ghana are not registered and operate without licenses. Thus, the target population consisted of small businesses that are registered with the Registrar of Companies in Ghana.

With regards to qualitative study such as the current study, there are no rules for sample size. Sample size depends on what the researcher wishes to know, the purpose of the study, what is at stake, what will be useful, what will have credibility and what can be done given the available resources particularly time as a very important but scarce resource to the researcher. “The validity, meaningfulness, and insight generated from qualitative enquiry have more to do with the information richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size” (Patton, 2002, p. 245). Therefore, there are alternative criteria in judging the quality of qualitative research. Patton (2002) suggests that these alternative criteria include credibility, transferability, confirmability and dependability. According to Fisher (2007) the purpose of taking a sample is to obtain a result that is representative of the population under study without having to ask everybody. He further indicated that no sample can be guaranteed to be representative.

The sample size of the first group of the sample i.e. enterprise support officials is nineteen. The sample size of the second group i.e. small business owner-managers is forty-one. For qualitative studies in general, this size is deemed to be appropriate. To reiterate the views of Patton (2002); with regards to qualitative study there are no rules for sample size, because it is the quality of the data rather than the quantity, which matters.

#### **4.5.2 Negotiating access**

Since the current study has different categories of organisations as participants and entrepreneurs and small business as well, there was the need to negotiate access to these organisations and small business owners. Fisher et. al. (2007) put forward the argument that when a research is being conducted with any organisation in mind, it is often necessary to agree terms of reference for the project. They further indicate that it is legal and ethical to seek permission from the organisation which holds the information you are seeking as a researcher.

Since there were two categories of participants in the study, which were enterprise support organisations and small businesses; the access was in two phases. The first phase had to do

with the enterprise support organisations. The researcher personally called at the organisations to informally introduce himself. A brief description of the study was also made known to the contact persons. In most of the cases, the contact persons were receptionists or front line staff who then directed the researcher to the appropriate officer or person. In some cases also, the researcher was asked to bring a formal letter of introduction first before permission was granted to see the appropriate officer. It is argued that researchers are more likely to be successful in having access to situations if they make use of contacts that can help remove barriers to entrance (Lofland & Lofland, 1984).

Access letters were written to the addresses provided to the researcher during the informal contacts. Two types of access letters were written. One of the letters was written by the researcher and the other by the Dean of the KNUST School of Business where the researcher is a staff member. The reason for the two letters was that some of the participants, particularly the enterprise support organisations wanted a proof that the research was for academic purpose only and that the researcher is indeed operating from an academic institution in Ghana. It should also be mentioned, however, that a few of the enterprise support organisations did not demand any letter.

Both letters introduced the researcher briefly and the purpose of the research and permission to access the organisation. There was also the assurance that the research was for academic purpose only and that any information gathered was not going to be used for any other purpose. Thus, they were assured of anonymity and confidentiality (Leedy & Ormrod, 2005).

Some of the organisations readily appointed officers for the interview. Others did not immediately tell who was going to be interviewed. The researcher therefore had to go back and forth before getting the right respondents. Again, in some cases, the right respondents were not available and therefore there was the need to wait for several weeks for them to report to their offices before interviews could be conducted.

The next phase of the access negotiation had to do with entrepreneurs and small business owners. The researcher needed some form of informal introduction and discussion to undertake the negotiation. Two approaches were used. The first is the use of contacts the research had already. In other words, the researcher contacted entrepreneurs and small business owners who were known to him primarily through telephone to book an appointment to meet them for discussion. The second was what Collis and Hussey (2003) refer to as cold canvas – approaching entrepreneurs and small business owners without introduction. In both approaches, the researcher discussed the purpose of the study with the

respondents and booked an appointment to meet with the respondents to conduct the interview. In most cases, the respondents did not demand any letter from the researcher. Since these entrepreneurs and small business owners have very busy schedules, some of them kept changing the times for the conduct of the interview. Some of them had to invite the researcher to their homes to conduct the interview.

#### **4.5.3 Methods of data collection**

Data have been defined in various ways by different researchers and/or authors. The definitions by the authors seem to reflect the paradigmatic choice of the researchers and/or authors. For example, Collis and Hussey (2003) and Zikmund et. al. (2010) defined data more in the light of quantitative research. One definition which fits more into this study is that which has been given by Saunders, Lewis and Thornhill (2007). They define data to include opinions that have been collected together and recorded for reference or analysis.

This definition fits well into this qualitative study since the current study gathered data through the opinions of the officials of enterprise support organisations and small business owners. This section deals with the sources of data and data collection methods used in this study.

There are two main sources of data. These are primary and secondary data. Primary data are data collected at source. Secondary data on the other hand refers to data which already exist or has already been collected for other purposes (Collis & Hussey, 2003; Zikmund et. al.; 2010). In this study, both primary and secondary data were collected. It must however be stated that primary data was the main source of data. The primary data were collected from two main sources. The first source was enterprise support organisations. These were made up of educational institutions, banking institutions, savings and loans institutions, governmental organisations and international organisations. Respondents from these organisations were interviewed with the help of interview guide. Secondary data were also collected. These consisted of published materials of the respective organisations that foster entrepreneurship and small business activities in Ghana.

The three different kinds of qualitative data and how they are collected are put forward by Patton (2000). The first kinds of data consist of verbatim quotations with sufficient context to be interpretable. These data are collected by means of interviews. The next kinds of data are field notes: rich detailed descriptions, including the context within which the observations were made. These are also collected through observation by the researcher. The last kinds of data are excerpts from documents captured in a way that that records and preserves context. These are also collected through documentary analysis. Three main

instruments were used in collection data for this study. These were documentary data, interviews (personal or face-to-face) and focus group.

#### **4.5.3.1 Documentary search**

In qualitative studies such as the current study; one very important source of data is through documentary. In other words, documentary data collection is another important way of gathering data for qualitative study such as the current one. Such documents might include official records, letters, newspaper accounts, diaries and reports, as well as unpublished data used in a literature review (Hoepfl, 1997; Bryman & Bell, 2003). As far as the current study is concerned, the researcher gathered data from the documents which were made available. The documents were mainly from the enterprise support organisations. These documents were those which bordered on the activities of the organisations which are geared towards entrepreneurship and capacity building in Ghana. Some of these included reports of various kinds such as, annual reports, seminar reports, leaflets, newsletters and other documents that contained vital information which was needed, particularly official information published in newspapers.

#### **4.5.3.2 Interviews**

The next method used for the collection of data for the current study is interviews. Wright (2006) suggests that in qualitative research, one of the most favoured methods is individual interviews. Bryman and Bell (2003, p. 341) corroborate this by putting forward that “the interview is probably the most widely employed method in qualitative research”.

Interviews were adopted in this study because as already stated this is a qualitative or phenomenological study. Phenomenology relies almost exclusively on conversational interview (Zikmund et. al., 2010; Leedy & Ormrod, 2005). Qualitative interviews could be used either as the primary strategy for data collection or in conjunction with observation, documents analysis and other techniques (Bogdan & Biklen, 1982).

Interviews were adopted because the study sought to find out what enterprise support organisations were doing to assist entrepreneurs and small businesses as well as what their take on the development of entrepreneurship and small businesses and the economy of Ghana for that matter. As Collis and Hussey (2003, p. 167) put it, “they are a method of collecting data in which selected participants are asked questions in order to find out what they do, think or feel”. Interviews can yield a great deal of useful data as the researcher can ask questions on a wide range of issues relating to the subject under investigation (Silverman, 1993).

The researcher had not less than 40 minutes of face-to-face interview with each respondent and/or participant from the enterprise support organisations and small business owners with the aid of the interview guide. Two sets of interview guide were designed. One was for officials of the enterprise support organisations and the other for small business owners (See Appendixes A and B). There were twenty-five and thirty- seven questions on the interview guide for officials of the enterprise support organisations and small business owners respectively. An interview guide or schedule is a list of questions or general topics that the researcher wishes to explore or uses to collect data. Even though the interview guide is prepared to ensure that basically the same information is obtained from respondents, there are no predetermined responses. In semi-structured interviews the researcher or interviewer is free to and explore within this pre-determined inquiry areas (Lofland & Lofland, 1984). One advantage of interview is that it ensures good use of limited interview time. In addition, they make the interview process more focused and ensure that interviewing multiple subjects is more systematic and comprehensive. Again, the flexible nature of qualitative research allows for reviews of questions on the interview guide so that questions that are inconsistent with the purpose of the research are expunged (Lofland & Lofland, 1984).

Three types of qualitative interviewing described by Patton (2002) are informal conversational interview, the general interview guide approach and standardised open-ended interviews. Informal conversational interview relies heavily on spontaneous generation of questions during the interaction between the researcher and the respondent. The interviewee may not even recognise that he or she is being interviewed. The general interview guide approach deals with outlining a set of issues that the researcher wishes to explore with each respondent before interview begins. The guide, as the name implies, is to serve as a reference point to make sure that all relevant topics are covered. The standardised open-ended interview is made up of carefully worded and arranged with the view to taking each respondent through the same sequence and asking each respondent the same questions with essentially the same words (Zikmund et. al., 2010; Malhotra, 2007; Bryman & Bell, 2007; Leedy & Ormrod, 2005).

In this study, the two set of interview guide were structured with regards to both categories of participants. However, all the questions were open ended with the exception of those that sought personal data. Qualitative interviewing using open-ended questions allow for variations which makes the research data richer (Hoepfl, 1997). Thus the study made room for probe in order to get more data from respondents. The reasons for using a structured interview techniques, which was pre-prepared was related to the difficulty with

unstructured interviews in terms of recording the questions and answers as well as controlling the range of topics. In addition analysis becomes very difficult (Leedy & Ormrod, 2005).

**Table 4. 7: Examples of questions on the interview guide**

<b>Enterprise support organisations</b>	<b>Small business owners</b>
Do you have any programmes/facilities for entrepreneurs and small businesses?	What is your business activity?
What methods are used in delivering the programme?	Have you attended any programme organised by any organisation for entrepreneurs and small businesses and what were the details of the programme?
What are the motivations behind these programmes/facilities for entrepreneurs and small businesses?	What impact did it have on you and/or your business?
How have these programmes/facilities impacted on the activities of entrepreneurs and small businesses?	What are the problems you encounter in accessing these programmes?
What are the difficulties you encounter in trying to help entrepreneurs and small businesses in the country?	What are the challenges involved in securing finance from financial organisations in Ghana?

Source: The author, 2012.

During the interview, notes were taken using the spaces provided on the interview guide and creating more space where possible to record more information. In addition, permission was sought to tape record the interview. This is supported by Zikmund et. al. (2010, p. 137) that “when conversational interview are face to face, they are recorded either with video or audiotape and then interpreted by the researcher”. However, majority of respondents from enterprise support organisations declined to be tape-recorded. Only five of the respondents allowed audio recording. On the other hand, out of the forty-one interviews conducted with small business owners and entrepreneurs, twenty-one were tape-recorded.

Two languages were used in conducting the interviews. English was the predominant language for all the interviews particularly those with enterprise support organisation. With regards to small business owners, however, three of the respondents spoke Twi-the dominant indigenous language of Ghana spoken by the Akan people. The researcher therefore listened attentively and translated carefully the responses into English on the interview guide while tape recording.

#### **4.5.3.3 Focus group**

The last method which was employed in this study is that of focus group discussion. Patton (2002, 385) writes that “a focus group interview is an interview with a small group of people on a specific topic. Groups are typically six to ten people with similar backgrounds who participate in the interview for one to two hours”. Zikmund et. al., (2010, p. 141) also describes focus group interview as “an unstructured, free-flowing interview with a small group of around six to ten people. Focus groups are led by a trained moderator who follows a flexible format encouraging dialogue among respondents”. Wright and Crimp (2000, p. 86) posits that traditionally one of the most favoured methods of data collection in qualitative research is that of focus group. Focus group can be thought of as a ‘group interviews’ where a number of respondents, between eight and twelve are brought together to discuss their opinions on a particular topic facilitated by a moderator.

Zikmund et. al. (2010) present some advantages of focus group interviews to include relatively fast, easy to execute, provide multiple perspectives, flexible to allow more detailed description and high degree of scrutiny. Several other advantages of focus group are identified. First, it is considered to be relatively cost effective since in just an hour the researcher can generate huge amount of data. Thus Krueger (1994, p. 8) posits that “focus group interview are widely accepted because within marketing research because they produce believable results at a reasonable cost”. Second, interaction among participants ensures and/or enhances data quality. Krueger and Casey (2000) are of the view that the checks and balances by participants tend to weed out false and extreme views. Third, focus groups interviews tend to be enjoyable to participants, drawing on human tendencies as social beings; and the relatively consistent, shared view or diversity of views of participants can quickly be gathered or accessed (Patton, 2002).

Focus group discussion, however, is not without limitations. For example, Kaplowitz (2000) is of the view that controversial and highly personalised issues do not lend themselves to focus group discussion. One other limitation is that where participants are familiar with themselves, the focus group discussion does not work better. Moreover, it is more suitable for the discussion of major themes and not so much for the micro-analysis of

subtle differences (Krueger, 1994). According to Patton (2002, p. 387) “those who realise that their viewpoint is a minority perspective may not be inclined to speak up and risk negative reactions”. Zikmund et al., (2010) summarises the disadvantages of focus group interviews as: results depend on the moderator or the researcher; it is difficult to use for sensitive topics and that it is expensive. For example the moderator has to rent facilities and equipment, recruit respondents, pay respondents and other miscellaneous expenses have to be incurred.

The current study recruited ten participants for the focus group. Two of these came from government agencies, banking institutions, savings and Loans Company, higher educational institutions and four were small business owners. Initial contacts were made to informally inform potential participants of the proposed discussion. Letters were written to the enterprise support organisations to permit their selected employees to participate in the discussion. For small business owners, the researcher went to them and invited them personally to the discussion. In both cases, the main purpose for the discussion was revealed. Other things which were stated included the time, the place, the various topics and the estimated time for the discussion. The researcher ensured that the time was convenient to majority of the participants. A day before the day for the focus group, telephone calls were made to participants to remind them of the impending discussion.

The researcher developed a discussion guide-a focus group outline (See Appendix C) that includes written introductory comments informing the group about the focus group purpose and rules and then outlines the topics or questions to be addressed during the discussion. Some of the topics which were discussed were relationship between enterprise support organisations and small business owners, the cost of borrowing, requirements for borrowing, the challenges of enterprise support organisation, the challenges of small business owners, the creation of an enabling environment for the growth and development of small businesses in Ghana among others. The researcher ensured that participants were given fair opportunity to put their views across. Also it was ensured that participants were not digressing to keep the discussion focused. In addition to taking notes, the researcher tape-recorded all the proceedings.

The actual interview followed the steps provided by Zikmund et al (2010). The researcher welcomed the participants and asked all participants to introduce themselves. The participants were briefed about the purpose of the focus group discussion. The researcher began the discussion with a broad theme by asking the views of participants on the link between the growth and development of entrepreneurship and small business to the economic development of Ghana. The discussion then became more increasingly specific



and the discussion proceeded with reference to the discussion guide making sure that the items listed on the guide were covered albeit non-linear. Opportunity was given to respondents to interact with one another and to ask any questions they had. This was a final shot to gain more insight from the respondents. The discussion lasted for two hours and fifteen minutes.

#### **4.5.4 Triangulation**

Once the researcher establishes the paradigm adopted; it is not unusual in business and/or management research to take a mixture of approaches, particularly in the methods of collecting and analysing data. This allows for taking a broader and often complimentary view of the research issue. A research project may thus represent a blend of assumptions and methodologies. Although there is some difficulty in combining the two main paradigms in the same study, it is possible and even advantageous to use both qualitative and quantitative methods. The use of different research approaches, methods and techniques in the same study is called triangulation (Collis & Hussey, 2003). Triangulation has been defined by Denzin (1970) as the studying of a phenomenon through a combination of methodologies. He indicates that if different methods are used to study a phenomenon and the results are the same; it leads to greater validity and reliability.

Triangulation is explained to mean the use of more than one method or sources of data in the study of social phenomenon (Bryman & Bell, 2003). In triangulation “multiple sources of data are collected with the hope that they will all converge to support a particular hypothesis or theory. This approach is especially common in qualitative research; for instance, a researcher might engage in many informal observations in the field and conduct in-depth interviews, then look for common themes that appear in the data gleaned from both methods” (Leedy & Omrod, 2005, p. 99). Touching on method triangulation, LeBlanc (1995) also posits that it involves the use of various complementary, symmetrical or parallel systems of steps by the researcher to study a phenomenon or set of phenomenon. The reason or the purpose for method triangulation, therefore, is to obtain different views about the phenomenon under study in order to understand it better.

According to Jick (1979) the advantages of triangulation are that it encourages productive research, enhances qualitative methods and allows for the complimentary use of quantitative methods. However, there is difficulty in replicating the study when mixed method approach is adopted especially where qualitative data is generated. Moreover, the approach is time consuming and expensive. Writing on “methodological mixes” Patton (2002) describes triangulation as studying by combining methods. He mentions that the main advantage of triangulation is that it strengthens a particular research project or study.

However, Patton (2002) agrees with Jick by explaining further that even though triangulation is ideal it is not without drawbacks or disadvantages. It can be very expensive as the research tries to employ different kinds of data collection methods. In addition it requires a huge budget and more time as a limited budget and time frame will go a long way to affect the amount of triangulation that is practical.

It is thus established that triangulation can take different forms such as analysing data in more than one way; using more than one sampling method; using different interviews, observers or analysts and using more than one method to gather data. The use of triangulation in this study, therefore, refers to the use of more than one method in gathering data. As stated earlier, in this study, three different methods were used in gathering data. These were documentary data collection, personal interviews (face-to-face) and focus group discussion. The use of these methods was necessary in gathering data from different sources in order to understand, holistically, the challenges and prospects of building entrepreneurship and small business capacity in Ghana.

## **4.6 DATA ANALYSIS METHODS**

The analysis of qualitative data can prove to be a daunting task. This is because in most cases the collection of data goes alongside the analysis. The qualitative researcher should not collect data without substantial analysis going on concurrently (Coffey & Atkinson, 1996). The following sections are devoted to deductive analysis and transforming qualitative data.

### **4.6.1 Deductive analysis**

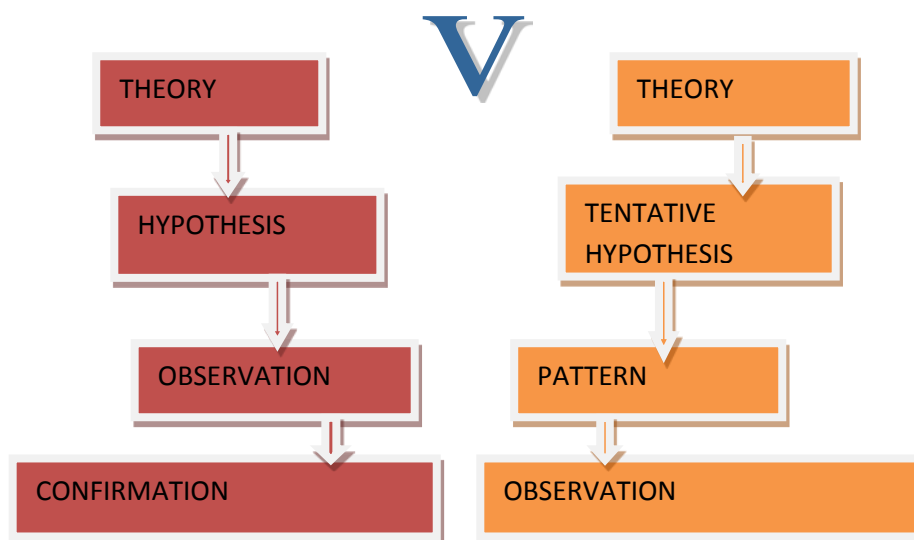
Researchers have divided opinion as to what constitute inquiry and warrantable knowledge in specific situations. There appear to be two diametrically opposing views. On one hand there is the “experimentalist”, “hypothetico-deductive”, or “positivist” and on the other the “naturalistic”, “contextual” or “interpretative” (Henwood & Pidgeon, 1993, p.15). One starts from the need to test theory and the other to develop theory. Basically, therefore, there are two main approaches to reasoning which results in the acquisition of new knowledge. The two approaches are inductive reasoning and deductive reasoning (Hyde, 2000).

Inductive reasoning begins with generalisations and moves towards applying these generalisations to specific situations. This approach to reasoning is a theory building process which observes specific situations and seeks to establish generalisations about the phenomenon under study. Inductive reasoning is more connected to qualitative research

such as the current study (Hyde, 2000). The inductive logic maintains that not even the knowledge of a general frame or literature is definitely necessary (Andreewsky & Bourcier, 2000; Flint & Mentzer, 2000) instead the researcher observes the world which leads to emerging propositions and their generalisation in a theoretical frame (Danermark, 2001; Kirkeby, 1990).

Deductive reasoning is a theory testing process. This approach begins with generalisation and seeks to investigate the applicability of the generalisation to specific situations or instances. In other words, this approach to reasoning investigates to see if an established theory is applicable to specific situations (Hyde, 2000). The deductive tradition starts “with an abstract, logical relationship among concepts then moves(s) towards concrete empirical evidence” (Neuman, 1997, p. 46). In deductive research, therefore, there exists a well-established role for existing theory since it informs the development of hypotheses, the choice of variables and the resultant measures which the researcher intends to use. Figure 4.6 summarises the conceptual differences between deductive and inductive research.

Figure 4.2: Deductive Vs. Inductive



Source: Adapted from Aqil Burney (2008).

Traditionally, the view is that quantitative research or enquiry adopts an inductive process while qualitative enquiry generally adopts an inductive process. This view is inherent in the quantitative and qualitative research dichotomy (Hyde, 2000). It has, however, been argued that, qualitative and quantitative researchers alike do apply deduction and induction in their research (Patton, 1991); but do not always recognise these processes formally in their research (Hyde, 2000).

The current study; though a qualitative study subscribes mainly to the deductive reasoning. This is based on the premise that, despite putting the two approaches into their watertight compartment by some researchers; qualitative study, such as the current one can adopt either inductive or deductive process or both (Patton, 1991). This view is supported by Parkhe (1993) that, researchers are required to balance induction and deduction in their studies. Advocating either extreme is not the best in the sense that it deprives researchers using inductive approach and those using deductive approach of useful theoretical perspective and concepts and the development of new theory respectively.

The current study is both deductive and inductive, as Patton (2002) suggested. A theoretical framework (i.e. institutional theory) informed the study and its generic categories as focal points of analysis. This lends itself to deductive approach. At the same time, the researcher generated data categories and themes emerged from the primary data of the study. This is the inductive aspect. This combined and balanced view is supported by Parkhe (1993) that, researchers are required to balance induction and deduction in their studies. Advocating either extreme is not the best in the sense that it deprives researchers using inductive approach and those using deductive approach of useful theoretical perspective and concepts and the development of new theory respectively.

The current study considers an established theory of institutional theory which has provided the data categories which deductive analysis subscribes to (Hyde, 2000). Institutional theory is discussed in chapter two of this study. The study examines the institutional mechanisms and dynamics of enterprise support in driving entrepreneurship in Ghana, through the lens of (the institutional theory) to entrepreneurship. This informed the development of the research questions of the study as spelt out in chapter one of the study (Newman, 1997). The penultimate chapter of the study is devoted to the development of a model, which offers the applicability of institutional theory to building capacity for entrepreneurship in Ghana.

#### **4.6.2. Transforming qualitative data**

There is no single right or most appropriate way of analysing or transforming qualitative data. Not only are there many ways but also analysis means different things to different authors or researchers (Coffey & Atkinson, 1996). For example, Walcott (1994) uses the term transformation to describe a variety of strategies. He argues that qualitative data could be transformed in different ways to different ends. The transformation process is broken down into description, analysis and interpretation. The goal of description is to tell the story of the data in a descriptive a way as possible. Analysis deals with extending and expanding data beyond a descriptive account. It involves systematic procedure to identify

features and relationships. Interpretation is where the researcher offers his or her own interpretation of what is going on.

The method of data analysis will differ according to which paradigm the researcher adopted as well as the research design that the research used (Collis & Hussey, 2003). If it must be stated again; it has been established that this study is phenomenological or qualitative. According to Barritt (1986) the central task during data analysis as far as phenomenological study is concerned is to identify common themes in the description of the experiences of participants and/or respondents. This is what Morse (1994) refers to as synthesising which includes the drawing together of different themes and concepts from the study and forming them into new, integrated patterns. In this study therefore, the researcher identified common themes arising of the interviews conducted with officials of the enterprise support organisation as well as small business owners, the focus group discussion and the analysis of documents.

The whole process started with the transcription of the interviews. The transcription was done by listening to the audiotape and making reference to the notes which were taking alongside to make sure that all relevant data were captured. The transcription was done in word document in a structured form according to the order of the questions on the interview guide. In other words, the questions on the interview guides for enterprise support organisations and small business owners were used as the codes and all responses related to these questions were captured under them. This was done for each interview guide. With this structured data, the researcher took advantage of NVivo's auto coding features and imported them into NVivo software. The software then automatically developed the codes for analysis.

After the transcription of the interviews and the importation into the NVivo software, the researcher identified those words and/or statements which featured prominent under each node for the purpose of analysis. For example under the node "problems of small businesses in accessing finance" the phrase which featured prominently was "interest rate". Thus it was obvious that among the challenges of small business owners in Ghana with regards to accessing finance, interest rate was paramount.

With the help of Nvivo software, the researcher grouped the segments into categories that reflect the various aspects of the subject under investigation. There was thus the identification of common and relevant themes and meaning created out of them (Zikmund, et. al., 2010; Bryman & Bell, 2007; Malhotra 2007; Leedy & Ormrod, 2005; Creswell, 1998).

In addition the researcher sought divergent perspective by looking and considering various ways in which enterprise support organisations and small business owners expressed their opinions about entrepreneurship and small business development in Ghana. Then came the construction of a composite; which means that the researcher used the identified meanings to develop an overall description of the subject under study as expressed by the two categories of respondents (Zikmund, et. al., 2010; Bryman & Bell, 2007; Malhotra 2007; Leedy & Ormrod, 2005; Creswell, 1998)

The final result was, therefore, a general description of the subject under study as described by the respondents. The focus again was on common themes in the responses even though there were divergent views on some issues raised during the interviews on both sides of the participant divide.

## **4.7 QUALITY OF THE RESEARCH**

Quality is very important in all spheres of life and research and qualitative research for that matter is no exception. This section, therefore, discusses the quality criteria for qualitative research and the strategies the researcher employed in the field to ensure quality.

### **4.7.1 Quality criteria for qualitative research**

How do readers, reviewers, and practitioners assess the worth of a qualitative research? What characteristics are required of a good qualitative research? What makes one qualitative study 'excellent' and another only 'marginal'? These are some of the questions that need to be answered in evaluating qualitative research according to Leedy and Ormrod (2005). Experienced qualitative researchers have put forward a variety of standards that might be used in judging or evaluating a qualitative study. The suggestions of these researchers may be categorised as purposefulness, explicitness of assumptions and biases, rigor, open-mindedness, completeness, coherence, persuasiveness, consensus and usefulness (Zikmund et al., 2010; Glazer, 1992; Creswell, 1998; Eisner, 1998; Leedy & Ormrod, 2005).

Purposefulness of qualitative research is taken to mean that the research question of the study drives the methods used in collecting and analysing data and not the opposite. Explicitness of assumptions and biases denote the researcher identifying and communicating any assumptions, beliefs, values, and biases that may influence data collection and interpretation. Open-mindedness in qualitative research suggests that researcher is willing to modify research questions when newly acquired data conflict with previously collected data. Rigor is where the qualitative researcher makes use of rigorous,

precise and through methods to collect data for recording and analysis. Completeness is where the researcher depicts the phenomenon under study in its complexity. The researcher spends enough time in the field to understand all the nuances of the object of study so that he can give a perfect description of the phenomenon. With regards to coherence, the research data provides findings that are consistent. In other words, the story makes sense and the conclusions can be supported. Multiple data sources converge unto consistent conclusions (triangulations or structural corroboration) and steps are taken to correct any inconsistencies in the data. Persuasiveness is the presentation of logical arguments by the qualitative researcher and the weight of the evidence suggests one interpretation to the exclusion of others. Consensus is where all stakeholders as far as the study is concerned agree with the interpretations and explanations of the researcher. Finally, usefulness is explained to mean that research project yields conclusions that promote better understanding of the object of study, enable more accurate predictions about future events, or lead to intervention that enhance the quality of life. Usefulness or instrumental utility is considered to be the most important test of any qualitative research (Zikmund et al., 2010; Glazer, 1992; Creswell, 1998; Eisner, 1998; Leedy & Ormrod, 2005; Gall, Borg & Gall, 1996).

#### **4.7.2 Field strategy to ensure quality**

This section explores the strategies the researcher employed as part of the measures to ensure quality of the research project. Fieldwork is very important as far as qualitative research is concerned. According to Patton (2002, p. 48) “going to the field” entails having direct and personal contact with research participants in their own environment. Thus, there is bound to be some errors in the field that might affect the quality of the research. In the current study, the researcher embarked on some measures with the view to ensuring quality of the research project.

Firstly, the researcher made sure that the right sources of data were selected. With regards to enterprise support organisation, the researcher made sure that the right organisations were selected. That is, organisations which were into activities aimed at helping to develop entrepreneurship and small businesses in Ghana. This ensured that the right data was gathered from the field. With respect to small business owners and entrepreneurs, the same method was adopted. Moreover, since some of the enterprise support organisations were into other activities, the researcher made sure that the right participants were selected for interviewing. For example, in the universal banks in Ghana, there are departments responsible for small business development. The selection of participants for data

collection was therefore from these departments because the researcher considered staff in these departments to be information rich sources.

Secondly, the researcher ensured that participants of the study were interviewed at their own convenience. This is explained by the fact that there is the tendency for participants to give answers hurriedly if they are being interviewed out of their convenience or what they consider to be the right environment. Participants were therefore allowed to set their own time for the interview and places where they thought was convenient for them to be interviewed. The researcher therefore had to go back and forth for several weeks to get some of the respondents to 'create their own convenience'. For example, one of the small business owners was interviewed in his residence because that was where he thought was convenient for him. Thus, he had the time and 'liberty' to answer all the questions from the researcher.

One mistake which is likely to be done by qualitative researchers is the tendency to put words in the mouth of respondents or to lead respondents in answering questioning during interviews. Thus, the third measure which was put in place to ensure quality of the research during the field work was to allow respondents complete freedom in answering questions without any interference whatsoever. Related to this is that of making sure that respondents understood the questions that were asked. Therefore, time was taken to ask questions as clearly as possible and to explain further to those who did not understand some of the questions. Moreover, some of the small business owners who did not understand the English Language were interviewed in their own native language and later translated into English. This was done to ensure that this category of respondents understood the questions and were free to express themselves so as to generate quality data.

Fourthly, in order not to forget and leave out important data, the researcher ensured that interviews were tape recorded alongside taking notes. These were analysed together so that no vital data was left out.

Finally, to ensure that the data collected from the field was of good quality, the researcher used multiple data collection tools-interview, documentary and focus group. This was to allow for taking a broader and complimentary view of the research.

#### **4.8 RESEARCH ETHICS AND LIMITATIONS**

Ethics is concerned with right and wrong and how conduct should be judged to be good or bad. It is how people live their lives and in particular, how they should behave towards other people. It has also been defined as "moral principles that control or influence a



person's behaviour and/or a system of moral principles or rules of behaviour" (The Oxford Advanced Learner's Dictionary, 2000, p. 395). In the context of this study therefore, ethics had to do with conducting the research in such a way that stakeholders, particularly research participants are treated fairly; the research activity does not harm the stakeholders and/or the results of the research project will not be harmful to any individual or group (Fisher, 2007; Leedy & Ormrod, 2005).

Ethics is very important in research and this is especially so when it come to qualitative research. This is because in qualitative research, more often there is interaction between the researcher and research participants. Leedy and Ormrod point out that whenever human beings are the focus of any investigation or research, the investigator or the researcher must look closely at the ethical implication of what he or she is proposing to do. Coolican (1992) posits that it is difficult if not impossible to conduct qualitative research such as the current study without having to deal with ethical argument. Thus Collis and Hussey (2003) argue that the researcher needs to consider a number of different ethical issues at the outset of the research projects.

In the current study, the following ethical issues were considered. The first has to do with negotiating access. In negotiating access, the researcher had to seek permission through informal discussion which was followed with formal letters seeking permission to access the organisations. Also the researcher had to agree with the research participants (those from enterprise support organisations and small business owners) on the terms of reference for the project. Related to this is what is referred to as informed consent. According to Fisher (2007) this is perhaps the most important issue in qualitative research. As far as informed consent is concerned, no one should participate in a research or be a source of information without his or her consent (Leedy & Ormrod, 2005). Fisher (2007, p. 64) puts it this way; "no one should be a participant or a source of information in a research project unless they have agreed to be so on the basis of complete understanding of what their participation will involve and the purpose and use of the research". In the current study the consent of the organisations and/or their appointed participant was sought and the purpose of the research was made known to them through the access letter.

Moreover, the researcher sought permission from enterprise support organisations and the small businesses to access their official document as part of the data collection. Thus, all the documents which were used for data collection had prior approval from the respective organisations (Fisher, 2007).

Another important ethical issue is confidentiality and/or anonymity. Zikmund et al., (2010) explains confidentiality to mean that information provided by the research participants will not be shared with others. This is how the researcher 'pays back' respondents for their honest co-operation. This is what Zikmund et al (2010) indicate that when someone willingly agrees to participate actively, it is generally expected that he or she will provide truthful answers. Honest cooperation is the main obligation of the research participant. In return for being truthful, the subject has the right to expect confidentiality.

To ensure participants right to privacy, the access letters of the current study indicated that the research was going to be used for academic purpose only. Research participants were made to understand that the researcher was a student and the research was purely an academic exercise. In addition to the access letters, the researcher made this known to all respondents orally before all interviews were conducted. In addition to not sharing information with others, the participants were assured of their hidden identities. To this end, names of respondents were not stated only a few personal data such as age, gender and educational background.

Limitations and delimitations are very important in qualitative research such as the current study. Collis and Hussey (2003) posit that whether the researcher is conducting a large or a small research project, he or she will need to identify the various constraints of the enquiry. The researcher will have to exclude some potential areas of investigation and it will also be important for the researcher to comment on any reservations he or she may have. These are known as limitations and delimitations. A limitation denotes identifying the potential weaknesses in the research whereas delimitation explains how the scope of the study is focused on one particular area.

The first limitation of the current study is has to do with language. The language used in the current study is English. That is, English was the main language used in the collection of data. However, Twi-the dominant indigenous language of the Akan people in Ghana- was used in collecting some of the data from small business owners. This is because, as stated earlier, a few of the small business owners could not express themselves in the English language during the interview sessions. This has the potential of affecting the data collected in the sense that the researcher has to translate the responses into English. In qualitative study, it is important that the responses of research participants are recorded verbatim. This translation can affect the exact words of the respondents.

The next issue worth mentioning is that the study used the two locations of Accra and Kumasi for data collection. These are the first and second largest cities in Ghana. The

current researcher is located in Kumasi for this reason majority of the small business owners and enterprise support organisation was selected from Kumasi. Ideally, the study should have collected data 'equally' from the two areas or even all the regions in Ghana to be more representative.

In addition to the above-mentioned problems the research had a challenge with access. Some of the small business owners were somewhat sceptical about the researcher. A few of them took him to be a tax man or even a politician who was looking for information for political expediency. The researcher was therefore subjected to series of questions before access was granted. The scepticism of some of the small business owners could result in the withholding of some vital information during the interview. Access to the enterprise support organisations was relatively easy. However, some of the enterprise support organisations were also sceptical to the extent that the researcher had to go back and forth for several weeks to them before access was granted. A few of them did not allow access at all for reasons best known to them. All this have the potential of affecting the quality and richness of the data gathered from the field.

#### **4.9 SUMMARY OF THE CHAPTER**

This chapter presents research methodology by revisiting the research objectives and questions of the study. Paradigmatic underpinnings of the study are discussed and phenomenological paradigm is highlighted as the paradigmatic stance taken in the current doctoral research. The study design is qualitative and thus employs qualitative research methods. This requires interaction between the researcher and the subject of the research to form an agreed, informed construction through dialectical exchange (Guba & Lincoln, 1994), which is discussed in reflexivity section of the chapter. The data collection methods adopted in the current study semi-structured interview, focus group and documentary analysis in accordance with the exploratory research design (Lewis & Thornhill, 2007; Easterby-Smith et. al., 2012).

The chapter has discussed the research design. The study seeks to explore the prospects and challenges involved in building entrepreneurship and small business capacity in Ghana. It also seeks to generate new insights and assess the role of enterprise support organisations in the development and growth of entrepreneurship in Ghana. In the chapter, data analysis methods, quality criteria and ethical considerations and limitations have also been considered.

## **CHAPTER FIVE**

### **PERCEIVED ROLES AND FUNCTIONS OF THE ENTERPRISE SUPPORT INSTITUTIONS IN GHANA**

#### **5.1 INTRODUCTION**

This chapter presents and discusses the findings of the research from the data collected from the enterprise support organisations. The chapter explores the role of enterprise support organisations, their motivations for supporting small businesses, collaborations among the enterprise support organisations, the challenges facing the enterprise support organisations and the impact of the activities of the enterprise support organisations on small businesses in Ghana.

Data were collected from 20 enterprise support organisations. They included four higher educational institutions, five government agencies, four banking institutions, five micro finance companies and one international organisation.

#### **5.2 THE ROLE OF THE KEY ENTERPRISE SUPPORT ORGANISATIONS IN ENTREPRENEURSHIP CAPACITY BUILDING**

The study investigated the specific roles that the selected enterprise support organizations were playing in supporting entrepreneurs and small business owners. The enterprise support organisations had different forms of activities and/or programmes that they embark upon to ensure the smooth operations of entrepreneurs and small businesses in Ghana.

##### **5.2.1 The role of financial institutions: The banks**

Financial institutions have long been playing their roles in helping entrepreneurs in building their financial capacity. This is explained by the fact that financial capacity is a pre-requisite for building entrepreneurial strength (Sacerdoti, 2005). There are a host of services that the banks in Ghana are providing for small businesses and entrepreneurs in Ghana.

The main facility provided for entrepreneurs is financial. They include term loans (capital financing), overdraft and auto loans among others. The term loans are giving for the general running operations of entrepreneurs and small businesses. They are specifically for the purchase of equipment, development of business sites among others. These are given for a period of time, within which the principal and interest are paid by monthly instalments. With regards to the overdraft a limit is set on how much money the

beneficiary can use at any point in time. The limit, however depends on the turnover of the beneficiary and can be called upon and/or cancelled at any time by the bank. Auto loans are also granted to entrepreneurs and small businesses. These are not granted to purchase personal vehicles but those that will enhance or facilitate the operations of the entrepreneur or small business. Some of the banks finance 60% of the total cost of the vehicle and the rest is to be financed by the beneficiary entrepreneur. In addition the bank helps merchant entrepreneurs by providing them with letters of credit. The importance of this financial assistance from the banks cannot be over emphasised. This is because access to finance has been one major challenge facing small businesses, particularly those in Africa. Lack of access to finance and the inadequacy of financial capital have nipped in the bud a lot of starts up and stifled the growth of a lot of small businesses (Kayanula & Quartey, 2000).

Another area of support provided by the financial institutions to entrepreneurs and small businesses is training. This is very essential in the building of entrepreneurship capacity for growth and development. One of the participants of the financial institutions indicated that:

*“We provide training programmes for entrepreneurs. These programmes are organised in conjunction with Empretec Foundation (a non-governmental organisation in Ghana) for some selected entrepreneurs. The actual organisation of the programme is done by Empretec and we finance it”.*

During these training programmes the entrepreneurs are taken through business management related subjects such as financial management and how to prepare business plans. The respondent of one of the banks which has a club for entrepreneurs said:

*“Depending on the needs of members of the club and availability of resource persons; the club meets once a month. During such meetings members are taken through courses such as basic book keeping, management skills, business plan preparation etc”.*

The length of the programmes, however, differs from one bank to another and also depends on the training needs of customers. This confirms the fact that entrepreneurs do not need only financial assistance but also management training so that they can manage their finances well since effective management of small businesses has become a bane of many entrepreneurs particularly those in Africa and Ghana for that matter (Lighthelm & Cant, 2002).

Related to training is the provision of general business advice to entrepreneurs by the banks. Some of the banks set aside some days where entrepreneurs who are their customers are invited to their premises for interactions. This interactions offer the

financial institutions the opportunity to offer pieces of business advice to their customer, particularly on current business issues that affect the business of the entrepreneurs. A bank official stated that:

*“We invite them to hear their challenges and offer pieces of advice we believe will help our customers. The advice borders on current issues which we believe have the potential of increasing the productivity of the businesses of our clients”.*

The pieces of advice to the entrepreneurs are crucially important in the sense that sometimes, small business owners embark on programmes and make some investment without professional advice. Thus these pieces of advice guide entrepreneurs in taking proper business decision and to ensure that they have good returns for their investments (Kayanula & Quartey, 2000). This is not only beneficial to the small business owners but the banks as well. The reason is that if the small business owners make wrong investment and do not get the expected return, it will then become difficult if not impossible to settle their indebtedness to the banks (Kazooba, 2006).

In addition to the above facilities, some of the banks provide entrepreneurs with the opportunity to have international exposure. For example, Barclays Bank Ghana Limited has a Business Club which consists of entrepreneurs and small business owners who are customers of the bank. The membership of the club, however, is optional. The bank organises trips for members of the club to countries such as China and Singapore. One bank official stated that:

*“We organise trips for them outside of Ghana as a way of exposing them to the business world and helping them to establish international business relationships with their counterparts in other countries at their own expense”.*

This is a way of helping entrepreneur and small business owners to build their capacities through the establishment of international business contacts and to have knowledge of the international business terrain since knowledge of the international market and how to take advantage of international opportunities is crucially important for the development of small businesses (Bonaccorsi, 1992; Errailli & D’Souza, 1993; Haahti, O’Farrel & Hitchins, 1988).

### 5.2.2 Facilities and programmes by micro-finance companies (MFIs)

The importance of micro finance institutions (MFIs) to entrepreneurship development lies in the fact that they provide bespoke financial service arrangement for small businesses which the commercial banks may not be ready to do. To this end, an official of one of the participant micro finance companies that is religious in nature stated that:

*“We have the call of Jesus Christ to serve the poor which the banks are not ready to serve. We are therefore motivated to fill the gap left by the commercial bank”*

Moreover, even though some of the services of the MFIs and the commercial banks overlap; they provide some services which the commercial banks shy away from and which are very important to small business owners (Beck, 2009; Klapper, Sarria-Allende & Sulla, 2002). Thus, the study explored some of the services that these micro finance institutions provide for entrepreneurs.

Micro finance institutions help small businesses in savings their surplus money. Savings are inevitable when it comes to small business operations. The small business owners need to save in order to plough back some of these surplus money into their businesses. In addition, the MFIs do grant loans to entrepreneur or assist them with financial facilities to facilitate the running of their ventures. The loan they provide for small businesses is what they refer to as “soft loan”. The name of the loan suggests that MFIs make repayment of their loans more flexible than the commercial banks (Klapper, Sarria-Allende & Sulla, 2002). An MFI official stated that:

*“Our core business is savings mobilisation from the SME sector and giving out of loans to the same. We have savings facility and we grant loans to small to medium size companies”.*

The provision of group financial facility to small business is another important role the MFIs play. Some of the small business owners on their own may not be able to access financial facility because they do not have the requirements needed; such as collateral to secure the loan. The MFIs thus operate what they refer to as “Group Account” for small business owners. The group is made up of 4-5 small businesses. There is also what is referred to as “Susu Account”. This is where small businesses deposit specific amounts of money for a specific period; which is used as the basis for granting them loans. With respect to the group account one participant stated that:

*“How much we give to the group members depend to a large extent on how the group has operated its account with us for at least three months. Also the enterprise of the group members will be evaluated by our officials. After the three months, the total savings of the*

*group is multiplied by two and given as a loan facility to the members of the group. All the group members are held responsible for the repayment of the loan. One official of another MFI remarked that:*

*“Entrepreneurs are made to form groups of between 10 and 25. The amount they can access depends on many factors but currently the maximum amount given to the groups is GH¢ 600.00 with an interest rate of 3.4 per cent. No collateral or guarantors are required. The group members are held collectively responsible for the repayment of the loan”.*

The group members serve as guarantors for one another or they co-guarantee the loan. This role of some of the MFIs relieves small business of the burden of having to provide collateral and other forms of security that has become the bane of many small businesses in developing countries and Ghana for that matter (Sacerdoti, 2005).

Education and training for entrepreneurs are very much important to the building of their capacities for growth. Entrepreneurs need constant training in order to sharpen their skills and which can be brought to bear of the management of their ventures (Sinha, 2004). Just like the commercial banks, MFI provide training and education to their small business owners. However, they add further values by incorporating a social dimension to the training and education. It was indicated by one of the MFI officials that:

*“Our company trains entrepreneurs in best practices such as book keeping, marketing and other business related topics. Furthermore, we educate entrepreneurs on social issues such as reproductive health, menopausal symptoms, humility and integrity”.*

The social issues are important because social imbalances can affect the businesses and/or performance of entrepreneurs. Aside from the social dimension on education and training, the study revealed that the MFI training in good management practices as indicated by of one of the participants:

*“The business development and customer relations units team up to educate entrepreneurs and small business owners on good financial management practices such as book keeping and other management practices that will help them improve their businesses”.*

This explains the fact education and training to small businesses is very important to the financial institutions (commercial banks and MFIs) since they have all given education and training the needed attention in order to help accelerate the growth and development of entrepreneurial businesses.



The MFIs, in addition to the roles discussed, provide advisory services to entrepreneurs. These advisory services are centred mainly on good business practices which are pre-requisite for the growth and development of small businesses. This was contained in the remarks of one of the MFI official:

*“In addition to the financial facility, we offer advisory services to SME customers free of charge. We have found out that many of them do lack knowledge on many issues. We therefore advise on a wide range of business issues such as keeping daily records, separating personal from business finance and providing effective and efficient customer service and stock management”*

The advisory services have a mutually beneficial effect. This is because the small business owners need these pieces of advice to take prudent business decision (Abor & Quartey, 2010; Kayanula & Quartey, 2000). This has a resultant effect of helping the MFIs to have the loans granted the entrepreneurs to be repaid as agreed. This helps in improving the business relationship between small business owners on one hand and the MFIs on the other hand. The survival of the small business, all other things being equal, will translate into viability of the MFIs and vice versa.

### **5.2.3 Programmes and facilities by government agencies**

Governments all over the world have thrown their weights behind the building of entrepreneurial capacity as a way of enhancing economic development. This is a result of the strong link between entrepreneurship development and economic development (Abdullah & bin Bakar, 2000). In Ghana the government works through some agencies such as the National Board for Small Scale Industries (NBSSI); Micro Finance and Small Loans Centre (MASLOC), Rural Enterprises Project (REP); Export Development and Investment Fund (EDIF) and Venture Capital Trust Fund (VCTF). This section, thus discusses the role of these government agencies in supporting small business activities in Ghana. These activities take the form of financial and non-financial support.

The first financial role which the government agencies play is financial facilitation. This role has to do with the facilitation of access to banks and non-bank financial institutions by the government agencies for entrepreneurs. It was explained by an official of NBSSI that

*“The board helps micro and small businesses to have access to financial facilities by banks and other non-bank financial institutions, we do this because majority of the small business owners we deal with do not have the capacity to access finance on their own”.*

A lot of the small business owners in Ghana have no or little knowledge as to how to access finance in Ghana (Tambunan, 2008; Sam, 2007). This facilitation function thus helps these entrepreneurs to have the insight as to how to access finance in Ghana and to eliminate all the doubts associated with accessing finance in Ghana by small business owners. Some of the small business owners are of the view that the aim of the financial institutions is to make money out of them. Others do not have the capacity to read and understand the terms of the contract they enter into with the financial institutions and thus shy away from them. The facilitations function, thus reduces some of the challenges of financial accessibility by small businesses.

Related to the facilitation function is financial education. Some of the government agencies create the platform for financial institutions and entrepreneurs to come together. These meetings enable the banks to educate the entrepreneurs on what facilities they have. This is because some of the entrepreneurs are ignorant of the facilities of the financial institutions. One government official stated that:

*“We organise on regular basis forums for bankers and entrepreneurs for the banks to sell their products to them and to let them know what they have on offer for the small business owners since some of them do not have much information about financial services from the banks for SMEs”.*

This education goes a long way to build the confidence of entrepreneurs with regards to accessing finance in Ghana. Without this education, some of the entrepreneurs will completely be financially ignorant; which has the potential of further worsening the plight of small businesses in Ghana.

The next is granting concessionary loans and equity funding. The granting of loans which has been the exclusive preserve of the financial organisations of the commercial banks and the micro finance organizations is fast becoming a thing of the past. The government of Ghana through MASLOC provides loans to small businesses. There are three types of loans that are given to entrepreneurs. The first one is what they refer to as group loans. This is where the entrepreneurs are grouped and assisted with financial facility. Small loans on the other hand go to individuals and ranges between GH¢ 1000.00 – GH¢10,000.00. The other type of financial facility comes in the form of providing the entrepreneurs with ‘fixed assets’.

*“We have three types of loans we offer. These are micro finance or group loans, small loans (GH¢1000-10000), and fixed asset loans. We assist fishermen to own fishing assets and taxi drivers to own their own cars”*

Currently, the scheme provides outboard motors for entrepreneurs in the fishing industry as an example. The intervention of the government has the positive effect of encouraging entrepreneurs in groups and individually to access loans. This is because of the concessionary nature of the loans which the government agencies provide. In other words, the cost of the loans is far below those being charged by the commercial banks and MFIs (Acs & Szerb, 2007). The government through the Venture Capital Trust Fund (VCTF) provides equity funds to small and medium scale enterprises (SMEs) in Ghana. Equity funding is crucially important for the development of entrepreneurship in developing countries. The step by the Government of Ghana is thus in the right direction and ensuring entrepreneurs have the needed financial support. The importance of equity financing also lies in the fact that the level of financial assistance most of the time is higher than other government assisted financing.

The non-financial programmes of the government agencies include training-both technical and management training. The technical training comprises packaging and the use of new technology. There is also the training of artisans such as carpenters in product finishing and equipping them with the knowledge of new machinery available and their usage-introducing them to modern methods. Some of the entrepreneurs and small business owners who deal with chemicals such as hairdressers are taken through the proper use of chemicals.

*“As far as the non-financial services are concerned; we provide technical and management training to small businesses. The technical programmes include packaging, new technology like mushroom and bee keeping. Product finishing is another one. We introduce small businesses to modern methods and the kind of machines they will need for their businesses. We also provide training on the proper use of chemicals, particularly for hairdressers”.*

The training programmes are very crucial for the small business owners because Ghana has been battling with problems such as poor packaging and keeping to old technologies in the small business sector ([www.businessguideghana.com](http://www.businessguideghana.com)).

There is also the provision of integrated business support services to facilitate the growth and development of rural micro and small scale businesses. This includes, first of all, business development services. The business development services comprise business opportunity identification, business counselling, marketing training, small business management training, entrepreneurial awareness and community based skills training.

Besides, Information and Communication Technology (ICT) training is provided by the government agencies to entrepreneurs; particularly entrepreneurs whose work depends to some extent on the effective deployment of ICT. This is done by first of all, assessing the training needs of the entrepreneurs and appropriate training company is hired to take the entrepreneurs through the training. An official of one of the government agencies remarked that:

*“We assist small businesses with ICT training. We hire technical people to train them after assessing their training needs in ICT. During such training programmes, about 30-40% of the entire fees is borne by the small businesses as commitment fee and the rest by the government”*

In this information and telecommunication age, entrepreneurs and small business owners can do only little without effective and efficient deployment of ICT in their enterprises (Matambalya & Wolf, 2001). Entrepreneurship capacity building cannot achieve any success with entrepreneurs who cannot utilise the benefits ICT. This role, therefore, is invaluable for the development of entrepreneurship in Ghana.

Management training is not left out for the government agencies. A wide range of management training is provided for small business owners to help them in managing their ventures effectively. One official said that:

*“We take entrepreneurs through basic accounting training such as book keeping, how to save towards repayment of loans, how to keep their businesses going and others. Some of the entrepreneurs are also taught how to prepare business plans particularly those who are yet to start their enterprises”.* Another government official corroborated this by saying

*“We also help entrepreneurs and small business owners to prepare their business plans; particularly those who are illiterate or semi-literate free of charge”.*

There is enough evidence to suggest that strategic planning has a direct relationship with increased firm performance (Orser, Hogarth-Scott & Riding, 2000; Sanberg, Robinson & Pearce, 2001). Thus, this social dimension of management training offered by the government agencies to entrepreneurs is very important because a lot of small business owners in Ghana do not have business plans. This is due to the fact that some of them do not have the capacity to develop one and sometimes it is very expensive getting a professional to prepare it. The effort of the government is thus a step in the right direction as it relieves them of having to spend little financial resources on developing business plans.

There is also what is referred to as marketing support. This is also known as marketing clinics. For example, the NBSSI - a government agency - organises marketing oriented programmes on topics such as packaging, pricing, distribution and a wide range of marketing topics to equip entrepreneurs and small business owners with marketing knowledge for effective performance. The next programme is trade shows. These shows are organised by the board with the view to exposing entrepreneurs in the small and micro business sector to the domestic market. Some of these entrepreneurs are sponsored by the board to attend international trade shows as a way of exposing them to the international market as well.

There is also an advisory service provided by the government agencies to entrepreneurs and small business owners in order to keep them informed about the current issues affecting their business and to suggest ways by which they can improve on the performance of their ventures. At NBSSI for example, it was declared that:

*“We have created special desk of the board where entrepreneurs in the micro and small business sector can contact us at any time for any advice relating to entrepreneurship and small business management”.*

This allows for round the clock information gathering by the entrepreneurs and small business owners. Information is a vital tool for making informed business decision for higher productivity. Thus, the building of entrepreneurship capacity demands the acquisition of current, timely and relevant information.

The intervention of the government in entrepreneurship capacity building process is invaluable for economic development. There are some activities that other support organisations such as the financial institutions may not be willing to embark upon for entrepreneurs because they may not be to their advantage. For example the banks may not be willing to grant loans to entrepreneurs without collateral. Thus, the intervention of the government is very necessary even though it has been suggested that governments of the developing world need to do more for entrepreneurship development than they are currently doing (Zahra et al., 2000).

#### **5.2.4 Programmes and facilities by international organisations.**

International organisations have been supporting entrepreneurship programmes in Ghana and other developing countries for a very long time. They fulfil this role by collaborating with the governments of developing countries. The only international organisation included in the current study is UNDP. The UNDP through its MSMEs project in Ghana provides a range of programmes and facilities for the micro and small business sectors.

This is reflected in the core business of the UNDP office in Ghana. The UNDP official stated that:

*“We are concerned with capacity building of micro finance institutions (MFIs) and micro, small and medium enterprises (MSMEs) to enhance productivity and employment generation”.*

First of all, the Project provides business development services support. This has to do with the provision of training for entrepreneurs in areas such as entrepreneurship development, marketing, book keeping, change management among others. The project again helps in building the capacities of micro finance institutions (MFIs) so as to enhance access to financial services or facilities by MSMEs. This they do by training MFIs in the best practices in micro financing delivery. Furthermore, the project provides matching funds (grants) to the MFIs specifically for lending to the MSMEs. Again, the MFIs are provided with information and telecommunication technology facilities to enhance efficient tracking of loan portfolio to ensure good portfolio quality and sustainability. The UNDP official again stated:

*“We provide Business Development Services Support (BDSS). By this BDSS we give them training in entrepreneurship development, marketing, change management, etc. We also help in building MFIs institutions to enhance access to financial services by MSMEs. To this end we give them training in best practices in micro finance delivery. We provide IT facility to enhance efficient tracking of loan portfolio to ensure good portfolio quality and sustainability. We again provide matching funds (grants) for on- lending to MSMEs”.*

The activities of international organisation have complemented the role of the government and other indigenous enterprise support organisations. Their role in entrepreneurship capacity building has improved the management skills and financial capacity of entrepreneurs. Without these entrepreneurship building capacity activities of international organisations, a lot of the small business owners will have gone out of business or struggled. Their training programmes for entrepreneurs which are most of the time free of charge have been of immense help to small business development. Their activities have contributed to employment generation thereby solving one of the greatest problems of Ghana-unemployment (Kayanula & Quartey, 2000).

#### **5.2.5 Programmes of educational institutions**

In addition to training students in entrepreneurship and small business management; the higher educational institutions run training programmes for entrepreneurs and small businesses. The higher educational institutions in the current study are polytechnics and

universities in Ghana. They also create platform for entrepreneurs to meet and discuss issues that are of relevance to them through the organisation of entrepreneurship meetings. The entrepreneurship coordinator of the Department of Publishing of Kwame Nkrumah University of Science and Technology (KNUST), Kumasi, Ghana, remarked that:

*“We run short courses for entrepreneurs and small business owners and provide opportunities for them to meet at regular intervals to discuss issues affecting them. We invite resource persons to seminars on a wide range of topics such as total quality management, professionalism, customer care, modern techniques and others”.*

In response to whether they have training programmes for entrepreneurs in Ghana, the participant at the University of Ghana Business School indicated that:

*“Yes. We have what we call Entrepreneurship Development Services. We target those practising entrepreneurs to upgrade their skills. They are basically trained in the area of communication skills, computing, interpersonal skills, analytical skills, managerial skills etc. The focus is on helping the entrepreneurs to grow their ventures”.*

The training programmes by the higher educational institutions are tailored to meet the current demands of business. Entrepreneurs need to be able to communicate well in both written and oral communication. This will enhance their negotiation ability. The acquisition of these skills will positively affect their ventures. Interpersonal skill will help them relates to their employees and business partners very well. As of now, some entrepreneurs are still computer illiterate. Computer literacy training is thus needed more than ever for owner managers (Cooper & Kleiner, 1992). Despite these benefits that entrepreneurs stand to get from accessing the training programmes, there is the likelihood that some of them will be denied the training access. This is as a result of the fact that these programmes are not for free and sometimes the fees are charged in dollars which some of the entrepreneurs may not be able to afford. The participant at the University of Ghana Business School again stated that:

*“We do charge for our services mainly because we need to maintain the secretariat. They pay in dollars or dollar equivalent. As to how much they pay now, I cannot tell”.*

Even though the amount was not immediately known, there is every indication that the amount involved is substantial and the dollarization of the payment is a big challenge to some of the entrepreneurs. The challenge is explained by the fact that since time immemorial, the Ghanaian cedi has never performed well against the US dollar. For example, in 2009 after the redenomination of the Ghanaian currency, one Ghana cedi was

equivalent to one US dollar. As of 2013, the US dollar has more than doubled in term of equivalence making the dollarization of the cedi a big challenge to small businesses.

In addition, the educational institutions support entrepreneurs through the provision of advisory services. The CEED at Kumasi Polytechnic provides advisory services to SMEs in their catchment area. Members of the faculty of the Polytechnic visit nearby towns to provide advisory services to small business owners. This is followed by visits by the students of the centre to these enterprises to offer continued advisory services and assist entrepreneurs and small businesses in any way possible. This is crowned with a seminar for the entrepreneurs at the polytechnic where general issues affected entrepreneurs are identified and addressed. The head of CEED at Kumasi Polytechnic commented that:

*“Members of the faculty visit nearby towns to provide advisory services to small and medium enterprises. This is followed up by students of the faculty who visit these organisations individually to further advise them on the running of their businesses. This is crowned with a seminar later for all the visited towns (SMEs in there) at the Polytechnic to address their problems”*

There is also what is referred to as “School’s Project”. Under this project junior high schools and senior high schools are selected for the inculcation of the spirit of entrepreneurship in the youth. They are made to understand among other things that entrepreneurship and/or owning one’s own business is possible. In other words, they can be employers in the future and not just employees. The Head of CEED indicated that,

*“We also have Schools’ project in Junior High Schools (JHS) as well as Senior High Schools (SHS). The aim of the project is to inculcate the spirit of entrepreneurship in students at the youthful stage”.*

A teacher from each school is selected and trained by the centre to serve as facilitators in their respective schools. In addition entrepreneurship clubs are formed in the schools and regular visit is paid to them by the centre. The aim of this project was to inculcate entrepreneurial spirit in the students before they reach tertiary level and help them to ultimately own their own businesses in the future. This has the potential of building entrepreneurial capacity for sustainable development of Ghanaian economy now and in the future (Ghana News Agency, 2012).



### **5.3 DRIVERS FOR ENTERPRISE SUPPORT INSTITUTIONS IN ENGAGING SUPPORT PROGRAMMES**

There are many reasons why enterprise support organisations make the move to support small businesses. The study thus investigated the motivations of the enterprise support organisations for supporting small businesses in Ghana. The institutions included in the research had their own reasons for engaging in capacity building programmes. This section explores the main reason for supporting small businesses by enterprise support organisations.

#### **5.3.1 Drivers for educational institutions**

With regards to the issue of motivation of enterprise support institutions in running entrepreneurship capacity building programmes, the study revealed that one reason for the involvement of the higher educational institutions in supporting small businesses was to help train entrepreneurs and to expose them to what they do in their institutions. The provision of entrepreneurial training has been used as an opportunity for the creation of collaboration among the higher educational institutions and entrepreneurs. This collaboration allows the small businesses to help the students of these institutions during internships. The coordinator of entrepreneurship programme at the Department of Publishing of KNUST had this to say:

*“We offer training programmes to entrepreneurs and small business owners for them to know what we do here so as to help our students when they go on internship”.*

Moreover, it was revealed that another reason for embarking on these programmes was to help entrepreneurs and small businesses to engage in the best business practices for growth and profitability. The CEED representative commented that,

*“The fact is that many of these entrepreneurs and small businesses owners are ignorant of good business practices and therefore there is the need for the creation of awareness. For example, some of them combine their personal and business accounts and others do not keep proper records. Basically, we are there to help them to grow their businesses”*

Sometimes small businesses want to remain small because they are somewhat sceptical about managing growth. This has accounted for the stagnation of some small businesses in many countries particularly those in developing countries (Solberg et.al., 2002; Rowden, 2001). The higher educational institutions therefore are motivated to help small businesses dispel the notion that it is difficult to manage large businesses so that they will be

motivated to grow their businesses. Thus, the participant for the University of Ghana Business School indicated that:

*“A lot of the owner managers are at the start-up level and some of them want to remain there because they are sceptical about managing growth. We therefore want to put confidence in them by letting them know that they can still manage their businesses when it grows”.*

All these reasons are very important for the development of entrepreneurship and small business development and the Ghanaian economy for that matter (Bolden & Petrov; 2008, Howard & Sharma, 2006). Effective collaborations among the educational institutions and small businesses are needed so that the educational institutions will be able to embark on their third mission effectively. Moreover, the training received by small businesses will help them manage their businesses well and believe in themselves to manage their businesses when they grow. This is because the large businesses we see today were small businesses of yesterday.

### **5.3.2 Drivers for banks**

Some of the banks hitherto concentrated on corporate customers (large organisations). But the current realisation is that small and medium enterprises are fast springing up and therefore the concentration on only corporate customers or large organisations will not augur well for the banks. The springing up of small and medium scale enterprises calls for the penetration of the sector for the mutual benefit of helping small entrepreneurs to grow their businesses and the companies improving its financial standing. One bank official said:

*“There is the springing up of SMEs in Ghana and there is the need to penetrate the market for mutual benefits. These SMEs grow into large corporations; help them grow and all will benefit. They are the engine of growth”.*

Related to this is the concern by the banks for small businesses to manage their businesses effectively and efficiently. The growth of the small businesses will go a long way to help the bank as the banks will have the chance to do good business with them and the economy in general will benefit greatly. This is captured in the words of another bank official:

*“We believe that SMEs owners should manage their businesses well so that they will help themselves and the bank can do good business with them”.*

### **5.3.3 Drivers for micro finance companies**

Apart from profit, which the MFIs mentioned as the motivating factor, they also have as their main objective of assisting entrepreneurs and small businesses to grow. The study

revealed that a lot of small business owners and entrepreneurs do not have access to loans from the commercial or universal banks in Ghana. The MFIs, therefore, are motivated by the fact that small business owners should have access to finance to help them grow their businesses so that they can earn decent living and also to help alleviate poverty in the country. They said that,

*“A lot of people do not have access to bank loans. We are motivated to help small business owners to have access to finance so that they can earn a decent living and alleviate poverty”.*

Thus, the main reason for assisting small businesses is two-fold. First is to help small businesses to grow and the second is that these small businesses will do business with the MFIs so that they can get the needed profit for survival. Besides, the economy of the country stands to improve enormously since small businesses are recognised by government and other stakeholders as the engine of growth of the Ghanaian economy ([www.modernghana.com/reference](http://www.modernghana.com/reference)).

There was another realisation which bordered on religion as the motivating factor. This was connected with OISL whose motivation is religious oriented. The OISL is of the belief that the banks are not doing well to help small business owners, majority of whom they consider to be poor. They are therefore, just in to fill the gap. It was stated by one of the participants that:

*“We are called by Jesus Christ to serve the poor which the banks are not ready to serve”.*

#### **5.3.4 Motivations of government agencies and international organisations.**

The agencies of government support small businesses for the sole purpose of helping the small businesses to grow and contribute to the growth and development of the national economy of Ghana. This is explained by the fact that the government of Ghana has recognised the small business sector as the engine of growth since the sector makes up about 90 per cent of all enterprises in Ghana (Mensah, 2004). To this end an official of the NBSSI said:

*“The motivation behind these programmes is that that the government of Ghana recognises the small business sector as the engine of growth of the economy. We also believe that helping small business to grow will result in employment creation and alleviation of poverty in the country”.*

Related to the issue of linking the growth and development of small businesses to the growth of the Ghanaian economy is employment generation. The government is thus

motivated to support small businesses because of the need to create more employment for the people of the country. This is important because the small business sector is an employer of many people in the world and developing countries in particular (Mensah, 2004). The small business sector has also been recognised as an employer of a lot of people in the country. Ghana is among the countries with a huge number of unemployed people which is estimated to be 11% in 2000

(<http://www.indexmundi.com/ghana/unemployment>). This government programme of supporting small businesses is going to help in creating more employment and reducing poverty in Ghana particularly the rural poor.

*“The key thing is to improve the living conditions of the vulnerable and the entrepreneurial poor through increased self, wage employment and income. The poor is motivated to undertake an income generating activity to improve his earning capacity and living condition; a REP official commented.*

The reason for supporting small businesses by the international organisations is similar or the same as the agencies of government. The international organisations are motivated by the need for the development of Ghana through the building of the capacity of entrepreneurs. Responding to the question of why the UNDP support small businesses in Ghana, the respondent had this to say;

*“The development of the country depends on micro enterprises as well as small enterprises. It will be very difficult for any country to develop without the direct and effective involvement of entrepreneurs”*

This is in support of the idea that a lot of countries in the world have linked their development to the growth and development of small businesses (Hessels, Van Gelderen & Thurik, 2008).

#### **5.3.5 The degree of the support by the enterprise support organisations**

The discussion so far suggests that all the enterprise support organisations are supporting small businesses primarily to help them grow. The question that this section seeks to answer is; how many of these small businesses do receive support from the various enterprise support organisations and can this make any meaningful impact of the development of the Ghanaian economy?

There is the need for many if not all small businesses to receive the support of the enterprise support organisation to help build their capacities so that they can also contribute to the development of the country. However, the study has revealed that, the

selection criteria of some of the enterprise support organisation of small business for support cuts a lot of the small businesses away from their support. At KNUST Department of Publishing, it was realised that support to the small business sector is limited to only those in the print and publishing industry. The participant for the Department mentioned that:

*“Our programmes are open to all who apply to the faculty. But the entrepreneurs should be coming from the printing and publishing industry”.*

Even though the registration process at the Department is less cumbersome, all those who are not in the print and publishing industry in Ghana are completely cut off. In addition, those that are unable to pay the fees for the programmes are also not supported. At the University of Ghana, the study revealed that all small businesses can apply to access their support programmes; however, the charges involved can serve as disincentive to small businesses since some of the small business owners may not be able to afford. As stated earlier in the previous discussions, the charges are in dollars and the entrepreneurs are made to pay cedi equivalent. The dollarization of the charges alone has the negative impact of alienating a lot of small businesses from their programmes. The only exception was CEED where there was no special requirement or criteria for the selection of its target entrepreneurs and small businesses. Plans are far advanced to introduce charges at CEED. To the question of whether or not they charge anything for their services to small businesses; the response was:

*“For now no; but we may charge something in the future. This is because the Consultancy Department is yet to be developed fully”.*

Although the financial organisations are supporting small business in Ghana, the scope of support is not wide enough. The first reason is that most of them give support to entrepreneurs who have been doing business with them. Those that do not have any business relationship with them must then produce financial statements which majority of small businesses are unable to provide. This stems from the fact that majority of these small businesses do not keep proper records (Kayanula & Quartey, 2000 ). In addition some of them are just starting and therefore do not have any financial records. Thus start-ups do not have any assistance from the banks. One of the bank officials stated that:

*“We do not provide finance for start-ups. The applicant should have been in business for at least two and half years and must show evidence in the form of tax clearance. We provide services only to registered businesses”.*

Besides, some of the banks consider the turnover and growth potentials of small businesses before they are considered for support of any kind. Even when it comes to training programmes selection is done in favour of those small businesses the banks consider profitable.

*“We do not provide training for all entrepreneurs at a goal. So we use turnover, literacy level and level of growth of business as the criteria for selection”.* A bank official remarked.

It was also realised that some of the banks have a chunk of their support going for small businesses in the trading and services sectors. One bank official told the researcher:

*“We provide facilities to all sectors. However, some sectors dominate such as service and trading”.*

The reason for the dominance of trading and services is because they are the fastest growing sectors in Ghana and are considered more profitable (Graphic Business, 2012) whereas small businesses in the construction and agricultural sectors (the mainstay of the Ghanaian economy) are relegated to the background by reason that they are more risky. This attitude of the banks is no different from the micro finance institutions; the study revealed.

The unwillingness of the financial organisations in developing countries to provide financial and training support for start-ups has become one of the many reasons why small businesses die prematurely (Kayanula & Quartey, 2000; Berger & Udell, 1995). The growth of some small businesses has stunted because the selective attitude of the financial organisations. The scope of assistance is skewed towards small businesses they consider profitable and this does not augur well for the building of entrepreneurship capacity for the development of Ghana.

The situation is quite different when it comes to the government in terms of the scope of support. The selection criteria of the government agencies enable a lot of the small businesses to be supported. The main selection criterion of the NBSSI is that an entrepreneur or small business should operate within the micro and small enterprise sectors. The micro enterprise sector is defined by the Board as an enterprise that employs at most five people. Small enterprise sector on the other hand consist of enterprises that employ no more than Twenty-nine (29) people. Once this condition is fulfilled, all categories of entrepreneurs and small businesses come under the selection of the NBSSI.

Under REP, selection covers the rural poor who are mainly vulnerable youth and women. Existing enterprises are covered by the criteria. The enterprises are made up of rural micro enterprises and rural small enterprises. Rural micro enterprises are those that employ 1-3 people and have assets excluding land and building, not exceeding US\$ 1000. Rural small enterprises employ 4-10 people and have assets, excluding land and buildings, not exceeding US\$ 3000. MASLOC is also opened to all applicants providing they are able to provide guarantors. Loan officers are detailed to go and assess the viability of the enterprise of the applicant. Interviews are subsequently conducted and those who are successful are given assistance from the scheme.

It stands, therefore, to reason that for the rapid development of the Ghanaian economy through the building of entrepreneurship capacity; the involvement of the government is very necessary. The government needs to be actively involved in building entrepreneurship capacity because private enterprise support organisations are profit oriented. Thus, entrepreneurship capacity building activities which have no prospect of yielding profit to them are relegated to the background. Even though it has been suggested that the private sector has a key role to play in supporting small business development in developing countries (Mensah, 2004), as well as higher educational institutions (Bolden & Petrov; 2008) the study has revealed that they cannot be relied upon. Government intervention is, thus, a pre-requisite for capacity building for entrepreneurship development and economic development of Ghana.

#### **5.4 COLLABORATIONS AMONG ENTERPRISE SUPPORT ORGANISATIONS**

It has been acknowledged that collaborations among enterprise support organisations are crucially important for the development of entrepreneurship (Robson & Bennett, 2000). The study revealed that that almost all the enterprise support organisations engage in collaborations and networks. This section underscores the collaboration processes that the organisations are involved in and their resultant benefits to entrepreneurs and small businesses.

##### **5.4.1 Collaboration: Educational institutions**

The higher educational institutions in Ghana have networked with different types of institutions in order to effectively and efficiently support entrepreneurs in building their capacity for growth and development. The Department of Publishing in KNUST collaborates with Heiderberg; a printing company in Germany. The company offers training to the members of the department and supplies them with other training materials such as audio visuals and magazines. Heiderberg, therefore, serves as a trainer of trainers.

This collaboration is on-going. Moreover, UNESCO collaborates with the Department to run programmes for publishing houses and printing companies. The coordinator said:

*“We partner organisations like Heidelberg- Printing Company in Germany. Students and lecturers go for training. They supply us with magazine, audio visuals and other equipment”.*

The CEED also collaborates with organisations and/or institutions such as Rural Enterprise Project, National Board for Small Scale Industries, Association of Ghana Industries and Association of Small Scale Industries. These bodies collaborate in the training of entrepreneurs as well as helping others to start up their businesses.

These collaborations have helped in providing training and education to small business owners by the higher educational institutions. The small businesses need education and training if they are to build their capacities for growth and development (Rae, 2000; Cope, 2005). However, they are not in the best position to do it alone. For example, some of them lack the logistics needed to help them provide the training and education that the small businesses need. To this end the collaborations are invaluable for the provision of logistical and other support by the collaborators for effective delivery of the training and educational programmes for entrepreneurs by higher educational institutions. Thus, one respondent of one of the higher educational institutions indicated that:

*“We liaise with British Council and Association of Ghana Industries. The British Council provides us with logistics whereas Association of Ghana Industries provides us with information on their members”.*

#### **5.4.2 Collaborations: Financial institutions**

Collaboration with other institutions for building entrepreneurship capacity is nonexistent in the banks. Most of them answered no to the question of whether they had collaborations with any organisation in assisting entrepreneurs and small businesses. The only exception was UBA. It collaborates with Empretec Foundation in the organisation of training programmes for entrepreneurs. Empretec organises and delivers the programme and the bank finances it. The UBA official remarked that:

*Yes. We provide training programmes for small businesses. This is done in conjunction with Empretec Foundation for some selected SMEs and/or entrepreneurs. They organise the training by providing the resource persons and other facilities and we finance it”.*

Some collaborations, however, exists in some of the micro finance companies. For example, there is some collaboration between FASL and the government of Ghana. There



is a “government managed funds” that can be accessed by the company with very low interest. This loan facility is supposed to be disbursed by the company to SMEs as loans as specified by the government. The company again deals with GTZ, an agency from Germany which aims at eradicating poverty by helping poor people. The agency specifies the areas that need to be supported with their financial facility as soft loans which are facilitated by FASL. Some of the sectors that enjoy the facility from GTZ include small farmers, traders, and small firms that imports from Germany. EZI Savings and Loans on the other hand has a collaboration with Merchant Bank Ghana Limited. The crux of the collaboration has to do with the acceptance of bank drafts by EZI Savings and Loans from entrepreneurs and small businesses on behalf of Merchant Bank Ghana Limited. This collaboration was arranged because of EZI’s proximity with entrepreneurs and small businesses and to allow for easy access to the companies by SME customers. There are two main collaborators with OISL. These are NBSSI and Technoserve (an NGO). NBSSI are more often invited as facilitators of programmes organised by OISL. Technoserve on the other hand joins hands with OISL in providing training for entrepreneurs in the agricultural sector such as cocoa farmers.

The reason for the almost non-existent of collaborations of the financial institutions with other organisations, particularly the banks is as a result that they are profit oriented. Most of the collaborators are non-governmental or not-for-profit organisations. Their main aim, therefore, is to support small businesses without any profit motivation. However, as stated earlier, the banks are not in the position to engage in any entrepreneurial support activity without any return for their investment. This is reflected in the words of one of the respondent who was responding to the reason for the lack of collaboration for supporting small businesses. He said, “*This is a limited liability shareholding company*”. In other words, we are in business to make money for our shareholders and therefore do not engage in any investment which does not yield any return.

#### **5.4.3 Collaborations: Government agencies and international organisations**

In terms of collaborations with other institutions in supporting small businesses in Ghana, government agencies are the major recipient of financial, logistical and other support from both local and international institutions.

The NBSSI collaborates with some organisation in their bid to support small businesses. There are international as well as local collaborations. The local collaborators include district assemblies, rural banks, Department of Co-operatives, Rural Enterprises Project and Roots and Tuber Improvement Project. There are also international collaborations with organisations such as SNV- an NGO from Netherlands; German Development Service,

Japan International Co-operation Agency (JICA), United Nations Industrial Development Organisation (UNIDO), and Netherland's Development Organisation. The role of these collaborative organisations is spelt out in a memorandum of understanding (MOU).

The REP collaborates with both public and private organisation in assisting rural micro and small scale enterprises. Some of the public organisations include National Board for Small Scale Industries (NBSSI), Ministry of Local Government, Ministry of Finance, Ministry of Children and Women Affairs, Ministry of Food and Agriculture, Bank of Ghana and Association of Rural Banks (ARB) Apex Bank. Some of the private collaborators comprised of Association of Ghana Industries (AGI), Care International, Centre for Development Partnership (CDP), Hunger Project of Ghana and Institute of Packaging, Ghana. Others are Methodist Development and Relief Services and Presbyterian Relief and Development Services. The REP official indicated that:

*“We have two types of collaborations-public and private. Our public collaborators include National Board for Small Scale Industries (NBSSI), Ministry of Local Government, Ministry of Trade and Industry (MOTI), Ministry of Finance, Ministry of Children and Women Affairs, Ministry of Food and Agriculture (MOFA), GRATIS foundation, Bank of Ghana, ARB Apex Bank. The private collaborators are Association of Ghana Industries (AGI), Care international, Centre for Development Partnership (CDP), Methodist Development and Rural Services, Presbyterian Relief Service and Development, etc.”*

MASLOC collaborates with some selected banks in Ghana. The loans they offer are paid to entrepreneurs through the banks and entrepreneurs in turn pay back their loans through the banks. This is done so as to make the disbursement of loans to beneficiary entrepreneurs easy and also to make repayment easy for entrepreneurs.

The VCTF teams up with some institutions in order to make more finance available to small businesses in Ghana. These collaborations have resulted in the creation of institutions whose primary aim is to provide entrepreneurial ventures with the needed financial capital. These institutions come under the control and/or management of VCTF so as to regulate their activities and to ensure that they do not deviate from their mandate of making sure that small businesses in the country build their capacity for growth, particularly financial capacity. Some of the private institutional partners of the VCTF are Ghana Commercial Bank and Agricultural Development Bank which partner VCTF to form Activity Venture Finance Company Limited with a total endowment of GH¢ 10 million. National Investment Bank and SIC Insurance Company Limited joined VCTF to form Bedrock Venture Capital Finance Company with total capitalization of GH¢ 10

million. Gold Coast Securities and VCTF established Gold Venture Capital Limited with a capitalization of GH¢ 2 million from each partner. Fidelity Capital Partners, Social Security and National Insurance Trust (SSNIT) and European Private Equity Investors partnered with VCTF to form Fidelity Equity Fund II which has total capitalisation of \$23.5 million. These Venture Capital Financing Companies (VCFCs) are financial institutions whose sole authorised business under the Trust Fund Act is to assist SMEs by providing capital and business advisory services.

The UNDP collaborates with the Government of Ghana through the Ministry of Finance. As the name implies, the Finance Ministry makes funds available to complement that of UNDP so that more funds will be available for disbursement to entrepreneurs. There is also collaboration between the UNDP and Support Programmes for Enterprise Empowerment and Development (SPEED). SPEED provides funds for lending as loans to the MSMEs. Ghana Micro Finance Institutions Network (GHAMFIN) and Association of Rural Banks (ARB) Apex Bank do also collaborate with UNDP. They all help in disbursing loan funds to qualified MSMEs.

It must be stated again that these collaborations are very important for the sustainability of support to small businesses in Ghana. The government agencies alone do not have the needed capacity to assist small businesses (Zahra et al. 2000). For example, it was explained by an official of one of the government agencies that:

*“We do have logistical constraints. Vehicles, computers and others are inadequate because of our dependence on government. These resources are inadequate because only 70% of our budget is approved by the government”.*

These collaborations have gone a long way to complement the efforts of the government agencies and international organisations. They have helped in providing credit facilities to small businesses to reduce the financial challenges for entrepreneurs in Ghana. Besides, training and education are provided by the working together of the government institutions and international organisations with their collaborators. This has also helped in building the capacities of small business owners for effective management of their ventures. There is, therefore, the need for the sustainability of these collaborations (Robson & Bennett, 2000). But their sustainability is quite questionable since the collaborators come in as and when necessary and also they are interested in helping small businesses in sectors they think will be consistent with their policies. For example, most of collaborators of the REP concentrates on only businesses in the rural areas; alienating businesses in the urban centres which may also need assistance.

## **5.5 THE CHALLENGES FACED ENTERPRISE SUPPORT ORGANISATIONS**

Just as entrepreneurs and small businesses have difficulties accessing the programmes and facilities of the enterprise support organisation; these organisations also have their own difficulties in their quest to assist entrepreneurs and small businesses. In trying to help build entrepreneurship capacity for the growth and development of the country, these capacity building organisations face a host of challenges that sometimes affect their ability to deliver effectively and efficiently. The various challenges facing the categories of enterprise support organisations are discussed below.

### **5.5.1 The challenges of educational institutions**

The higher educational institutions have the challenge of having to deliver training and educational programmes to small business owners. The study found out that the theoretical component of the programmes is not appreciated by some of the entrepreneurs. This is as a result of the fact that, some of the entrepreneurs have low levels of education or no education at all. Some speak little or no English at all. However, English language is the official medium of instruction in Ghana and therefore it poses a big challenge to the higher educational institutions in training and educating owner managers. One respondent indicated that:

*“We are unable to offer more theoretical components of the training because some of the entrepreneurs are those who just established their businesses through apprenticeship. There is therefore the problem of language because the medium of instruction is English”.*

This must have accounted for the poor attitude of owner managers to programmes by higher educational institutions in Ghana (Lee & Wong, 2004).

Another challenge facing higher educational institutions is that of logistics. Some of the departments that are into supporting entrepreneurs are ill-equipped and therefore they are not able to offer practical training effectively and efficiently.

*“We have inadequate materials; we are not well equipped for practical activities since they have to practice what they are being taught”*, said one of the respondents.

The inadequate supply of equipment to the educational institutions must have forced them to charge high fees for their training programmes in order to sustain the programmes. However, these high fees have the potential of driving away some of the owner managers, particularly the new ones.

Besides, some of the owner managers have wrong perception about the higher educational institutions as far as their functions are concerned. The main functions are teaching, research and community service (Bolden & Petrov; 2008, Howard & Sharma, 2006). However, some of the owner managers believe that as part of their educational programmes the higher educational institutions have to give them financial support of some sort. Therefore, some entrepreneurs lose interest in their programmes when they realise that they cannot get any financial assistance. This goes to buttress the point that small business owners in developing countries and Ghana for that matter are financially handicapped and are therefore looking for financial assistance from all sources (Kayanula & Quartey, 2000; Aryeetey et al., 1994).

Moreover, some of the entrepreneurs are reluctant to change from their old business practices to adopt that which they are taught by the higher educational institutions. Whereas some have poor attitude towards the programmes, others go through the training programmes all right but do not apply them at all. This may due to the fact that the owner managers do not receive adequate training that can sharpen their skills to the level of applying the knowledge received. Besides, some of them do not have the financial resources to recruit people with the requisite skills to put into practice what they have learnt. One official stated that

*“They are reluctant to change. Some of the small businesses owners stick to their old ways of doing things after receiving training from us”. Another one said, “We also find it difficult to convince some of them to enrol on our programmes because some of them think there is nothing to learn and therefore they have poor attitude”.*

This non-application of the training received as well as the poor attitude of the owner managers have the effect of serving as a disincentive to the higher educational institutions in providing support to the small businesses. Besides, it does not augur well for the development of entrepreneurship in Ghana. Entrepreneurship development demands that owner managers bring managerial skills to bear on the running of their ventures for success (UNCTAD, 2001).

#### **5.5.2. The challenges of banks**

The key challenge facing the financial institutions-banks and micro financial institutions- is that of high default rate, which is very high among beneficiary entrepreneurs. The study found out that almost all the financial institutions cited high default rate as their biggest challenge. Some small business owners do access the loans of the financial institutions and fail to pay back the loans. Some statements from respondents to this effect are as follows:

*“Default is high and this affects future lending to SMEs”; “We also have problem with default on the part of entrepreneurs and small businesses particularly the group loan customers”; “Some virtually run away with the money” and “Our main challenge is default on the part of entrepreneurs”.*

Many reasons may account for the high default rate among small business owners. The business environment is not very conducive. There is high rate of unemployment which means that purchasing power of the people is very low. The high interest rate, high rate of inflation and high cost of inputs among other factors must have contributed to the poor performance of businesses in Ghana, particularly small businesses (Kayanula & Quartey, 2000; Mensah, 2004). Apart from these, the study found out that individuals who guarantee loans for entrepreneurs charge them (entrepreneurs) huge sums of money, which in the end affects their ability to pay back. Besides, they are unable to pay back the loans partly because of diversion or misapplication of the financial facility. For example it was remarked by one bank official that:

*“Transparency is not there; they hide information and take decision without our knowledge. Moreover, they divert the loan fund”.*

The inability of some of the small business owners to pay back their loans has thus forced the financial institutions to demand collateral which is also a challenge to the small business owners.

In addition to the problem of default, it was found out that another challenge that the financial institutions face is the inability on the part of entrepreneurs to meet the requirements before accessing the facilities of the financial institutions. For example, some of the entrepreneurs do not have collateral which the financial institutions demand. For this reasons a lot of the small businesses are turned away. These entrepreneurs then resort to private money lenders with huge interest to the detriment of their ventures and the growth and development of entrepreneurship in Ghana.

In their desperate attempt to get financial support by all means, some of the small business owners provide fictitious documents with regards to collateral to the financial institutions. Others also conceal information about their businesses which will allow the bank to know the true financial position of their enterprises.

*“Some of the documents they provide are fictitious”,* one respondent mentioned.

The lack of transparency on the part of some of the small business owners leaves the financial organisations no option than to be sceptical about applications from small

businesses for financial assistance. This can also lead to the turning away of many scrupulous owner managers who apply for loans.

One challenge that pervades the activities of all the enterprise support organisations is that of illiteracy on the part of small business owners. Even though the Government of Ghana is doing well in reducing illiteracy in Ghana, there is still a high rate of illiteracy in Ghana ([www.ghanaweb.com](http://www.ghanaweb.com)). Because of illiteracy some of the entrepreneurs are not able to reconcile their bank transactions. One bank official mentioned that:

*“A lot of the small business owners are illiterates which makes it difficult for them to understand some issues such as doing bank reconciliation and internet banking”.*

Besides, the banks are forced to use local languages in their training programmes which sometimes affect the effectiveness of the programmes because some terms are difficult to explain in the local language. Moreover, Ghana is a multilingual country and therefore, even though the small business owners may be living in the same local area, they may not speak or understand the local language. Thus, illiteracy makes entrepreneurial education and training quite difficult in Ghana. For example, the one official stated that:

*“Moreover, the literacy level of the entrepreneurs was appalling hence the training was sometimes organized in Twi. But the problem is that even though Twi is a dominant local language in Ghana, some of the entrepreneurs do not understand it”.*

The next challenge has to do with staffing. This is particular with the micro finance companies. Some of the employees of the MFIs use the MFIs to gain experience only to be employed later by the commercial banks which offer them better conditions. As one of the participants indicated:

*“We also have the problem of staffing. “They come to get the training and they leave us for the commercial banks”.*

Thus, staff turnover has been the bane of the MFIs which affect the effectiveness and efficiency of delivering their programmes to small businesses. The high staff turnover results in having to train staff all the time and most of the current staff of the MFIs will lack the needed experience and expertise to support small businesses.

### **5.5.3 The challenges of government and international institutions**

Just like some of the other enterprise support organisations, government institutions in Ghana that are supposed to spearhead entrepreneurship development have the challenge of logistics. The NBSSI for example faces logistical constraints. Vehicles, computers and

other logistics are woefully inadequate. This is as a result of the total dependence of the board on government's subvention and the government has been providing only about 70 per cent of the total budget presented to it by the board. This has the effect of curtailing the effort of the board at supporting small businesses and/or championing the cause of entrepreneurs in Ghana. On this issues, the NBSSI official commented that:

*"We do have logistical constraints. Vehicles, computers and others are inadequate because of our dependence on government. These resources are inadequate because only 70% of our budget is approved by the government".*

High staff turnover has also characterised some of the government's agencies. This is as a result of inadequate motivation of employees which affects their ability to effectively support entrepreneurs. There is, therefore, high labour turnover. All this boils down to the fact that the commitment of the government to the activities of its agencies responsible for the development of entrepreneurship in Ghana has been below expectation (Mafela, 2009).

One other challenge facing the government agencies borders on the economic environment. The economic situation of a country can affect any enterprise support organisation in its effort at supporting small businesses (Bartlett & Bukvic, 2001). This is what one of the respondents referred to as 'the operating environment'. The participant from REP remarked that:

*"If micro economic policies do not support micro and small scale enterprises we cannot support them; for example high inflation"*

It has been established earlier that as far as collaborations are concerned, the government agencies are into more collaborations than any other enterprise support organisation. These collaborations have the primary purpose of supporting small businesses' growth and development in Ghana. These collaborating organisations have their obligations towards the government institutions by providing them with the necessary assistance so that they can in turn support small businesses. However, one challenge is that some of these collaborating institutions do not fulfil their obligations. The following comments from officials of EDIF and REP respectively, further buttress this point:

*"The designated financial institutions are also unwilling to process the application of entrepreneurs for EDIF Credit since they already have their own funds to lend". "The attitude of some of the collaborating institutions is not favourable. Some are unable to meet their obligation".*



Government agencies that support entrepreneurs with credit facilities of concessionary loans have the same difficulty as the financial institutions; which is default in payment. A typical example, according to the current study is MASLOC. They face the challenge of recovery of debt from beneficiaries. The main reason behind the refusal of beneficiary small business owners to pay back their loans from MASLOC are that they are of the view that the money they receive belongs to the government of Ghana and everybody for that matter. For those who are activists of the current party in government; the perception is that the government is rewarding them with the money for helping to bring the party into power since MASLOC was set up by the Office of the President of Ghana. Thus, Graphic Business (2010) reports that MASLOC is seeking the assistance of the Serious Fraud Office to recover over GH¢ 80.00 million owed by defaulting entrepreneurs. In addition they are getting agents to help in identifying those who have defaulted and have relocated. This problem of rampant defaulting was as a result of unregulated granting of the loans and improper appraisal of projects of potential beneficiaries. As one interviewer indicated:

*“There is always difficulty in loan recovery. The default rate is simply too high. Because it was introduced by the president himself, they think the money is for party supporters. We are yet to start prosecuting defaulters whose names we have given to the Serious Fraud Office. Some of the cars have been recovered. Forty-six of the cars have been impounded but only 6 have come to pay”*

VCTF also faces a number of challenges as they assist SMEs. First is the fact that the level of appreciation of the model of equity financing is very low among some Ghanaian entrepreneurs. Second, it takes a very long time for the Trust to access all the necessary information needed for the processing of applications of entrepreneurs. Third, some of the business ideas that are submitted to the trust for consideration and possible financing are of poor quality (VCTF Annual Report, 2008).

The UNDP project in Ghana faces the problem of low level of literacy on the part of entrepreneurs. Some of them can hardly express themselves in the English Language which is the official language of Ghana and therefore some of the programmes are organised in Twi (The most dominant indigenous language in Ghana spoken by the Akan People). As stated earlier, this has the potential of alienating non-Twi speaking people. Another challenge is that the project’s activities cover only a few MSMEs because the amount of money available for disbursement at any point in time is inadequate. The last challenge is that of non-application of the knowledge received at training. Some of the entrepreneurs do not apply the knowledge received at training and continue to do what they

think is good for them; thus making of no effect the educational and training programmes of UNDP. The respondent official summarised it in this way:

*“The amount of money that comes is not enough considering the number of entrepreneur who needs financial assistance. Moreover, literacy level of the entrepreneurs was appalling hence the training was sometimes organized in Twi. There is also the evidence that they do not apply the knowledge received at training from us”.*

## **5.6 IMPACT OF PROGRAMMES ON ENTREPRENEURS**

Even though the enterprise support organisations face a lot of challenges and the fact that some small business owners complain of the inadequacy of support from the enterprise support organisations, the study revealed that the programmes and facilities of the enterprise support organisations have impacted on the activities of entrepreneurs and small businesses. This section, therefore, discusses the impact of enterprise support organisations on the activities of entrepreneurs and/or owner managers, from the perspective of enterprise support agencies.

### **5.6.1 The impact by educational institutions**

The study revealed that higher educational institutions in Ghana have been contributing to the growth and development of Ghana through their contribution to the building of entrepreneurship capacity. The study has revealed that they have positively impacted on the activities of entrepreneurs in Ghana, despite their challenges.

At the Department of Publishing of KNUST, the study realised that their programmes have had positive impact on entrepreneurs because of the continuing request from entrepreneurs within the industry for more of such programmes to be organised for them. There are also regular calls from small businesses and other organisations to offer them in-house training. It was surmised that if the programmes had not had any positive impact, there would not have been calls for more of such programmes. Again there are even requests from entrepreneurs in the print and publishing industries to the Department to run management and other technical courses by distance learning so that entrepreneurs who may not have the time to spend on the campus can take advantage of them. Some of these entrepreneurs also indicated how successful they have been after they had received training from the department. The respondent official at the Department indicated that:

*“Our programmes have had a positive impact because of the request from all quarters. Some of the entrepreneurs request that we organise distance learning programmes in management and other technical training for them”.*

At CEED it was indicated that their activities had impacted positively on small businesses and entrepreneurs. This is explained by the fact that the entrepreneurs do tell their success stories to members of the centre. The follow ups the centre embarks upon indicate that some of the entrepreneurs have adopted the new business practices taught them by the centre. The CEED official expressed it in this way:

*“Some come and tell us the progress they are making in their businesses. They have begun to adopt good practices such as book keeping, sourcing credits for themselves, pricing their goods well and other good marketing practice such as buying in bulk to attract quantity discounts. They are also managing their time well”.*

There is every indication that the educational institutions have influenced greatly the activities of entrepreneurs for higher performance. One interesting area is that of time management. In Ghana, there is what is referred to as “Ghana Time” whereby individuals do not have respect for time. This attitude has affected the performance of many small businesses. The intervention of the educational institutions which is changing this menace to a very large extent is a step in the right direction since in business, time is money.

#### **5.6.2 The impact by the financial institutions**

Data collected from banks indicated that their facilities and programmes have had a positive impact of the activities of entrepreneurs and small businesses. One reason is that customers of the banks who were accessing small amount of loans are now accessing large sums of money. This is an indication that the initial amount they accessed has improved their businesses. There is also an indication of some of the entrepreneurs, particularly the merchants, increasing their stocks and opening more outlets. It was summarised in this way by one of the bank officials:

*“Some of the businesses are now accessing bigger funds and are opening more outlets”.*

The more outlets, all other things being equal, denote higher performance, more profits, more employment opportunities offered by the small businesses and ultimately positive contribution to the development of the economy of Ghana (Audretsch, Keilbach & Lehmann, 2006; Baumol, Litan & Schramm, 2009; Powell, 2008).

Another area of impact by the banks which is closely related to the aforementioned point is that some of the beneficiary entrepreneurs have put in practice the education and training they had received from the banks. This has gone a long way to improve their businesses. It was thus indicated by one bank official that:

*“My interaction with them has shown good signs of impact. They have adopted good management practices and have managed their finances well to the extent that they scarcely request loans from the bank”.*

Even though the number of those who have adopted the good management practices may not be many, it is essential to understand that the positive impact is not only in the short term but long term as well. Their success stories will also serve as reference point for those entrepreneurs who have relegated to the background the good management practices they have learnt from the training programmes (Kayanula & Quartey, 2000).

Besides, some of the banks have offered some of the beneficiary entrepreneurs the opportunity to have an international exposure. Through the organisation of international trips for entrepreneurs, majority of these entrepreneurs have had the opportunity to establish international business contacts. This has resulted in some of them having international business partners. This international exposure is crucially important for entrepreneurs as some of them desire to go international. This offers them the opportunity to know details of the international market and to allow for easy penetration of the international market as one of the ways of building their capacities for growth and development (Hassid & Fafaliou, 2006; Gubbi et. al., 2010).

The MFIs also indicated their positive impact on the activities of small businesses. The main area of impact is that the loans given to the small businesses have helped in expanding their businesses with its concomitant social benefits. An official of one of the MFIs summarised it as follows:

*“Through our loan facilities, hawkers have obtained stalls which are an indication that their businesses and/or capital have expanded. Some of the beneficiary entrepreneurs can now afford to send their children to school and provide them with good nutrition. Moreover, the confidence and social standing of the beneficiary entrepreneurs have boosted”.*

Street hawking abounds in Ghana. A lot of people do not have the money to hire let alone own stalls. Having a stall is an indication of high financial capacity and social standing. A lot of the large and medium-sized businesses which have become household names in Ghana have started from table-tops and stalls (Business and Financial Times, 2012). The resultant social impact is vital given the fact that an educated and a healthy population are two important pre-requisites for economic development of countries.

### 5.6.3 The impact by government agencies

Government institutions have also contributed in no small way to the development of entrepreneurship in Ghana. Data collected from the NBSSI suggest that it has positively impacted on the activities of entrepreneurs in the small business sector. Through the intervention of the board, a lot of entrepreneurs have acquired finance for their ventures; they have also improved their marketing and production techniques. Through the knowledge acquired by the entrepreneurs from the board, they have adopted new methods and techniques in business. Majority of the small businesses have improved their activities and have expanded significantly (NBSSI Bulletin, 2011). As one of the interviewees responded:

*“A lot of these businesses have acquired finance for their ventures through our help. They also have improved their marketing and production techniques and improve their knowledge significantly in business management”.*

The impact of REP has two dimensions. The first is the impact on household and the second is the impact on enterprises. With respect to the households, the REP indicated that one area of impact is regular and quality nutrition to households. Second is improvement in housing. Third is better education for children of beneficiary entrepreneurs who can now afford to pay their wards' school fees. Fourth is that disadvantaged women have been empowered to be bread winners and good managers of their homes. Fifth is that majority of the beneficiary entrepreneurs are currently playing significant roles in their communities. In respect of enterprises, there is evidence of business growth and increase in sales on regular basis. Majority of the rural entrepreneurs also have been able to acquire the tools and equipment they need to run their enterprises (REP Annual Report, 2011).

Through MASLOC a lot of small businesses are growing. Those who did not have any enterprise are now self-employed. There is general improvement in the businesses of beneficiaries and their lives for that matter. Several investments have so far been made by the VCTF in various SMEs across sectors of the economy of Ghana. The sectors and/or industries that have so far received investment include Information and Communication Technology (ICT), Finance, Poultry, Pharmaceutical, Agriculture and Environmental. Thirty-eight SMEs in these sectors have so far received investments from the Trust and are doing relatively well despite some few challenges (VCTF Annual Report, 2011).

Even though there is more to do by the government agencies in supporting small and medium enterprises (Kayanula & Quartey, 2000; Keilbach & Lehmann, 2006; Baumol, Litan & Schramm, 2009); it is important to underscore that their support has significantly

improved the activities of small businesses in Ghana. One particular area is that of accessibility to financial capital at competitive rates. Had it not been some of these government institutions, small businesses would have been left at the mercy of the commercial banks whose lending rates are staggering. Currently, the commercial banks and some of the MFIs are charging as high as 28-30% rate of interest (Business & Financial Times, 2013, Graphic Business, 2013) compared to for example EDIF, whose credit facility to entrepreneurs attracts interest rate of 12.5%.

#### **5.6.4 The impact by international organisations**

An independent assessment on behalf of UNDP by a private organisation to ascertain the effects of the business development services (DBS) training on the growth and productivity of the MSMEs has been reported. The responses are presented in the table below:

**Table 5:1: The effects of the business development services (DBS) training of UNDP MSMEs Project in Ghana on the growth and productivity of the MSMEs.**

Business productivity and growth indicators	Average (%)
1. Access to new market	92.5
2. Profit generation	82.2
3. Long term growth potential	82.5
4. Poverty reduction-wealth creation	85.2
5. Employment generation	72.3

*Source: UNDP MSMEs Project report, 2010.*

The table shows that 72-92% of the MSMEs trained are positive that the training is enhancing the growth and productivity of their businesses. The MSMEs are strongly optimistic that the training has prepared them to be competitive in the market; therefore they are likely to benefit from greater share of the market in the areas of their operation; improvement in their profit generation which will lead to improved business growth for wealth and employment creation.

The survey conducted ranked the DBS areas most assimilated by the MSMEs and making the difference to the growth of their enterprises. The ranking results were as follows:

**Table 5.2: The rankings of most assimilated areas of MSMEs of the UNDP MSMEs Project in Ghana.**

DBS AREA	RANKING
Record keeping	1
Customer care	2
Preparedness to take risk	3
Increased customer base (competition)	4
Separation of personal finances from business finances	5
Increased in sales volume	6
Business diversification	7

*Source: UNDP MSMEs Project report, 2010.*

The above discussion point to the fact that UNDP is making a stronger and positive impact on the activities of small businesses. They have indeed contributed to the building of entrepreneurship capacity for growth and development. The UNDP official summarised it is this way:

*The surveys we have been conducting show that we have positively impacted the activities of entrepreneurs.*

However, there is more room for improvement as the earlier discussion pointed out that the number of small businesses that are benefitting from their operations is not large enough. Just like all the other enterprise support organisations, their impact will greatly be felt if more and more entrepreneurs get their support.

## **CHAPTER SIX**

### **CAPACITY BUILDING FOR ENTREPRENEURSHIP DEVELOPMENT: THE ROLE OF SMALL BUSINESS OWNERS**

#### **6.1 INTRODUCTION**

This chapter is a continuation of the presentation of the research findings. It discusses the findings on entrepreneurs and small business owners. The discussion is done drawing on the interviews conducted with small business owners as participants. The chapter therefore explores the different kinds of assistance to small business owners, the level of awareness of the activities of the enterprise support organisations among small business owners in Ghana and the impact of training programmes on small business owners.

It also presents the challenges faced by small businesses in Ghana from the perspectives of entrepreneurs and owner-managers, the expectation of small business owners of the government and enterprise support organisations, steps being taken by small businesses to circumvent their challenges and the future of entrepreneurship and small business in Ghana.

#### **6.2 DIFFERENT KINDS OF ASSISTANCE TO SMALL BUSINESSES OWNERS**

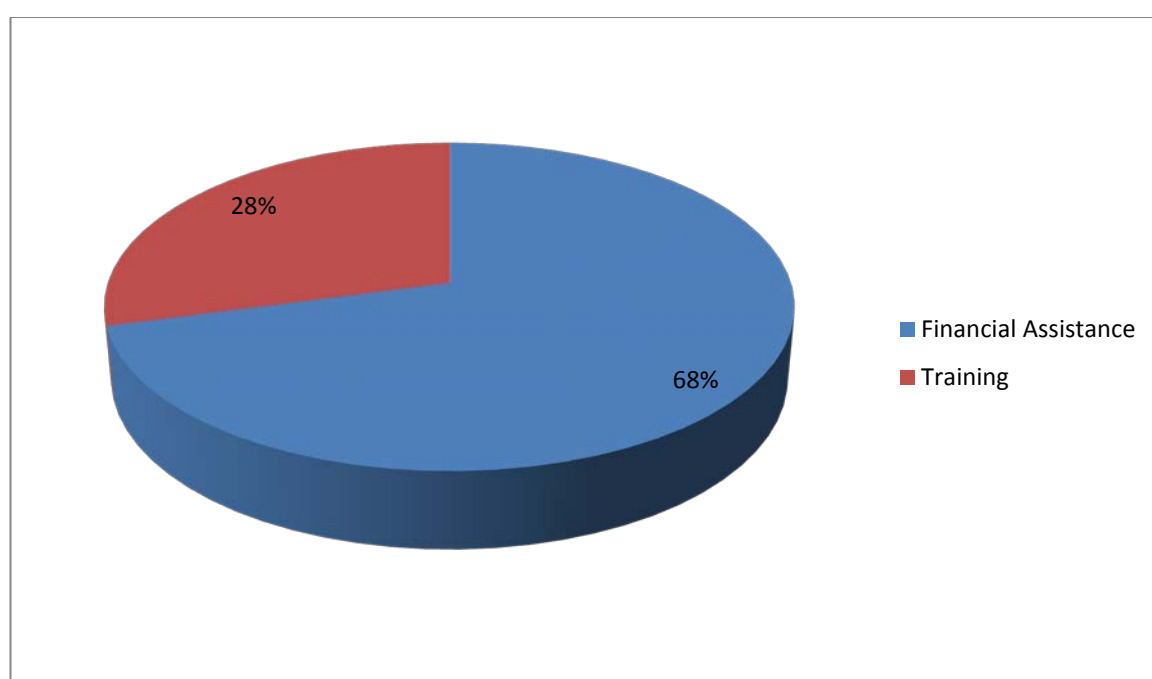
The study asked small business owners to indicate whether or not they had received any form of assistance from enterprise support organisations. Majority of the small businesses had received assistance from the enterprise support organisations. A few others had not received any assistance from the enterprise support organisations. The assistance that the small businesses had received from the enterprise support organisations could be categorized into financial and training. The findings suggested that the small business owners had received more of financial support than training.

Majority of the entrepreneurs, about 56 per cent, had received financial assistance in the sense that the main problem facing small businesses in Ghana is inadequate finance (Le & Nguyen, 2006). This has resulted in poor performance of these small businesses (UNCTAD, 2012). Given the right financial requirement, Ghanaian businesses stand the chance of growing their businesses and contribute immensely to the economy of Ghana. This also points to the fact that the financial institutions are doing their best to provide small businesses with financial assistance even though there is more room for improvement.



The study revealed that some of entrepreneurs or small business owners lacked some skills, particularly in management. Some had started their businesses without any form of training at all. Training entrepreneurs in Ghana to acquire managerial skills is therefore important. This is because many small businesses have failed not only because there was inadequate finance but due to managerial incompetence (Lighthelm & Cant, 2002; Kazooba; 2006). Thus, a lot of the small businesses are making sure that they acquire managerial skills through attending management training provided by the enterprise support organisations. Figure 5.2 shows the category of assistance received by entrepreneurs from enterprise support organisations.

Figure 6.1: Category of assistance received by SMEs.



Source: *Source: Author's field data, April-June, 2010.*

### 6.2.1 Reasons for not receiving any assistance

There were reasons that were given by the small businesses owners who had not received any assistance. The main reason why small business owners shy away from financial assistance is that the financial institutions charge high interest rates and therefore it is not profitable doing business with banks loans in Ghana. For example, one of the respondents said:

*“The business climate in Ghana is not conducive for small business to access credit”.*

Another said, *“They ask for collateral which sometimes is not easy to come by. Also the high interest rate charged by the banks makes it unattractive”.*

In developing countries; even where financial facilities are available, the interest rates and other charges from the financial institutions make it almost impossible for small businesses to borrow for investment (Berger & Udell, 1995). Doing business in Ghana, therefore, has become very difficult and expensive ([www.bbc.co.uk](http://www.bbc.co.uk); Graphic Business, 2010). Thus, some of the small business owners prefer using their own resources. Other reasons included cumbersome requirements by the banks and other financial institutions before accessing their facilities and the fact that some of the small businesses had actually tried to access credit from the financial institutions but for one reason or another were turned down. For that reason they had resolved not to try again.

With regards to training, the main reason was that some of the entrepreneurs themselves had not made any attempt at accessing any training programme, be they free or not. Some of them made comments such as:

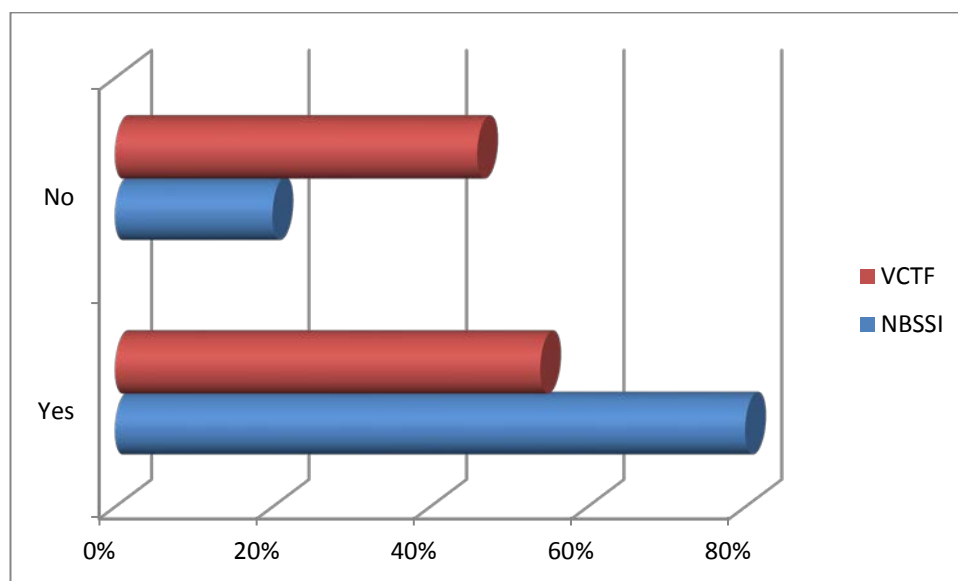
*“I have not gone out there to look for any assistance, I felt I was okay”.*

This attitude of some of the entrepreneurs does not augur well for entrepreneurship capacity building. For sustainable entrepreneurship development, there is the need for small business owners to make the conscious effort at accessing assistance from the enterprise support organisations.

### **6.3 THE LEVEL OF AWARENESS OF THE ACTIVITIES OF THE ENTERPRISE SUPPORT ORGANISATIONS AMONG SMALL BUSINESS OWNERS IN GHANA.**

Some of the small business owners were aware of the activities of some of the enterprise support organisations. In other words, they were aware of the different forms of support designed specifically for small businesses by the enterprise support organisations. However, others were not aware of the very existence of some of the enterprise support organisations, particularly those established by government for the promotion of entrepreneurship in Ghana. These were National Board for Small Scale Industries (NBSSI) and Venture Capital Trust Fund (VCTF). Figure 5.2 shows the level of awareness of these two institutions among respondents.

Figure 6.2: The Level of awareness of VCTF and NBSSI



Sources: *Author's field data, April-June, 2010.*

Information is very critical to the survival of small businesses. Many small businesses have failed not because they have limited financial resources, but because they lack information (Mutala, 2010). Figure 5.2 however shows that 20% and 46% were not aware of the existence of NBSSI and VCTF respectively. These institutions have the ability to provide small businesses in Ghana with the needed information and other facilities. The lack of knowledge of such important institutions and the resultant lack of information for small businesses in Ghana have resulted in the failure of many small businesses (UNCTAD, 2001).

The reasons for the situation are two-fold. Firstly, the entrepreneurs themselves have not taken upon themselves to look out for information about these organisations. For example one respondent said:

*“Currently I do not have any knowledge of any programmes or facility. This is because I spend most of my time travelling”.*

Besides, some of the small business owners and entrepreneurs are either illiterates or semi-literates. Since information about the existence of these institutions is transmitted in English, some of them find it difficult to access them; hence they are incapable of knowing about their existence.

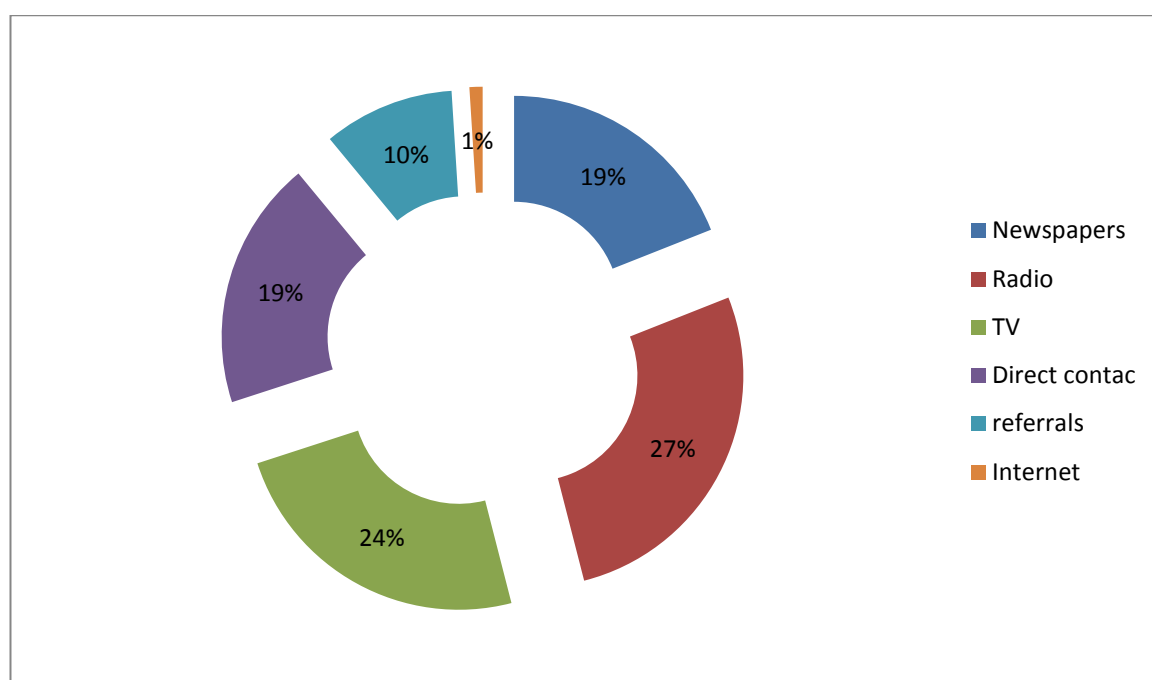
Secondly, some of the enterprise support organisations; particularly the governmental agencies have not done enough to reach out to the entrepreneurs. For example, the activities of VCTF are still limited to Accra-the capital city of Ghana-with no offices in the

other regions and districts of the country (VCTF Annual Report, 2008). Likewise, the activities and/or facilities of NBSSI are limited to some districts in Ghana (NBSSI Bulletin, 2010). The NBSSI official corroborated this by indicating that:

*“Information seminars are organised where we invite entrepreneurs and opinion leaders such as the chiefs in the communities where the seminars are being organised. We have also opened offices in most of the districts in Ghana where information can be obtained. We also work in the other districts but not physically present”.*

Besides, the inadequate funding of these institutions makes it very difficult for them to spend on promoting their activities through the media. Without promotion it is virtually impossible to communicate with your target audience (Kitchen, 2006, Kotler & Keller, 2009). This is explained by the fact that majority of those who had knowledge of the existence of the enterprise support organisations got to know about them through the media as indicated by figure 5.3.

Figure 6.3: How small businesses heard about support activities



Source: Source: Author's field data, April-June, 2010.

#### 6.4 THE IMPACT OF TRAINING PROGRAMMES ON SMALL BUSINESS OWNERS

The details of the training small businesses receive from the enterprise support organisations indicated that majority of the things the small business owners were taught bordered on the effective management of their ventures. Some of the subjects which the

small business owners were taught were keeping proper books of account, identification of investment opportunities, proper employees management and motivation, how to gain competitive edge and business development. Others were customer service, stock control, business planning, general business management, how to access loan facility, time management and proposal writing. For example, one of the respondents stated that:

*“The details of the programme were quality improvements, financial control and how to access bank loan”. Another one said “I have attended some of the training programmes and we were taught many things including financial management, customer care, and employees’ motivation”.*

The number of small business owners who had the opportunity to access training programmes organised by the enterprise support organisations outnumbered those who had not. This is an indication that a lot of the small business owners is seeking knowledge about how to manage their businesses well. This is explained by the fact that one of the challenges of small business owners in Ghana is inadequate managerial skills (Mensah, 2004). Many of these owner managers have no managerial training prior to starting their businesses which is a recipe for organisational disaster (Lighthelm & Cant, 2002). Small business owners need to develop strong managerial skills as a way of building their capacities. This is of great importance because management plays an important role in the growth and development of small businesses. There is evidence to suggest that small businesses that relegated effective management to the background failed in their bid to achieve their objectives (Kazooba; 2006).

The small business owners described how the training programmes had impacted on their activities. It came out that the training programmes had impacted their businesses positively. Some of the areas of impact were proper keeping of records, effective customer service, proper management of personnel or employees, effective control of finances and proper time management. For example, the following comments were made by some of the small business owners:

*“It has given me knowledge which I apply in my work. I have been able to manage my finances and how to relate to the banks”. “The training programme has enabled me to keep proper records”. “Now there is coordination, free flow of information from employees to customers. It enabled me to control my income and expenditure for better profits” “I now provide good customer care”. “My customers have become loyal and I now have competitive advantage”. “It helped me to know the right people for recruitment*

*and how to handle their problems”. It helps me to relate to my customers well. I have been able to handle stock taking very well”.*

These comments are indication that small business owners are building their capacities for development. For example, effective customer service in Ghanaian small businesses is not as expected. Customers are not given the kind of treatment they deserve and in most cases it is as though the small business is doing the customer a favour (Graphic Business, 2012). Effective financial management also is a challenge (Abor & Biekpe, 2007). The positive impact of these training programmes promises a good future for entrepreneurs and small businesses in Ghana.

The study further investigated what did not go well with the programmes organised by the enterprise support organisations from the point of view of the entrepreneurs. Two issues were identified. There were those who believed that all was well with the training programmes. However, others thought otherwise. Those who thought the programmes were not well organised made mention of problems such as lack of time consciousness. In other words, there was no strict adherence to time by the organisers as they did not start and end at the times scheduled. This was indicated in the responses of some of the respondents. One of such respondents remarked that:

*“They did not go with their time, we sat down for too long without breaks and we could not cover all the topics we were supposed to cover because time was not properly managed”.*

There was also the problem of duration of the programme and language. For example, one of the respondents remarked that:

*“The duration for the programme was too short and some of the entrepreneurs found it difficult to understand the English language”*

Related to the aforementioned problem was the fact that participants complained of not being given the chance to ask more questions due to the limited time. Other problem which came out was that the time between the invitation or announcement of the programme and the day of the programme was too short and some of the organisers did charged some fees which were not made known beforehand. Thus, some suggested that the time for the programmes should be extended to enable them to learn more and to ask more questions. It was also suggested that such training programmes be organised by the support organisations frequently.

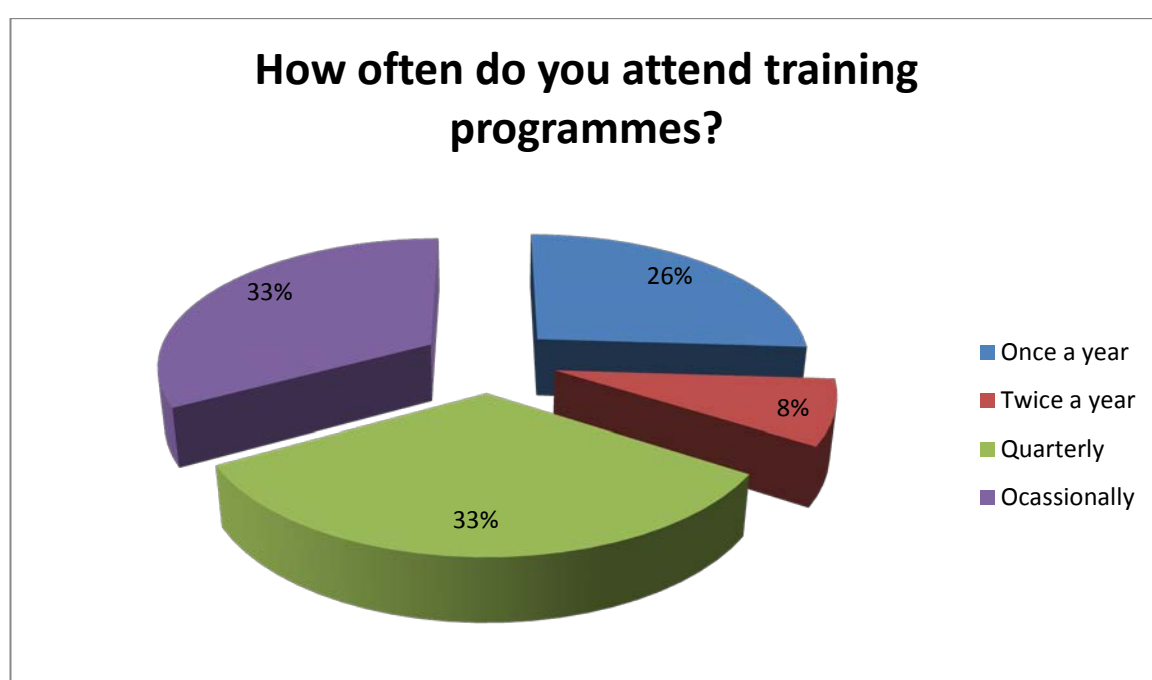
The infrequent nature of the training programmes featured prominently in the responses. It was revealed that 26% of the small businesses owners had attended such training courses

once a year. Eight percent said (8%) they had attended the courses twice a year. Those who had attended the courses quarterly and occasionally were of the percentage of 33. Those who had attended the training programmes occasionally were those who had attended just once or twice for many years. For example, one respondent stated that:

*“Since 1994, I have attended just once”*. Another also said *“Since 2005, I have attended only one”*.

Figure 6.4 gives a summary of how often the small business owners attend training programmes.

Figure 6.4: The frequency of attendance of training programmes



Source: *Source: Author's field data, April-June, 2010.*

Even though some of the training programmes have not been frequent in some cases as suggested by some of the entrepreneurs, it must be emphasized that the poor attitude of some of the owner managers as discussed earlier must have contributed to their inability to attend these programmes. Until the entrepreneurs change their attitude to entrepreneurial training, this problem will continue to exist and all efforts at building their capacities for growth and development of their ventures will be a mirage since entrepreneurial training is paramount for entrepreneurial capacity building (Sinha, 2004).

## 6.5 THE CHALLENGES OF SMALL BUSINESSES IN GHANA

Small businesses in Ghana and the rest of the developing world are beset with a lot of challenges which impede their capacity to grow and develop. They are, therefore, not able to contribute meaningfully to the economies of the developing world (Aryeetey et al, 1994). This section discusses some of the challenges facing these small businesses and/or entrepreneurs. The section is divided into two. The first section deals with financial challenges and the second section borders on other challenges or non-financial challenges from the perspective of the small business owner-managers and entrepreneurs. The reason for the separation of financial from other challenges is that financing is a dominant challenge of small businesses in Ghana (Kayanula & Quartey, 2000) and, therefore, need exclusive attention.

### 6.5.1 The financial challenges of small businesses in Ghana

The study delved into the challenges that small business owners were facing with respect to start-up, growth and sustainability. The major challenge they faced was financing. The small business owners had a lot of difficulties accessing finance in the country (Kayanula & Quartey, 2000). This is consistent with the findings of other researchers who posit that accessing credit in the developing world is a key challenge (Pissarides, 1998; Stanworth & Gray, 1991; Storey, 1994). Reasons were given by the small business owners as to why their accessibility to credit is limited.

One reason for the limited access of small business owners to finance was found out to be the cost of capital in the country. According to small business owners the cost of borrowing in the country was too high which makes loans from financial institutions unattractive. Almost all the small business owners mentioned interest rates as being too high in the country. Some responses such as the following emerged when small business owners were asked to indicate their challenges in accessing financial facilities:

*“They ask for collateral which sometimes is not easy to come by. Also the high interest rate charged by the banks makes it unattractive”. There is high interest rate and the banks demand collateral. It also takes a long time before accessing loans or before your application is processed” “The challenges we have in getting funds from the banks are that they charge too high interest rate, and they demand collateral which discourages me to go forward to apply for loans”*

Throughout 2011, the interest rates charged by the banks in Ghana ranged between 25 to 30 % (Graphic Business, 2011). Thus interest rate in Ghana and other developing countries



has posed a big financial challenge to small businesses such that they are not able to contribute to the economy as they should (Berger & Udell, 1995). The fact is that, currently there are enough financial institutions that are ready to lend to small businesses in Ghana (Business & Financial Times, 2011) but these small businesses shy away from these financial facilities because of the high interest rates charged by the banks (Berger & Udell, 1995; Becks, 2005). The banks on the other hand blame this on the Bank of Ghana's prime rate or policy rate which is currently 12% ([www.bog.gov.gh](http://www.bog.gov.gh)). This is even an improvement on the policy rate since in the year 2009 it was 17% and was even increased to 18.5% ([ghanabusinessnews.com](http://ghanabusinessnews.com)).

Another key reason which was brought to the fore was the issue of collateral. Banks and other financial institutions in Ghana require small businesses to provide collateral security and/or guarantors before they are allowed to access loans. Thus small business owners have relied on other sources of finance (Pissarides, 1998). Majority of these small businesses do not have the landed property which the banks demand before loans are given. For this reason majority of the small business owners are not able to access loans. The responses of some of the small businesses which point to the fact that they are concerned about collateral are as follows:

*"They ask for collateral which sometimes is not easy to come by". "The only problem I have is the demand for collateral. Others are "How to get guarantors and collateral which the banks demand is a problem". One of my challenges in securing finance from the banks is the provision of collateral security and the likelihood of losing my property".*

The demand for security by the bank may not be wrong since the banks have to protect their investment. But the problem lies in the fact that most of these small businesses do not have the landed property the banks demand and thus financial constraints of small businesses persist (Cook & Nixon, 2000).

If alternative ways such as getting insurance for the small businesses are not explored, then the financial challenges of small businesses in Ghana will be protracted. This also bring to the fore the cost of capital since the payment of the premium will be done by the small business owners thus compounding the problem of cost of financial capital to small businesses in Ghana.

Another challenge worth mentioning has to do with time. It takes a long time to secure finance from the financial institutions by small business owners even when all the conditions such as collateral have been fulfilled. In other words, the time between

application for credit and the issue of the credit is too long and there is too much documentation. One respondent stated that

*“It takes a long time to get the loan”. Others were: “The process is long and cumbersome”. “There is too much documentation and they want to know your turnover before they give you credit. Moreover it takes too long a time before the credit is given”.*

The effect is that most of the time the credit comes at the wrong time. Timing is very important in business and small businesses in particular. And in business time is of great essence. If credit facilities therefore come at the wrong time it defeats the aim for accessing the credit facility which does not help in the building of financial capacity for growth and development of small businesses in Ghana (Cook & Nixon, 2000).

Furthermore, the small business owners complained about the fact that they do not receive the amount of credit they apply for. The banks and other credit companies decide how much should be given at any point in time thereby defeating the aim for which the loans are applied. Some of the responses to this effect are:

*“It takes a long time to get the loan. How to get guarantors and collateral which the banks demand is a problem. Moreover, they do not give you what you demand; they rather decide how much to give you”. “There is also too much documentation and most of the time the banks decide the amount of money to give you depending on many factors such as your daily sales. So then, you do not get the amount you request”.*

Again this defeats the aim of the credit since small business owners must have planned what to do with the credit facility. Anything less than what they requested thwarts their efforts at achieving their business objectives (Stiglitz & Weiss, 1981).

The next challenge facing the small businesses in Ghana in securing finance is that, most of the time, a small business owner must have been a customer of a particular financial organisations before qualifying for credit. In addition, their turnovers must have been as expected by the banks. Small businesses which have not been doing business with the financial organisation in question must then provide an acceptable bank statement from their previous bankers. One respondent has this to say:

*“The main challenges have to do with conditions such as collateral which does not exist and they expect you to have performed well in your business which should reflect in your bank statement”. “These days you need to have done business with the banks for some number of months before you will become eligible for loans”.*

This works for existing small businesses. However, for start-ups, this may be very difficult if not impossible. Thus many new small businesses fail at the infantile stage for want of financial capital. Those that survive are those that can rely on personal savings for a time and show signs of growth before they can access finance. This militates against the start of new ventures and retards small business progress in Ghana (Business & Financial Times, 2011).

Furthermore, small business owners in Ghana complained about the inflexible nature of repayment of loans. In other words, the repayment plans of the banks for loans are not flexible enough. The inflexibility on the part of the credit companies is explained by the fact that when a small business at a point in time does make enough money to make a repayment, it has to borrow again elsewhere to make the repayment. Some remarks from the owner managers to corroborate this assertion are as follows:

*“There is stiff time in payment; you may borrow to pay the bank so there is no need to take bank loans”. “The interest rate they charge is too high for small businesses and the terms of repayment are not favourable at all”.*

Such situations have the potential of putting more financial strain on small businesses. This explains why some small businesses shy away from accessing loans. The demand for goods and services in a developing country like Ghana where incomes are low is not stable and small businesses are worst affected. This is because they do not have the capacity to compete with large businesses (Business & Financial Times 2011).

#### **6.5.2 The non-financial challenges of small businesses in Ghana**

Apart from the financial challenges of small businesses in Ghana, there are other challenges they face. It should, however, be mentioned that most of these other challenges are linked to the financial challenges. The first of the other challenges is that of human resources. Majority of the small business owners complained of their inability to hire staff with the requisite skills and abilities (Bartlett & Bukvic 2001). This affects their productivity. In addition, there is high employee turnover. The employees who get training from the small business owners are later poached by larger organisations which pay them higher salaries. Besides, there was indication that some of the employees were not trustworthy. For example, those who were into manufacturing and trading mentioned pilfering as one of their biggest problems. Some of the comments in support of this argument were as follows:

*“We also face the problems of theft on the part of staff and continuous strike from union members”. “Inflation affects my business. Theft on the part of customers and workers is*

*another challenge. There is also lack of proper personnel” “Staff turnover is high in my business. When they get the training then they leave” “There is also the difficulty in getting the right human resource to deputise for you because of the limited number of optometrists”.*

These challenges affect the entrepreneur’s ability to build human resource capacity which is needed for effective performance and/or productivity. Without stable and trustworthy employees; small businesses cannot achieve their goals. As said earlier, this challenge has a direct link to the financial challenges discussed earlier. This agrees with the argument of Brink, Cant and Lighthelm (2003) that small businesses most of the time do not have the financial capacity to hire the right calibre of labour and thus rely on unsuitable and/or low-level skilled labour. The financial difficulty they face does not allow them to provide adequate training for their staff which affects the productivity of their firms

Small businesses in Ghana again face the problem of poor national infrastructure. The low level of infrastructural development in Ghana has affected a lot of small businesses. High cost of utilities, particularly electricity was a big challenge to the small business owners. Some mentioned the fact that they could not pay their staff well because the high cost of utilities affected their profits levels negatively. Related to that is the unreliable nature of the utilities. For example, electricity power and water supplies have not been regular. In responding the challenges small businesses face in Ghana, one respondent mentioned among other things that:

*“There is also problem with infrastructure such as electricity”. Another comment was “Our main challenge has been power outage or fluctuation. Electricity is always on and off which interrupts with our business. For example, there is always the breakdown of our link”.*

Since the activities of these small businesses depend to a very large extent on the uninterrupted supply of these utilities, their business activities are affected and thus their capacity to grow and develop is curtailed. For example, high electricity tariffs affect the prices of products offered by small businesses. This is evidenced in the following comment:

*“The prices of the wood we buy and sell keep increasing because of increase in electricity tariffs. When I explain this to my customers they find it difficult to understand since most of them are illiterates”.*

Services such as electricity, transportation, water and telecommunication are very critical or necessary for the development of countries of the developing world (Okpara & Wynn,

2007). The inadequate supply of these utilities and electricity in particular has forced a lot of small businesses to use their meagre incomes to purchase power generating plant. Those that cannot afford are more often out of business throughout the time of the power outage.

Rent was also a big challenge to the small business in Ghana. The small size of their capital, does not allow them to pay high rent for the places that can accommodate their businesses and some of them had to operate either in their own houses or inaccessible locations. Some of the comments were:

*“Accommodation and rent are problems and where I am now I cannot do any expansion”*

Even those who can afford to buy land for building their premises have problems with the land tenure system in Ghana. One comment was:

*“There is not enough space for expansion and land acquisition is a big challenge for us”.*

The sale of land in Ghana has been in the hands of traditional authorities particularly the chiefs. The cost of land is very high and most of the time these authorities engage in what is referred to as multiple sale of land (Graphic Business, 2011). In other words, one land may be sold to two or more different persons by the same person or different persons. This results in litigation and most of the time the small business owners lose out because they do not have the time and money to litigate. The overall effect is that the small business owner is not able to operate as it should be.

Modern organisations, large or small operate in the buyers’ market. In this market organisations have to compete for the customer’s resources. Those that have the right strategy and capacity are likely to have competitive advantage (Jobber, 2007; Kotler & Keller, 2009; Kotler et.al. 2002). Small businesses in Ghana have difficulty in competing. As a result small businesses in Ghana face low patronage of their products. It was indicated that some of the consumers do not patronise their product but rather preferred imported products or those from large companies. This challenge must have arisen out of poor acceptability of products from small businesses and the fact that the prices of their products are relatively higher as a result of their high costs of production. These responses capture this argument:

*“Our main challenge is finance to expand our business. There is also the problem of acceptability. Once your business is not popular, people do not want to do business with you. In fact, they look down on small businesses”. “Sales of late have not been encouraging because the prices of the products are high due to high import duties. The regulations from Customs Excise and Preventive Service (CEPS) are not favourable at all”.*

If this challenge is not well managed by the small businesses, they are likely to fail or cease to exist. This challenge is partly the reason why a host of small businesses do not have a long life span (Lighthelm & Cant, 2002).

The challenge of integrity on the part of customers-both individuals and organisations particularly government- with regards to payment of bills was brought to the fore. Small business owners complained about the poor attitude of customers when it comes to payment of bills. For example, one entrepreneur indicated that:

*“Some of my customers do not have integrity. Sometimes they run away with my money. The government institutions also do not pay on time when you provide them with products. I once waited for two years before I had my money from one government institution”.*

This poor attitude of customers goes to compound the already bad financial situations of some of the small businesses. This is connected to what Bartlett & Bukvic (2001) refer to as late payment of bills. Late payment of bills by business customers of small businesses and even the government has been hampering the growth and development of entrepreneurship in the developing world. This locks up their meagre working capital and slows down their growth and development (Bartlett & Bukvic 2001; Hamilton & Fox, 19989).

Finally, the management and/or performance of the economy of Ghana was blamed for the woes of small businesses. The economic indicators of Ghana do not favour entrepreneurship and small business development despite the attempts by government to streamline entrepreneurship activities in the country. Thus, some of the respondents indicated that their activities are affected by the general economic downturn. One of the responses that confirmed this was:

*“Economic conditions in the country are not favourable at all for small businesses. Inflation, exchange rate, interest rate and import duties are too high.*

The poor performance of the economies of the developing world and Ghana for that matter affects many activities of small businesses. Small businesses that depend on the importation of inputs are affected because of high rate of inflation, high import duties and the like. The fact is that majority of the problems discussed above have their roots from the poor economic performance of the country.

## 6.6 THE EXPECTATIONS OF SMALL BUSINESS OWNERS OF THE GOVERNMENT AND ENTERPRISE SUPPORT ORGANISATIONS

Following the challenges that small business face in the country; an investigation went into the expectation of the small business owners of the Government of Ghana and enterprise support organisations. This section, thus discusses small businesses' expectations of the Government of Ghana and the enterprise support organisations.

On the part of the enterprise support organisations; particularly those in the financial service sector-the banks and micro finance organisations-the small business owners expected them to reduce their lending rates, streamline lending procedures and also provide them with flexible terms of payment. Small business owners considered their lending rates high; lending procedures cumbersome and terms of payment too rigid. However, these expectations of the small business owners cannot be met by the financial organisations without the support of the government. For example, the lending rates of the banks depend to a very large extent on the prime rate of the Bank of Ghana (Graphic Business, 2011). It was thus expected that the government would liaise with the financial institutions to come out with special financial package for small businesses. Thus, one of the small business owners stated that:

*The government and the financial institutions should collaborate to provide flexible financial facilities for small business whose projects are viable.*

They expect the government to revise its economic policies to bring down interest rate. As of now, small businesses as well as large corporation in the country are borrowing at the same rate of between 26-30 per cent which they consider too high (Business & Financial Times 2012). The following responses by interviewees highlight these points:

*“The government should also take steps to bring down interest rates”. “Government should give loans with low interest rates or help small businesses to access loans with low interest rate from the banks”. “The government and the financial institutions should collaborate to provide flexible financial facilities for small business whose projects are viable”. “I think the main thing is that the government should provide avenues for small scale businesses to access funds from financial institutions at low interest rates”.*

Another expectation was that the enterprise support organisations and some of the government agencies which are into supporting small businesses should sustain their training programmes so that the owner managers can benefit the more. One respondent said;

*“The training programmes must be sustained by the government”.*

The small business owners also expected the enterprise support organisations and government agencies to do more than they are currently doing in terms of the creation of awareness about their activities that are geared towards entrepreneurship and small business development. According to them, the current state of awareness is not the best. One respondent remarked that,

*“Government agencies, especially those responsible for promoting small business activities should beef up their activities and should get in touch with entrepreneurs especially those in the grassroots”. “There should be the creation of awareness about facilities and programmes for small businesses. Currently it is not enough”.*

In order to boost local production and/or demand for products from small businesses in Ghana, the small business owners expected the government to charge high tariffs on imported finished products from outside Ghana since the prices of those products are more often than not cheaper than those produced in the country. This is as a result of the fact that the cost of production in Ghana is more than those countries from which the goods are imported; particularly the developed world ([www.businessguideghana.com](http://www.businessguideghana.com)). Some responses which reflect this argument are:

*“High tariffs must be imposed on importation of dressed chicken to boost local production”. “The government should ensure micro economic stability. The government should also ban the importation of poultry products to make our prices competitive”.*

Another expectation of the owner managers had to do with land acquisition. As stated earlier, as of now, land acquisition is beset with a lot of problems one of which is the multiple sale of land. This is where a particular piece of land can be sold to two or more developers by the one person or more. This is as a result of the fact that the sale of land in Ghana happens to be in the hands of the chiefs who are believed to be the custodian of lands in Ghana ([myjoyonline.com](http://myjoyonline.com)). The small business owners therefore are expecting the government to come out with measures to make land acquisition for business use easy and affordable. They also expected the government to eliminate all land problems by implementing the existing law governing land acquisition and development and also to mete out stiffer punishment to those who break the law to serve as deterrent to others. This can be done through the Lands Commission of Ghana which is entrusted with the management of Ghana's land, forest, wildlife and mineral resources ([www.ghana.gov.gh](http://www.ghana.gov.gh)).



Moreover, the small business owners, particularly those in the manufacturing and agriculture expected the government to subsidize inputs, particularly raw materials. For example, they expected the government to subsidise importation of raw material for small business operations and to reduce its attendant import duties. This is because they paid high taxes which in the end increased their cost of production and negatively affected their competitiveness. With regards to importation of raw material and equipment for small business operations, the small business owners further explained that they expected the government to streamline issues concerning importation to allow for smooth clearing of goods from the ports since it takes a very long time to get imported goods cleared. This is because of the multiplicity of agencies involved in the importation and exportation of goods in Ghana (Graphic Business, 2011).

Finally, small business owners called on the government of Ghana to revamp the general infrastructure of the country and to ensure that the main utilities of water and electricity which are still under state control are in constant supply and the rates reduced to the minimum bearable for small businesses. In this regard, one respondent stated that:

*“We need the government to improve the power supply system and reduce electricity bills”.*

This challenge need to be resolved if small businesses are to grow and develop. Small businesses cannot grow in situations where sometimes the whole of the country is without electricity. Some parts of the country can be without water supply for weeks (Daily Graphic, 2012; Graphic Business, 2012; Business & Financial Times, 2012). This effect of this is that small businesses are bound to operate under hard conditions which affect their productivity (Okpara & Wynn, 2007).

## **6.7 STEPS BEING TAKEN BY SMALL BUSINESS TO CIRCUMVENT THEIR CHALLENGES**

Following the challenges of small businesses in the country and the subsequent expectation of small business owners of the key enterprise support organisations, the study went ahead and investigated the measures the small business owners were putting in place to circumvent some for the challenges they face as a way of building their own capacities for growth and development.

Because of the financial difficulties they face; small business owners have developed the strategy of reducing their dependence on borrowed funds. To this end, they have developed strategies such as buying from suppliers with very flexible payment terms, finding

alternative sources of inputs that are cheaper as well as ploughing back profits. In order to reduce cost of production and thereby increase profit, some have resorted to hiring part time workers. Related to this is the use of technology to reduce cost of labour. For example, one of the small business owners said,

*“I am trying to harness technology to bring down my cost of production”.*

The resultant effect is that the small businesses will not rely so much on borrowed funds. However, in most cases, as indicated earlier in this chapter, internal funds are not enough for major expansion and other project by small businesses. Their reliance on external funds can thus be reduced but not completely eliminated if small businesses want to build strong financial capacity (Ahlstrom & Bruton, 2006; Le, Venkatesh & Nguyen, 2006).

One area of challenge identified was with human resource. The key human resource challenges included theft on the part of employees, inadequate skills among others. As a way of eliminating or reducing the problem of theft, some of the small business owners have put measures in place to adequately remunerate their staff. One of them indicated that:

*“We have introduced good package for employees to discourage them from stealing from the organisation”.*

This has the potential of motivating staff to be more productive for growth and development of the entrepreneurial firms. However, it can be argued that good pay will not necessarily stop employees from stealing. Other security measure must be put in place to forestall this challenge. With respect to the issues of low skill level of employees, small business owners have started the provision of in-service training to their workers and creating the opportunity for the workers to have regular training from other training providers at the cost of their businesses. This will increase the cost of running the businesses in the short term. But in the long term the return on that investment is huge (Bartlett & Bukvic, 2001). The return on the investment will only be realised if the trained staff are prepared to stay with the small business. As indicated in the challenges, most of the time employees leave for large organisations after they have been trained by the small businesses.

With regards to land issues, the small business owners were taking steps to deal with the chiefs directly and not their intermediaries. This will ensure that they avoid becoming victims of double sale of land and land litigation which is time consuming and hence costly. In addition they were getting the lands checked with the Administrator of Stool Lands (a

government agency responsible for all stool lands in Ghana) to ensure that they were buying lands from the right source or owners.

Availability of resources of all kinds is very important for the survival of small businesses (source). It is thus important for small businesses to manage their resource effectively. To this end the small businesses in Ghana are putting the right measures in place to ensure effective and efficient use of the resources available to them. In line with this one respondent said:

*“I am making good use of the little resources available since they are expensive and therefore difficult to come by.*

The effective use and/or management of resources allows for small businesses to maximize their profits and minimize their cost. This is very important because small businesses are noted for ineffective management of resources which has resulted in the failure of many a small business, particularly those in the developing world (Levy, 1993).

## **6.8 THE FUTURE OF ENTREPRENEURSHIP AND SMALL BUSINESS IN GHANA: THE VIEWS OF SMALL BUSINESS OWNERS**

The last section of the interview with the small business owners had to do with their views on the future of entrepreneurship and small businesses in Ghana. Majority of the respondents said that the future is bright and that entrepreneurship and small business can see growth and development in Ghana and thus contribute significantly to the economic development of the country. This they explained that the small business sector as of now employs a lot of people in Ghana and therefore helps alleviate poverty. For example one of them stated that:

*“The future is bright because it absorbs a percentage of the labour force and because it is the engine of national economic growth”.*

This function of entrepreneurship in the economy makes it imperative for more support to be given to the sector. If entrepreneurship is given the needed support it will alleviate poverty by contributing immensely to employment. Currently in Ghana, unemployment has become the bane of the government in the sense that there is what is called Unemployed Graduate Association of Ghana (UGAG). Therefore with a little push, entrepreneurship and small business will do more than it is doing currently in solving the unemployment problem in Ghana.

Even though majority of the owner managers were optimistic about the future of entrepreneurship, they did not leave it without a caution. They were of the view that, the growth and development of entrepreneurship and small business in the country and their contribution to the economy of Ghana for that matter will not come automatically. Rigorous measures, according to the small business owners; should be put in place by the government in particular, to make this dream achievable. Otherwise entrepreneurship and small business will lag behind in terms of their contribution to the economy of Ghana. For example, some of them were of the view that the future will depend to a very large extent on the preparedness of the government to assist in developing entrepreneurship and small business. One respondent remarked:

*“The future is bright for entrepreneurship and small business if only they get help from government and other organisations”. Other comments worth mentioning are as follows: “Talking about the future of small business in Ghana, it all depends on the government of the day”. “The future is bright if government and the various institutions are able to see things from the entrepreneurs’ point of view”. “If the government will support small businesses with financing, small businesses will grow and make a significant impact on the economy of Ghana”. “The future of small business depends on the economy; how the economy is run by a particular government. If the economy is good, entrepreneurs and small businesses can raise funds for expansion”.*

Whereas some were looking outward and thinking that the future of entrepreneurship and small business in the country depended exclusively on the government and enterprise support institutions; a few of the small business owners thought otherwise. This category of small business owners believed that the growth and development of small businesses in the future depends on the entrepreneurs and the small business owners. They were of the view that some of the small business owners in the country were not working hard enough. In addition they mentioned that some of them lacked the management skills and/or expertise and did not avail themselves for training. In the light of this one of them said that:

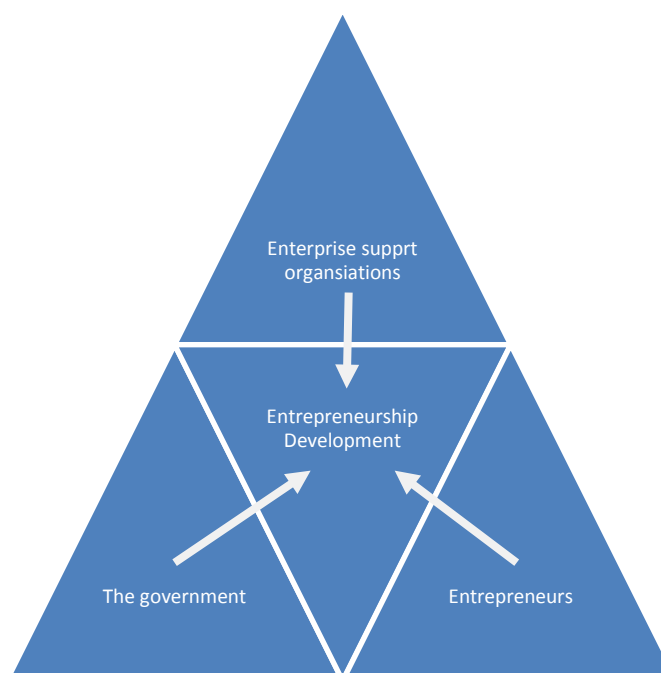
*“Small businesses have the high potential of growing to become large companies in Ghana if they should work hard and seek more management training and expertise”.*

Other small business owners were pessimistic about the future of entrepreneurship and small businesses in Ghana. They were of the view that entrepreneurship and small businesses in Ghana had no future. They gave reasons, some of which are captured in the following remarks:

*“The future of small business not is bright because the encouragement is not there for small businesses. The banks for instance are more ready to assist the big businesses than the small businesses. In addition, government agencies that are in a way supporting small businesses are not decentralised enough and therefore not easily accessible”. “The future of small businesses in the manufacturing sectors for instance is bleak. This is because importation is killing manufacturing in the local market”. “It will take a long time for this to be realised because we pay lip service to policies and programmes for small businesses. There is no implementation on the part of the government and private institutions”.*

The discussion so far calls for the combined efforts of the enterprise support organisations, the government and the entrepreneurs themselves. This is what the researcher refers to as the entrepreneurship development triangle. All the three sides of the triangle must be working to ensure sustainable entrepreneurship development. This is depicted in the figure 6.5 below:

Figure 6.5: The entrepreneurship triangle



Source: Author, 2013.

The focus is not on only one sides of the triangle. All the three sides of the government, entrepreneurs and enterprise support organisations need make the needed commitment to capacity building for entrepreneurship development in Ghana. Even though the government may play the central role, the focus should not be on the government alone.

## **6.9 SUMMARY OF THE CHAPTER**

This chapter discusses the general attitude of entrepreneurs to assistance from enterprise support organisations and the general role the entrepreneurs are playing in contributing to entrepreneurship development. The entrepreneurs receive different kinds of assistance from the enterprise support organisations. The assistance is mainly in the form of finance and management training; which has impacted positively on the activities of some of the entrepreneurs. Majority of the small businesses were however, not aware of the very existence of some of the enterprise support organisations particularly government agencies. For this reason and others, the small business owners have a lot of problems; the main challenge being access to credit. The entrepreneurs are finding ways of circumventing these challenges in order to survive and contribute to the development of the economy. Majority of them are of the view that entrepreneurship has a bright future in Ghana but insist that much depends on the commitment of government to the entrepreneurship developmental agenda of Ghana.

## **CHAPTER SEVEN**

### **DEVELOPING A FRAMEWORK FOR ENTREPRENEURSHIP ECOSYSTEM FOR DEVELOPING COUNTRIES: APPLICATION OF INSTITUTIONAL THEORY**

#### **7.1 INTRODUCTION**

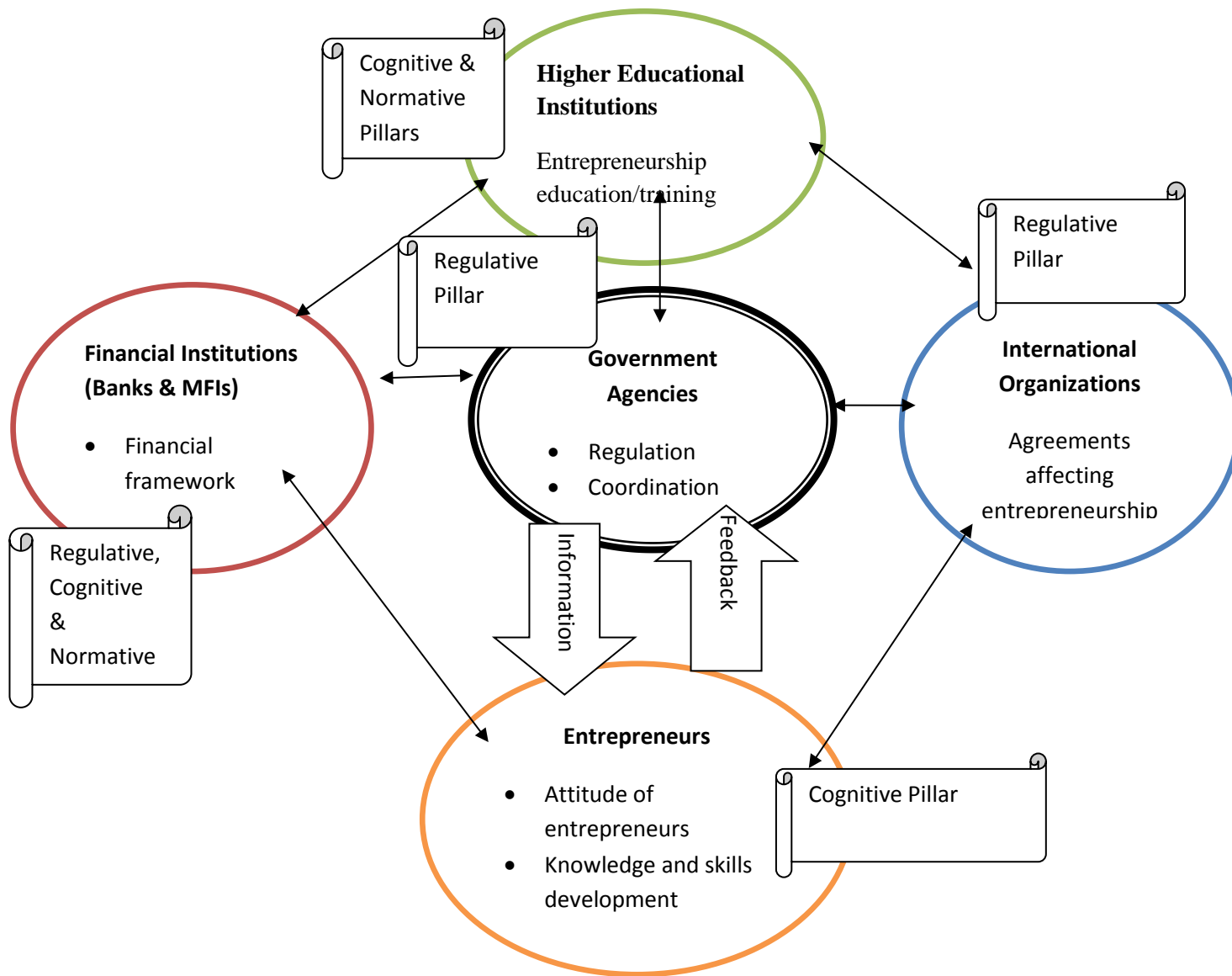
This chapter explores the development of a framework for entrepreneurship ecosystem for developing countries. This is done with particular reference to Ghana where the study was undertaken. The current study is about capacity building for entrepreneurship development in Ghana and the emphasis is on the interplay between institutional support mechanisms and small businesses. The development of the framework is underpinned by institutional theory as discussed in chapter two.

#### **7.2 FRAMEWORK FOR ENTREPRENEURSHIP ECOSYSTEM FOR DEVELOPING COUNTRIES**

This section seeks to develop a framework for the development of entrepreneurship in developing countries based on the current study with the application of institutional theory. Thus the three pillars of institutional theory feature prominently in the discussion of the components of the framework.

The findings of the study show that the main enterprise support institutions that are engaged in entrepreneurship activities are the government, financial institutions, higher educational institutions and international organisations. Again the study found out that there are collaborations among these institutions as they try to support entrepreneurs but these collaborations are loosely linked. Furthermore, there is no coordinating agent among these institutions and therefore entrepreneurship capacity building activities are done disjointly. Besides, there is little or no exchange of information between the enterprise support institutions, particularly the government agencies and entrepreneurs. Some of the entrepreneurs are not even aware of the very existence of these institutions and their support activities. The framework thus take into consideration the need for the government to be at the centre of activities; coordinating the activities of the other enterprise support institutions. Furthermore, there is the need for information flow between these institutions, particularly the government and entrepreneurs. In addition, entrepreneurs need to give feedback to government on their activities to allow for effective policy decisions.

Figure 7.1: Framework for entrepreneurship development in developing countries.



Source: Author, 2012.

Figure 7.1 shows a framework for the development of entrepreneurship in developing countries. It is made up of government agencies at the centre, regulating and coordinating the activities of the other enterprise support organisations of higher educational institutions, financial institutions (banks and micro finance companies), international organisations and entrepreneurs. The framework also shows the underpinning pillars of institutional theory.

The main contribution of the study to institutional theory in a developing country context lies in the fact that there are conflicts among the pillars of the theory. In addition, there is the issue complexity and the undermining of one pillar of another. For example, the normative pillar works to undermine the regulative pillar in the building of entrepreneurship capacity in Ghana. The conflicts, undermining and complexities of the pillars with reference to the above figure are discussed below:



### **7.3. THE GOVERNMENT: REGULATING AND COORDINATING FUNCTIONS**

In developing countries such as Ghana, the government has a central role to play in regulating and coordinating the activities of other enterprise support organisations and entrepreneurial firms (Michael & Pearce, 2009; Tambunan, 2008). Figure 7.1 show the central role of regulating and coordinating the activities of the enterprise support organisations and entrepreneurs. This is done through the government agencies or one main agency responsible for regulating and coordinating the activities of enterprise support organisations and the activities of entrepreneurs. Multiplicity of agencies performing almost the same functions of regulating and coordinating the activities of these institutions and the activities of small businesses is not helpful. This is because, as the study revealed, some of the functions overlap. For example, some of the activities and/or functions of the National Board for Small Scale Industries (NBSSI), Rural Enterprises Project (REP) and Micro Finance and Small Loans Centre (MASLOC) do overlap. Even though the various agencies of government seem to be focusing on different type of entrepreneurs, there is no clear cut distinction of functions and focus. This can result in confusion among entrepreneurs.

The need for regulating the activities of the enterprise support organisations and small businesses is to ensure that there is sanity in the system for entrepreneurship development and growth. Some of the enterprise support organisations are profit oriented and will therefore support entrepreneurship development in a way that will help them achieve their parochial objectives. For example, the study revealed that the prevailing criteria for accessing support (training and financial) from the financial institutions are not favourable at all to small businesses and entrepreneurship development for that matter. Some of these institutions will not offer any support to small businesses or entrepreneurs that are not their customers. Even those that are their customers, the criteria for qualifying for support are so stringent that majority of the entrepreneurs are alienated. In addition, these financial institutions do set their lending rates arbitrarily to the disadvantage of the entrepreneur so that it becomes almost impossible to borrow for investment. Besides, almost all the higher educational institutions are commercializing their support in the form of training to small businesses to the extent that some of them do charge entrepreneurs huge sums of money before they can access their training facilities. In addition, the charges are in dollars instead of Ghanaian cedis. This has the tendency of turning away a lot of the entrepreneurs to the detriment of entrepreneurship growth and development and the economy for that matter. The government comes in to ensure that the activities of the enterprise support organisations, particularly the financial institutions are properly regulated to ensure

effective growth and development of entrepreneurship in the country (Sacerdoti, 2005). For example, the lending rates to small business can be decided by the government and the financial institutions are supposed to abide by them.

The coordinating function is equally important since having regulations in place without effective coordination of the activities of the enterprise support organisations and small businesses will not augur well for entrepreneurship development. Coordination in this context means ensuring that all the activities of the stakeholders for entrepreneurship development in the country (the government, financial institutions, international organisations, higher educational institutions and entrepreneurs) are well organised. This can be achieved by the government having a credible database of the activities of enterprise support organisations and other entrepreneurial opportunities (domestic and abroad) and making them available to the small businesses. These small businesses must have access to these information at no cost to them. Besides, the small businesses must provide the government agencies with feedback on their activities and the challenges they face on regular basis. This will ensure that pragmatic measures are put in place for addressing the challenges of entrepreneurs holistically.

The complexity and undermining of the pillars of institutional theory in a developing country such as Ghana arise here. For example, the government's attempt to create a database of the activities of small businesses (regulative pillar) is undermined by the inadequate knowledge of some of the owner managers of the activities of government agencies (cognitive pillar) and the unwillingness of some of the owner managers to make known the performance of their ventures to government officials (normative pillar) in order to avoid political risk.

#### **7.4 ENTREPRENEURSHIP EDUCATION AND TRAINING: THE ROLE OF HIGHER EDUCATIONAL INSTITUTIONS: INTERFACE OF COGNITIVE AND NORMATIVE PILLARS**

Entrepreneurship growth and development in developing countries thrive on entrepreneurial education and training. In other words, there cannot be any meaningful economic development through entrepreneurship and small business development without entrepreneurial education and training (Cope, 2005). Entrepreneurs need to build capacity through the acquisition of knowledge. This is pivotal to the growth and development of their ventures as their knowledge will be brought to bear on the effective and efficient management of their ventures for higher performance (Westhead et al., 2004). Thus, there

is the recognition that there is a positive correlation between the level of knowledge and/or expertise of entrepreneurs and the level of development of their ventures (Sinha, 2004).

A lot of the enterprise support organisations are in the business of providing education and training to entrepreneurs which ascribes to the cognitive pillar. The cognitive pillar recognises the importance of knowledge and skills to the development of entrepreneurship (Scott, 2007; Tolbert, David & Sine, 2011, Dacin, Oliver & Roy, 2007). Moreover, these institutions are raising awareness about entrepreneurship which also connects to the normative pillar of institutional theory. One of such enterprise support organisations in Ghana is higher educational institutions which have even more important role to play in providing education and training as well as creating awareness about entrepreneurship. The reason is that education and training is a core function of higher educational institutions unlike the others such as the financial institutions and government agencies (Bolden & Petrov, 2008; Howard & Sharma, 2006).

The findings of the study suggest that there are two pathways by which higher educational institutions can contribute meaningfully to the growth and development of entrepreneurship in developing countries. The first is entrepreneurship community service. The universities and polytechnics are providing services to the community in general as part of the roles they play in society (Hughes & Lester, 2006). Entrepreneurship education and training can be made an integral part of their community service. This can even be used in rating these institutions and also serve as important input for promoting staff of the universities and polytechnics. In an attempt to get better rating, the institutions will ensure that they do not relent in contributing to the success of small businesses in the country. Staff are also going to lend their support because they know that will be integral to their promoting and/or professional advancement.

Again, the findings suggest that the current level of support for entrepreneurs in Ghana by the higher educational institutions is not to the level that can revamp the activities of small businesses or build their capacities for growth and development. Thus, the entrepreneurship community service pathway is very important in ensuring the continuous improvement and/or sustainability of the current support programmes which the higher educational institutions are providing for entrepreneurs. It also has the positive effect of reducing the current commercialisation of education and training support for entrepreneurs by the higher educational institutions in Ghana and other developing countries.

The other pathway is graduate entrepreneurship. The aforementioned pathway is for existing entrepreneurs or owner managers. The graduate entrepreneurship pathway focuses

on students in the polytechnics and universities in developing countries. Entrepreneurship education has become very popular in all countries and even in developed countries. This is as a result of the current recognition of the importance of entrepreneurship education to economic growth and development (Mafela, 2009). Thus, entrepreneurship education and training should be integral part of the curricula of all departments and schools in the universities and polytechnics, spearheaded by the business and management schools. In other words, before any students leaves a particular university or polytechnics, that student must have had education and training in entrepreneurship.

This will ensure that students do not come out of schools only to seek employment which has characterised many a developing country; but to seek self-employment. This is one of the surest ways to sustainable economic development through entrepreneurship growth and development. Inculcating entrepreneurship spirit in students and making them understand the importance of having their own business is of prime importance. This has the potential of raising entrepreneurship awareness among graduates and reducing unemployment which has become the bane of developing countries to the extent that currently we have Unemployed Graduates' Association in Ghana ([www.dailyguideghana.com](http://www.dailyguideghana.com)).

The challenge, as the study revealed, is that of the attitude of some of the entrepreneurs towards acquisition of knowledge and training in Ghana. Some of them do not think that it is necessary. Others are do not have the level of education necessary for the acquisition of such knowledge even if they are offered for free. Thus, there seem to a conflict between the cognitive and normative pillars.

## **7.5 STREAMLINING FINANCIAL ACCESSIBILITY FOR ENTREPRENEURS: THE ROLE OF THE FINANCIAL INSTITUTIONS: INTERFACE OF REGULATIVE, COGNITIVE PILLARS AND NORMATIVE PILLARS**

Financial institutions have been playing pivotal role in the development and growth of entrepreneurship in developed as well as the developing world (Beck, 2009; Klapper, Sarria-Allende & Sulla, 2002). In the context of this study, reference is being made to the banks and micro finance companies in Ghana and developing countries for that matter. As the study has revealed; a lot of the small businesses in Ghana face problems relating to finance. This has stagnated the growth of many a small business in the developing world (Abor & Biekpe, 2007; Kayanula & Quartey, 2000). Thus one main area entrepreneurs need to build capacity is that of finance. This will help the small businesses in employing modern method of doing business so that small businesses can be competitive. This will also open up opportunities for potential entrepreneurs. This is connected to the regulative

pillar of institutional theory which among other things argues that the setting up of effective financial frameworks and the encouragement of business set-up are vital for entrepreneurship and economic development (Scott, 2007; North, 1990; Greenwood & Suddaby, 2006; Tolbert, David & Sine, 2011).

In streamlining financial accessibility for small businesses in the developing world, the financial institutions need to have bespoke financial facilities for small businesses which should be different from large businesses. If the small businesses and the large businesses are borrowing at the same rate, it will be difficult for small businesses to stay competitive. This is explained by the fact their level of development does not allow them to enjoy economies of scale. Thus their cost of production is high which more often than not results in high prices of products for consumers. This has the effect of compounding their current financial challenges and thus hinder their growth and development (Ebben & Johnson; Wimborg & Landstrom, 2000).

This study, however, reveals that small businesses and the large ones in Ghana are treated the same way by financial organisations. As stated earlier, the small businesses and large ones are currently borrowing at same rate (Business & Financial Times, 2013). In addition, majority of these financial institutions, particularly the banks prefer doing business with the large businesses to that of the small businesses. This is because they are considered more effective when it comes to repayment of loans and thus are more profitable than small businesses. This attitude of financial institutions has the negative effect of still restricting access of entrepreneurs to credit. This does not augur well for entrepreneurship development in Ghana and the developing world. Entrepreneurship growth and development thrive on the building of financial capacity on the part of entrepreneurs.

Recently however, the study has revealed that almost all the banks have now begun finding ways of providing bespoke financial services to small businesses. The banks and other financial institutions, as the study revealed, have come to the recognition that the small business sector has much to offer them in terms of business and that the earlier they gave them attention, the better. In other words, the banks have recognised that the large businesses of today were once small businesses. Moreover, the aggregation of the businesses of entrepreneurs to the banks can compare favourably with that of the large businesses.

The effort of the financial institutions can be supported by other enterprise support organisations particularly the government agencies. The government through its agencies can come out with financial policies that will allow the financial institutions to effectively

support small businesses. The explanation is that the study has revealed that the banks in Ghana do charge high interest rates because their rate is based on the prime rate of the Bank of Ghana. Thus the banks are not prepared to reduce their lending rates. In streamlining financial accessibility for entrepreneurs in Ghana and other developing countries, a special fund can be set up by the government (through the central bank) and the small businesses can access it through the banks with low interest rates.

The cognitive pillar of institutional theory recognises that the attitude, beliefs and actions of entrepreneurs determine their legitimacy (Bosma et al, 2009; Harrison, 2008; Li, 2009). In order to streamline financial accessibility for entrepreneurs; they need to have honest attitude to the financial institutions by honouring their financial obligations. This is because the study has indicated that some entrepreneurs do not honour their financial obligations leading to the financial institutions becoming sceptical about lending to small businesses. The solution to the problem may be the readiness of the government to serve as guarantor for the entrepreneurs. This may also have its own challenge; such as entrepreneurs taking advantage of the system knowing very well that in default the government will be held responsible. Thus, there is the need for effective collaborations for the development of a workable and effective financial framework for entrepreneurship development in Ghana and the rest of the developing world.

It is important to mention at this point that entrepreneurship development does not hinge on financial accessibility alone. In other words, the creation of financial accessibility for entrepreneurs does not necessarily result in entrepreneurship development. It has to be complemented by good management practice on the part of the entrepreneurs. Good management practice is embedded in the acquisition of knowledge and skills (Rae, 2000). Thus, entrepreneurs need to develop managerial skills capacity to be able to put their finances to good use for higher productivity. One of the most cited reasons for the failure of small businesses in Ghana and other developing countries is mismanagement; particularly financial mismanagement (Lighthelm & Cant, 2002; Kazooba, 2006).

To this end the financial institutions in Ghana, in addition to streamlining financial accessibility have put measure in place to provide business support programmes for entrepreneurs as a way of helping them to effectively manage their ventures. These business support programmes are geared toward helping entrepreneurs to acquire more knowledge and skills in modern management practices. This is not only important for the entrepreneurs, but also for the financial institutions. The effective management of their ventures will ensure higher productivity and profitability which are necessary for entrepreneurs to honour their financial obligations to the financial institutions. The national

economy also stand to benefit more as these entrepreneurs expand their businesses to employ more people and pay more taxes for the development of the economy. This is linked to the normative pillar of institutional theory which indicates among other things that the level and nature of the knowledge and skills of entrepreneurs are vitally important for entrepreneurship development. It also emphasises the streamlining of the contents and formats of business support programmes for entrepreneurship development (Burton, Ahlstrom & Li, 2010; Scott, 2007; Greenwood & Suddaby, 2006; Tolbert, David & Sine, 2011).

## **7.6 INTERNATIONAL AGREEMENTS AFFECTING ENTREPRENEURS AND SMEs: REGULATIVE PILLAR**

International organisations have been contributing effectively to entrepreneurship and small business development in Ghana. This is as result of the recognition of the international community that entrepreneurship and small business is the bedrock for economic development in countries of the developing world (International Finance Corporation, 2008). The activities of international organisations in the developing world have complemented the activities of indigenous enterprise support organisations and the government in particular (UNDP, 2012). This is essential in promoting entrepreneurship in the developing world in order to alleviate poverty. The International Finance Corporation (IFC) reports that globally, income distribution is highly skewed. Plotted on a graph, it looks more like a pyramid with the base made of two-thirds of the world's population who are poor and live on less than \$8 dollars a day. These people, majority of whom are in the developing world have limited economic power and limited economic opportunities (IFC, 2008).

It has been argued that governments of developing countries alone cannot effectively support the development of entrepreneurship in their countries. Even though the governments of the developing world are doing what they can to support entrepreneurship, international support is inevitable. This is as a result of the fact these governments have limited resources that must be equitably distributed to the various sectors of the economy. Thus, the governments are left with very little to support entrepreneurs fully (Tambunan, 2008; Michael & Pearce, 2009). For example, the current study found out that the government of Ghana has not been able to adequately resource its agencies such as the National Board for Small Scale Industries (NBSSI). As indicated in 5.4.3, the official of NBSSI clearly indicated that their budgetary allocation from the government has been limited to 70% with the explanation that the government does not have enough. This is in

agreement with the regulative pillar of institutional theory which emphasizes that governments enter into agreements with international organisations for entrepreneurship development (David & Bitektine, 2009; Dacin, Oliver & Roy, 2007; Scott, 2007; North, 1990).

Part of current study focused more on agreement and/or collaboration between the government of Ghana and UNDP. The study revealed that the government of Ghana and the UNDP have partnered for the development of the economy through entrepreneurship growth and development. In this agreement the UNDP through its MSMEs project in Ghana provides a range of programmes and facilities for the micro and small business sectors. The Project provides business development services support. This has to do with the provision of training for entrepreneurs in areas such as entrepreneurship development, marketing, book keeping, change management, among others. This project has positively impacted on the activities of some small business owners in Ghana. These small business owners have incorporated the knowledge received into the running of their ventures and are now performing better than before. This high performance ultimately translates into financial capacity so that the overdependence of small business on financial organisations is reduced (Ebben & Johnson 2006; Wimborg & Landstrom, 2000; Pissarides, 1998; Berger & Udell, 1995). It must be stated, however, that not many of the small businesses have benefited from these collaboration between the government and UNDP. This is as a result of the poor attitude of some of the small business owners. Some of them have the attitude of receiving the training but not putting them into practice. Thus, with reference to the pillars of institutional theory, there is the realisation of the cognitive pillar undermining and/or conflicting with the regulative pillars. Moreover, the UNDP is not able to cover more of these entrepreneurs because their resources are not enough. This then suggest that entrepreneurship development in Ghana and other developing countries needs the support of more organisations and institutions.

Entrepreneurs in Ghana are still faced with the problem of financial accessibility, which has affected a lot of the small businesses and even led to the demise of many small businesses (Sunter, 2000). Facilitating accessibility to finance is thus a pre-requisite for entrepreneurship development in developing countries (Le & Nguyen, 2009). To this end, the UNDP project again helps in building the capacities of micro finance institutions (MFIs) so as to enhance access to financial services or facilities by medium, small and micro enterprises (MSMEs). The UNDP undertakes this project by training MFIs in the best practices in micro finance delivery. Furthermore, the project provides matching funds (grants) to the MFIs specifically for lending to the MSMEs. Again, the MFIs are provided



with information and telecommunication technology facilities to enhance efficient tracking of loan portfolio to ensure good portfolio quality and sustainability. The challenge with this facilitation function is what the researcher refers to as “selective support” on the part of the MFIs. Some of these MFIs expect small business to have done business with them to a specified period of time before accessing credit from them. Thus, all entrepreneurs who are not into direct business relationship with this MFI are denied access. This does not help in building entrepreneurship capacity comprehensively.

Apart from the UNDP, other international organizations have partnered the government of Ghana for the building of entrepreneurship capacity for growth and development. Some of the international organisations are Japan International Co-operation Agency (JICA), United Nations Development Programme (UNDP), and United Nations Industrial Development Organisation (UNIDO) ([www.ModernGhana.com](http://www.ModernGhana.com), [www.undp-gha.org](http://www.undp-gha.org), [www.mofep.gov.gh](http://www.mofep.gov.gh), [www.allafrica.com](http://www.allafrica.com), [www.ghanaweb.com](http://www.ghanaweb.com)). These international organisations embark on a lot of activities that are geared towards the building of entrepreneurship capacity in Ghana. One of such programmes was one organised by UNDP under the theme “Capacity building for medium, small and micro-enterprises”. The overarching object of the project was to increase the productivity of small businesses to enhance their opportunity for growth and expansion and their capacity for absorbing more labour leading to poverty alleviation ([www.undp-gha.org](http://www.undp-gha.org)). Such programmes have been successful because of the effective collaboration between the international organisations and the government of Ghana.

The international organisation again provides financial assistance to entrepreneurs or small business owners since their access to credit is limited (Ahlstrom & Bruton, 2006; Le, Venkatesh, & Nguyen, 2006). To this end JICA and UNDP set up a project with a seed money of US\$245,927.00 to assist entrepreneurs, particularly women in the Northern Region of Ghana; which is considered one of the poorest (Ghana News Agency, 2007; [www.undp-gha.org](http://www.undp-gha.org)). In addition, the organisations provide training programmes in many areas to both current and potential entrepreneurs. JICA for example sponsored eight young Ghanaians for a training programme in Japan on the promotion of small and medium enterprises. The aim of the programme was to provide the young entrepreneurs with the opportunity to develop their specialities through experience and learning technologies and skills in Japan ([www.allafrica.com](http://www.allafrica.com)).

The activities of international organisation have complemented the role of the government and other indigenous enterprise support organisations. Their role in entrepreneurship capacity building has improved the management skills and financial capacity of

entrepreneurs. Without these entrepreneurship capacity building activities of international organisations, a lot of the small business owners may have gone out of business. Their training programmes for entrepreneurs which, are most of the time free of charge have been of immense help to small businesses development. The activities of the entrepreneurs have contributed to employment generation thereby solving one of the greatest problems of Ghana-unemployment (Kayanula & Quartey, 2000).

It must, however, be stated that, for these collaborations and agreements between the international organisations and the government of Ghana and other developing countries to contribute significantly to entrepreneurship development and for its to be sustainable, there is the need for some stringent measure to be put in place. First, successive government of the developing world should commit themselves to existing agreements between international organisations and the government. This is important in the sense that in some developing countries such as Ghana, successive governments do not want to continue the “good works” of the preceding government ([www.dailyguideghana.com](http://www.dailyguideghana.com)). This is because such programmes go to the credit of the government that started them which can help them gain political advantage. This attitude can affect international agreements to the detriment of entrepreneurs.

Moreover, international organisations must commit themselves to the agreements and/or memorandum of understanding they sign with government agencies. The study found out that some of the international organisations after signing a memorandum of understanding with the government agencies renege on their duties. For example, the amount of money promised these institutions are not provided. Even those that are provided do not come as scheduled. This has the tendency of putting the programmes and activities of the government agencies aimed at supporting small businesses in disarray.

Specificity of support on the part of some of the international organizations does not augur well for comprehensive entrepreneurship capacity building. The study further revealed that some of the international organisations specify areas in the small business environment which they are prepared to support. The UNDP for example has stringent requirement with regards to which entrepreneur can attend their programmes and access their financial facilities from the MFIs. As another example, JICA and UNDP set up a project with seed money of US\$245,927.00 to assist entrepreneurs, particularly women in the Northern Region of Ghana; (Ghana News Agency, 2007). This is very significant to entrepreneurship development in Ghana. The question however is, what about their male counterparts? Entrepreneurship development programmes must be broad-based in order to have a stronger impact on entrepreneurship capacity building.

## **7.7 THE GROWTH AND DEVELOPMENT OF ENTREPRENEURSHIP: THE ATTITUDE OF ENTREPRENEURS: THE COGNITIVE PILLAR**

One of the important stakeholders in the building of capacity for entrepreneurship growth and development in developing countries is entrepreneurs themselves. In other words, the growth and development of entrepreneurship in developing countries depends to a very large extent on the entrepreneurs themselves. The cognitive pillar emphasises entrepreneurs' attitude, beliefs and actions as well as acquisition of knowledge and skills which are vitally important for entrepreneurship development. The cognitive pillar again recognises that subjective rules and meanings in the entrepreneurial environment define appropriate behaviour or actions of entrepreneurs (Scott, 2007; DiMaggio & Powell, 1991). The importance of the appropriate actions of entrepreneurs to entrepreneurship development is underscored by the fact that the activities of entrepreneurs contribute significantly to economic development (Tamvada, 2010; Minniti & Naude, 2010; Baumol, 2002; Peng, 2001).

Research has suggested that there are several ways through which entrepreneurs contribute to economic development. Thus, policy makers have increasingly become interested in matters which border on entrepreneurship and have recognised the importance of small businesses to economic development. Entrepreneurs contribute to economic development through the creation of employment (Mohanty, 2009; Hochberg, 2000; Storey, 2000). In addition, they play critical role in maintaining and developing the economic order (Wong, Ho & Actio, Zara et al, 2000). In Ghana for example, the small business sector has been recognised as the engine of growth of the national economy ([www.ghanaweb.com](http://www.ghanaweb.com), [www.dailyguide.com](http://www.dailyguide.com)).

Thus, entrepreneurs actions and for that matter inactions can go a long way to affect entrepreneurship development and for that matter economic development in developing countries. If they relent in their roles as a key stakeholder, entrepreneurship development in developing countries will suffer. Apart from the government, international organisations and other enterprise support organisations, the entrepreneurs need to play their roles very well at the individual level (Scott, 2007; DiMaggio, 1991; Meyer & Rowan, 1991) in order to ensure effective growth and development of the national economies of developing countries.

The study has revealed that for entrepreneurs to play their roles well and make any meaningful impact on the economy of developing countries, one of the areas they need to build capacity is that of education and training. This is consistent with the cognitive pillar

of institutional theory which subscribes to the acquisition of knowledge and skills by entrepreneurs as pre-requisite for growth and development of their ventures and the economy (Scott, 2007; DiMaggio, 1991; Meyer & Rowan, 1991)

The enterprise support organisations and the government of Ghana through its agencies are putting the necessary measures in place in order to help entrepreneurs acquire knowledge and skill in the management of their ventures. This is as a result of the recognition of the government and other enterprise support organisations of the small business sector as the hub of the economy of Ghana (Business & Financial Times, 2013). The enterprise support organisations provide training to small business owners in the area of management such as proper book keeping, good employee relations, customer service, and computer skills, effective pricing among others. In addition, entrepreneurs are provided with business related advice and/or information by the enterprise support organisations which are relevant for the building of entrepreneurship capacity both in the short and long term.

It has been acknowledged that entrepreneurship growth and development thrives on education and training. Entrepreneurship learning and experience are very important in building entrepreneurship capacity for growth and development (Cope, 2005; Rae, 2000; Westhead et al, 2004) particularly in the developing world where policy makers are leaving no stone unturned to ensure sustainable development. Thus entrepreneurship development in Ghana and other developing countries demands that entrepreneurs' attitude to education and training is positive.

The study revealed that some of the entrepreneurs have availed themselves for education and training provided by the enterprise support organisations. This has helped in building their capacity for effective management of their businesses. For example some of them now have realised the need to separate personal finance from the finances of the business. Moreover, others have begun keeping proper books of accounts and employing many other management tools as a way of revamping their businesses. This is important; however, there is the need for these activities of the entrepreneurs to be sustained through continued push for education and training which demands that a positive attitude from the entrepreneurs (Cope 2005, Sinha, 2004). This is explained by the fact the business world is volatile. New information and new ways of doing business are always evolving. For entrepreneurs to make significant contribution to the economy of developing countries, they must stay current in the business world by committing themselves to continuous acquisition of knowledge and skills which the cognitive pillar of institutional theory ascribes to (Scott, 2007).

The activities of these entrepreneurs will be given legitimacy if they their attitude to the acquisition of knowledge and skill is positive and are thus able to translate them into effective and efficient running of their ventures for the benefit of society (Bosma *et al*, 2009; Harrison, 2008; Li, 2009). Policy makers and other enterprise support organisation and the general society in Ghana and other developing countries will support the activities of small businesses if small business owners apply modern methods of doing business and come out with competitive products. For example, the situation where some small businesses find it difficult to sell their products will be a thing of the past. There is bound to be a paradigm shift from preference for foreign products and products of large businesses to that of small businesses in Ghana.

Thus, the time has come for entrepreneurs in developing countries to think outside the box and avail themselves for knowledge acquisition and skills development. These are necessary ingredients for building entrepreneurship capacity for growth and development. There should also be the inordinate desire on the part of entrepreneurs for information. There should be the exploitation of all avenues with the view to obtaining accurate and timely information relevant for the growth and development of their ventures. Information is relevant for effective business decision making and for the identification of the relevant entrepreneurial opportunities (Bygrave, 2001; Rae & Carswell, 2000).

There is the need for a comprehensive entrepreneurial attitudinal change in Ghana and other developing countries. The study further revealed that whereas some of the entrepreneurs have done their best in accessing training and education programmes by the enterprise support organisations, some have woefully ignored them. Even those who acquire the needed knowledge, there is evidence to suggest that some of them do not apply the best practices which they have learnt and sticks to the status-quo. This attitude on the part of the entrepreneurs does not augur well for entrepreneurship and economic development.

## **7.8 SUMMARY OF THE CHAPTER**

This chapter discusses the development of a framework for the development of entrepreneurship in Ghana and other developing countries. It identifies five main stakeholders for the entrepreneurship development agenda. These are the government agencies, financial institutions, higher educational institutions, international organisations and entrepreneurs. All these stakeholders have their respective roles to play in ensuring the growth and development of entrepreneurship in developing countries. Thus, entrepreneurship development does not depend on the government alone, even though it

has been acknowledged that governments of the developing world need to play a leading role of coordinating and regulating the activities of the other stakeholders that operate at intertwined layers of regulative, normative and cognitive pillars of an ecosystem.

## **CHAPTER EIGHT**

### **CONCLUSION OF THE STUDY**

#### **8.1 INTRODUCTION**

This is the final chapter and thus completes the study. The chapter revisits the research aim, objectives and questions and summarises the answers to the research questions of the study. The chapter also discusses the contribution of the study to knowledge as well as contribution to practice and policy. Furthermore, the study indicates the limitations of the study, offers suggestions for future research and draws a conclusion.

#### **8.2 REVISITING RESEARCH AIM, OBJECTIVES AND QUESTIONS**

The study investigates capacity building for entrepreneurship development in Ghana; exploring the prospects and challenges. The specific research objectives and questions are summarised in table 8.1 below:

**Table 8.1 Overview of research objectives and questions**

Research Objectives	• Research Questions
To investigate the role of the key enterprise support institutions by exploring their motivations collaborations.	<ul style="list-style-type: none"> <li>•What are the key roles of the key enterprise support organisations? Do the roles overlap? Why do they support entrepreneurs? What forms of collaborations are preferred?</li> </ul>
To identify the impact of training programmes offered by such enterprise support institutions on small business owners.	<ul style="list-style-type: none"> <li>•What is the impact of training programmes offered by such enterprise support organisations on small business owners?</li> </ul>
To examine the challenges the key enterprise support institutions face in fulfilling their objectives and achieving the intended impact.	<ul style="list-style-type: none"> <li>•What are the main challenges enterprise support organisations face? In the face of these challenges are they able to fulfil their objectives? To what extent have they impacted SMEs positively?</li> </ul>
To understand the expectations of small business owners of the key enterprise support institutions and explore their level of awareness of support programmes and schemes.	<ul style="list-style-type: none"> <li>•What do small business owners in Ghana expect of the key enterprise support organisations?</li> <li>•Are they really aware of the various support programmes?</li> </ul>
To identify the type and nature of assistance and support that small businesses receive from enterprise support organisations.	<ul style="list-style-type: none"> <li>•What kinds of assistance do small business owners receives from enterprise support organisations and what are the reasons why some have not received any assistance?</li> </ul>
To explore the challenges small businesses face in Ghana and in particular the challenges they face in accessing finance and investigate how they are tackling such challenges for business growth and development.	<ul style="list-style-type: none"> <li>•What are the general challenges small businesses face in Ghana and in particular; what challenges do they face in accessing finance in Ghana?</li> <li>•How are these challenges being tackled by small businesses in Ghana? What are their expectation of entrepreneurship in the future given the current challenges they face.</li> </ul>

Source: Author, 2013.



### **8.3 MAIN FINDINGS: ANSWERS TO THE RESEARCH QUESTIONS**

The study came out with important findings which provide answers to the research objectives and questions outlined in table 8.1 above. The main findings are outlined as follows:

#### **8.3.1 The role of enterprise support organisations and their motivations.**

The study found that the enterprise support organisations are playing important roles as a way of helping to build entrepreneurship capacity in Ghana. Each of the enterprise support organisations, however, has different roles even though they are interrelated. Their roles are dictated by their mission. For example, the higher educational institutions, the financial institutions, government agencies and international organisations are concerned with the provision of training and education, financial assistance and training, training and provision of information and training and financial assistance respectively.

The study also found that the enterprise support organisations had different motivations for supporting small businesses and/or entrepreneurs. The enterprise support organisations are mainly motivated by their desire to see that the economy of the country grows through the building of entrepreneurship capacity. Specifically, the higher educational institutions are motivated to help small businesses grow by trying to dispel, through education, the notion that it is difficult to manage large businesses by owner managers. The financial institutions are of the view that the growth of small businesses will go a long way to help the financial institutions, since they will have the opportunity to do good business with the small businesses as they grow. In addition to these, the study found out that the higher educational institutions and the financial institutions have profit as their main motive. For example, in addition to charging exorbitant fees for their training programmes, some of the higher educational institutions have resorted to the dollarization of their charges for their training programmes to owner managers to the detriment of the Ghanaian economy. As far as the government agencies and international organisations are concerned, they have almost the same motivation. These institutions are more concerned about the creation of enabling environment for the development of private businesses. In other words, these institutions see the private sector as the engine of growth of the economy for the creation of employment and alleviation of poverty.

Moreover, the study revealed that there are collaborations among the enterprise support organisations and other institutions and/or agencies for the building of entrepreneurship capacity. The collaborations have been on-going and have proven to help the building of entrepreneurship capacity. The collaborations are stronger among government institutions

and the international organisations. Among the other enterprise support institutions, however, collaborations are loosely connected or non-existent.

### **8.3.2 The impact of training programmes on small business owners**

The study further revealed that the enterprise support organisations have impacted positively on the activities of small businesses' growth and development. This notwithstanding, the entrepreneurs or owner managers are of the view that the support they receive from the enterprise support organisations, particularly government agencies is not enough and that the government agencies and other support agencies can do better than they are currently doing.

From the point of view of the entrepreneurs, it came out that the activities of the enterprise support organisation have had a positive impact on the running or management of their ventures. The main area of the impact was effective management practices. Some of the subjects which the small business owners were taught were keeping proper books of account, identification of investment opportunities, proper employees management and motivation, how to gain competitive edge and business development. Others were customer service, stock control, business planning, general business management, how to access loan facilities, time management and proposal writing.

### **8.3.3 The challenges of the key enterprise support institutions**

In addition to what has been pointed out, it was realised that, the enterprise support organisations are beset with a lot of challenges which impede their attempt at assisting small businesses in Ghana. Specifically, the study found out that the theoretical component of the training and education that the higher educational institutions provide is not appreciated by some of the entrepreneurs. This is as a result of the fact that, some of the entrepreneurs have low levels of education or no education at all. Moreover, they are of the view that some of the entrepreneurs just acquire the training and knowledge for the sake of it without their application. The main problem facing the financial institutions is the non-payment of loans or credit facilities that are made available to small businesses. In other words, there is high default rate among entrepreneurs who receive financial support. They also mention illiteracy on the part of the entrepreneurs as one of the problem they are battling with. In addition to the above challenges, the government agencies and international institutions also have problems with logistics, inadequate funding, and high staff turnover. Moreover, government institutions, which provide concessionary loans to entrepreneurs face the same problem of high default rate as the financial institutions. In the face of all these challenges, the enterprise support institutions are putting some measures in place to support small business by effectively managing their challenges. For example, the

enterprise support institutions are designing programmes and delivering them to the owner managers in Ghanaian local languages as a way of dealing with low levels of education and/or illiteracy. In addition, the enterprise support organisations, particularly the financial institutions, are requesting landed property from the owner managers as collateral. This is a way of securing their loan funds and also bolstering their confidence in getting back their money.

#### **8.3.4 The expectations of small business owners and their level of awareness**

The government and other enterprise support organisation, as indicated earlier are vital for the growth and development of entrepreneurship. Thus, the study delved into the expectations of the entrepreneurs of these enterprise support organisations. First, they expected the financial institutions to reduce their lending rates, streamline lending procedures and also provide them with flexible terms of payment. It was also expected that the government liaised with the financial institutions to come out with special financial package for small businesses. Besides, the entrepreneurs expected the government to revise its economic policies to bring down interest rate.

The other expectations were that enterprise support organisations should sustain their training programmes so that the owner managers can benefit the more. Besides, the small business owners expected the enterprise support organisations and government agencies to do more than they are currently doing in terms of the creation of awareness about their activities that are geared towards entrepreneurship and small business development. According to them, the current state of awareness is not the best. Another expectation was that the government should charge high tariffs on imported finished products from outside Ghana as a way of protecting them against unfair competition. Moreover, the small business owners expected the government to come out with measures to make land acquisition for business use easy and affordable. They also expected the government to eliminate all land problems by implementing the existing laws governing land acquisition and development and also to mete out stiffer punishment to those who break the law to serve as deterrent to others. Small businesses in the manufacturing and agricultural sectors expected the government to subsidize inputs, particularly raw materials and to revamp the general infrastructure of the country and to ensure that the main utilities of water and electricity which are still under state control are in constant supply and the rates reduced to the minimum bearable for small businesses.

It also came out that majority of the entrepreneurs were aware of the activities of the enterprise support organisations. However, the difference between those who were aware and those who were not aware of the activities of the enterprise support organisations was

small. The reason for the lack of awareness of the activities of the enterprise support organisation was two-fold. First, some had not taken upon themselves to look for information about the enterprise support organisations. Secondly, the information about the activities of the enterprise support organisations made known to the business public was not enough. In addition, the English Language which is the official medium of communication in Ghana is a challenge to some of the entrepreneurs since information about the activities of the enterprise support organisations is carried in English.

### **8.3.5 The type and nature of support to owner managers**

The owner managers indicated that they had received different kinds of support from the enterprise support organisations. The main support received by the entrepreneurs included financial support and training. In other words, education and training as well as financial support were the main types of support given to the entrepreneurs by the enterprise support organisations. This explains the fact that a lot of the small business owners lacked the requisite knowledge and skills in the running of their ventures. In addition, they have limited access to finance.

Some reasons accounted for the inability of some of the small businesses to access the facilities of the enterprise support organisations. With regards to the financial institutions, the reason was the high interest rate. As far as training is concerned, the reason for not accessing the activities of the enterprise support organisations was that the entrepreneurs were simply not ready to access the facilities available. This is explained by the fact that some of them are aware of training programmes but just do not make time to attend, even when they are formally invited.

### **8.3.6 The challenges of small businesses and their circumventing strategies**

Furthermore, the study found out that, small business owners are beset with a lot of challenges which impede their quest for growth and development of their ventures. The two main challenges are financial and non-financial. Some of the financial challenges were limited access of small business owners to finance. Related to this was the high interest rate charged by the banks and the demand for collateral security. Besides, the small business owners were not happy about the time the financial institutions spent in processing their application for financial facility and the fact that sometimes the amount requested by the entrepreneurs is not what is approved by the financial institutions.

The non-financial challenges of the small businesses were that of human resource, national infrastructure, rent charges, competition from large businesses and the general economic situation of Ghana. Majority of the small business owners complained of their inability to

hire staff with the requisite skills and abilities due their financial difficulties. The national infrastructure of Ghana had not developed to the point where it can sufficiently support the activities of small businesses. Rent charges which is linked to poor land tenure system in the country had been a bane for small businesses as many are not able to survive because of high rent charges. The competition from large organisations which have economies of scale has stifled the growth of some of the small business which cannot compete favourably. The economic situation of Ghana, with regards to high interest rate and inflation, was also blamed for the poor performance of some of the small businesses.

As a follow up to the financial challenges, the study investigated the alternative sources of finance to small businesses apart from the financial assistance they receive from the financial institutions. It was realised that personal savings, family savings and trade credit were the main alternative sources of finance to small businesses in Ghana. Of these three, the most important was personal savings.

As a way of circumventing their challenges, the small business owners indicated what they are doing so as to move their ventures forward in the face of their challenges. Some of the small business owners have developed the strategy of reducing their dependence on borrowed funds. To this end, they have developed strategies such as buying from suppliers with very flexible payment terms, finding alternative sources of inputs that are cheaper as well as ploughing back profits. One area of challenge identified was human resource. The key human resource challenges included theft on the part of employees, inadequate skills among others. As a way of eliminating or reducing the problem of theft, some of the small business owners have put measures in place to adequately remunerate their staff. With regards to land issues, the small business owners were taking steps to deal with the chiefs directly and not their intermediaries. This will ensure that they avoid becoming victims of double sale of land and land litigation which is time consuming and hence costly.

Finally, the future of entrepreneurship as far as Ghana is concerned was explored. From the point of view of the entrepreneurs, majority were very optimistic about the future of entrepreneurship in the country. They believed that the future of Ghana is bright. However, they were quick to add that, the necessary support systems from the government and other support organisations must be sustained and enhanced in order to achieve a sustainable economic growth through entrepreneurship capacity building. A few of the entrepreneurs were however, pessimistic in the sense that they were of the view that the current environment is not good enough for the development of entrepreneurship and if the same pace of support is going to be provided, then the future is bleak for entrepreneurs in Ghana.

## **8.4 CONTRIBUTION TO KNOWLEDGE**

The current study has made significant contribution to academic knowledge. The study is the first to investigate entrepreneurship development by focusing on capacity building of entrepreneurs. With particular reference to Ghana, entrepreneurship studies by researchers such as Abor and Biekpe (2007), Kayanula and Quartey (2000) and Abor and Quartey (2010) have largely focused on issues relating to entrepreneurship development but little or no attention has specifically been paid to capacity building of entrepreneurs for growth and development.

Moreover, the research contributes to knowledge by offering researchers and academicians new insights into entrepreneurship capacity building in Ghana with the application of institutional theory. In other words, not only has the study touched on a new area of capacity building for entrepreneurship development, but it has also incorporated institutional theory in its investigation. This is unprecedented in entrepreneurship research. This is explained by the fact that some studies have been conducted into entrepreneurship with the application of institutional theory (Bruton, Ahlstrom & Li, 2010), but not entrepreneurship capacity building. Thus, the current study offers a new knowledge.

Furthermore, the study provides a new and original ecosystem framework for entrepreneurship development. This has been done in the penultimate chapter of the study. This is the first of its kind which serves as a guide for policy makers; enterprises support institutions, owner managers and foundational knowledge for the academic world.

## **8.5 CONTRIBUTIONS TO PRACTICE AND POLICY**

Based on the research findings as discussed earlier, the study puts forward the following recommendations which the researcher believes will meet the acceptance of all the stakeholders in the entrepreneurship capacity building process and thus contribute to practice and policy:

The first recommendation is that the enterprise support organisations should sustain their training programmes. These programmes should be organised at regular intervals. However, the training programmes should come along with equipping the entrepreneurs. This is explained by the fact that training without the accompanying equipment does not produce any good entrepreneurial result. These training programmes should be translated into the local major local languages for proper appreciation of the training programmes by the entrepreneurs, particularly those that are not very conversant with English Language.

Moreover, the activities of the enterprise support organisations should be made accessible to small business owners. Given the fact that some of the small business owners do not have enough knowledge of the activities of the enterprise support organisations, it is highly recommended that the marketing communications activities of the enterprise support organisations, particularly the government agencies be revamped. This must be done through the selection of the right media which is effective in targeting small business owners.

Besides, the enterprise support organisations should embark on programmes aimed at providing assistance to all categories of entrepreneurs. The current practice where an entrepreneur must satisfy some conditions such as being a customer of a particular financial institution for some number of years before accessing training or financial facility must be abolished. This is because these conditions alienate some of the entrepreneurs, particularly new owner managers.

With particular reference to the financial institutions; it is worth recommending that they find ways of working together with the appropriate government agencies with the view to reducing interest rates on borrowed funds. The current interest rate charged by the financial institutions is inexplicably high, thus forcing some of the entrepreneurs to rely on other sources such as family and friends which invariably are inadequate. Moreover, the entrepreneurs should be advised to insure their borrowed funds so that in case of default, the insurance companies can pay off the debt. This should replace the current demand of collateral by the banks which majority of the entrepreneurs do not have.

Currently, there is no proper coordination of the activities of the enterprise support organisations as far as entrepreneurship capacity building is concerned. Even though the National Board for Small Scale Industries (NBSSI) is designated as the apex body for entrepreneurship development, many entrepreneurship capacity building activities are outside their knowledge and/or jurisdiction. This is partly as a result of the fact that the board is under resourced and thus is unable to perform its functions very well. The government, therefore should adequately resource the NBSSI to be able to play its role as the coordinating agent for building entrepreneurship capacity.

The study has revealed that even as some of the enterprise support organisations organise training for entrepreneurs for free or for a small fee, some of them, particularly the educational institutions charge exorbitant fees and these fees have been dollarized. This has the tendency of putting off entrepreneurs who are really in need to build their capacity

through the acquisition of skill. The government must step in through its coordinating agency to stop this practice and to reduce the fees as well as annihilate the dollarization.

Related to the above point is the establishment of a SME fund by the government so that all financial support given to SMEs by all organisations is channelled to the fund. The current practice where philanthropic and other organisations give financial assistance to enterprise support organisations for the building of entrepreneurship capacity must stop. This is because these organisations get the fund and yet sometimes charge for their support to the entrepreneurs. The fund therefore, will be accessed by organisations that are providing some form of assistance to entrepreneurs when their activities have been assessed to establish their authenticity.

The current state of infrastructure of the country is impeding the progress of small businesses as the study has revealed. The government therefore, should take steps to upgrade the national infrastructure to ensure regular power supply, water supply and good road network. The rail network which has been defunct must be re-constructed to open up the country to enhance business activities.

The pertinent issue of land acquisition for industrial use or use by small businesses must be critically looked into. The government through the Lands Commission should strengthen the rules and regulations regarding the acquisitions and use of land for business use in Ghana. The activities of chiefs and other individuals which have made land acquisition very difficult if not impossible must be brought to an end. Those involved in multiple sale of lands to entrepreneurs must be brought to book. This will go a long way to bring sanity to the acquisition of land for industrial use in Ghana.

The study also recommends that the government working in conjunction with other stakeholders in the entrepreneurship capacity building programme should institute an annual awards programme solely for small business owners or entrepreneurs. Small business owners who distinguish themselves through the provision of innovative products and other business laurels should be rewarded to serve as a morale booster for the others. The SMEs fund stated earlier as part of the recommendations could be used to fund this awards scheme.

The study has revealed that some of the small businesses have poor attitude towards training programmes offered by the enterprise support organisations. Some of the small business owners do not even bother to get information about the training programmes. Even those who receive the training do not put the knowledge to use and stick to the old business practices. It is therefore recommended that the small business owners change their



attitude and have a positive attitude towards training programmes by the enterprise support organisations. This can be done through public education by the government taking the leading role. The emphasis, thus, should be on the need to employ best business practices by the small businesses using media such the television, radio and others. In addition, the enterprise support organisations must embark on tracer studies so as to familiarise themselves with how the entrepreneurs who have acquired knowledge and/or skills from them are putting them to use. This will help in measuring the rate at which entrepreneurs attitude are changing for the better. This will also offer the officials of the enterprise support organisations the opportunity to offer pieces of advice to the entrepreneurs and also to review their training programmes accordingly.

Related to the above is the attitude of entrepreneurs to business planning and internationalization. There should be a paradigm shift from the state where some of the entrepreneurs have no written business plans to having a business plan which should serve as a guide to the running of their ventures. Those who do not have the capacity to write business plans should contract professionals to assist them to do so. This is important because the business plan will serve as a guide to small business owners so that they will be able to assess their performance at any point in time. Also it will help them to access financial facilities for the building of financial capacity since almost all the financial institutions require business plans from small business owners before assisting them. With respect to internationalization, the small business owners should have a can do spirit and not be overwhelmed by the challenges of going international. The international market should be explored rigorously with open-mindedness as a way of building capacity for growth and development starting with the West African Market.

Again, the study recommends that small business owners take steps to do effective recruitment and selection of staff. Regular training should be provided to staff to improve their skills for higher productivity. These staff should be well motivated so that they are not easily poached by the large organisations. In addition, effective supervisory measures should be put in place to check the activities of unscrupulous employees so as to reduce the negative impact of their activities on the growth and development of their ventures.

## **8.6 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH**

It has been argued that whether the researcher is conducting a large or a small research project, he or she will need to identify the various constraints of the enquiry. It is important for the researcher to comment on any reservations he or she may have (Collis & Hussey, 2003). This section therefore, identifies the various constraints of the currents study.

The first limitation of the study has to do with language. The language used in the current study is English. That is, English was the main language used in the collection of data. However, Twi-the dominant indigenous language of the Akan people in Ghana-was used in collecting some of the data from small business owners. This is because, as stated earlier, a few of the small business owners could not express themselves in the English language during the interview sessions. This has the potential of affecting the data collected in the sense that the researcher has to translate the responses into English. In qualitative study, it is important that the responses of research participants are recorded verbatim. This translation can affect the exact words of the respondents. However, the researcher ensured effective translation was done by making sure that appropriate English words were used particularly for a few Twi words which do not have exact meaning in English.

The next issue worth mentioning is that the study used the two locations of Accra and Kumasi for data collection. These are the first and second largest cities in Ghana. The current researcher is located in Kumasi for this reason majority of the small business owners and enterprise support organisation was selected from Kumasi. Ideally, the study should have collected data 'equally' from the two areas or even all the ten regions in Ghana to be more representative.

In addition to the above-mentioned limitations, the researcher had a challenge with access. Some of the small business owners were somewhat sceptical about the researcher. A few of them took him to be a tax man or even a politician who was looking for information for political expediency. The researcher was therefore subjected to series of questions before access was granted. The scepticism of some of the small business owners could result in the withholding of some vital information during the interview. Access to the enterprise support organisations was relatively easy. However, some of the enterprise support organisations were also sceptical to the extent that the researcher had to go back and forth for several weeks to them before access was granted. A few of them did not allow access at all for reasons best known to them. All these have the potential of affecting the quality and richness of the data gathered from the field. To facilitate access however, the researcher wrote letters to the respondents for access. In addition, the researcher was given an introductory letter by the Dean of Kwame Nkrumah University of Science and Technology (KNUST) School of Business to the participants of the study to facilitate access.

Moreover, the study was constrained by the fact that data from some of the enterprise support institutions, particularly, international organisations were inadequate. The researcher intended to interview as many international organisations as possible; however,

all the international organisations that the researcher contacted for access did not make it possible. For this reason the researcher relied on data from only one international organisation among the enterprise support institutions.

The final limitation is linked with the selection of the owner managers as respondents. The study used the definition of small businesses in Ghana by the National Board for Small Scale Industries (NBSSI) in its selection. Thus, any small business which falls within the definition of NBSSI- regardless of its sector - was considered for selection. However, if the study had concentrated on a particular small business sector, the results of the study could have been different and focused.

The findings of the study suggest that despite efforts by enterprise support institutions in supporting owner managers in building capacity, some of the owner managers are still not making any meaningful headway in their ventures. Thus, it is suggested that future study delves into socio-cultural dimensions and their effect on entrepreneurship. Moreover, based on the discussion so far and in particular, the limitations outline above, the researcher suggests that future research with the same topic be conducted by selecting owner managers from all the regions of Ghana instead of Accra and Kumasi which represents only two regions in Ghana. Related to the above is the suggestion that future research can be conducted using small businesses in rural areas. The current study focused on small businesses in urban areas. If the study had focused on rural small businesses the results could have been different.

Moreover, it is suggested that future research be done with some level of specificity of sector. The current study selected small businesses based on the definition of the National Board for Small Scale Industries, without taking into consideration specific sectors. Future research can be conducted into specific small businesses sectors such as mining, agriculture, retailing, manufacturing, education and others. Furthermore, the study focused on Ghana as a representative of developing countries. Future studies may consider more than one developing country. Finally, the current study investigated capacity building for entrepreneurship development with the application of institutional theory. In future, studies may explore other theories such as cultural theory (Light, 1979; Weber, 1930), disadvantage theory (Light, 1972) and protected theory (Light, 1972) of entrepreneurship.

## 8.7 CONCLUSION

Entrepreneurship and/or small business development has the potential of accelerating the development of national economies. The growth and development of small businesses are pivotal to the success or otherwise of a nation's economy. Governments of almost all countries of the world, particularly those in the developing world can therefore not do away with the building of entrepreneurship capacity; if they want to see economic progress.

The achievement of Ghana's economic goals hinges of the commitment of the stakeholders of the entrepreneurship capacity building programme. If the stakeholders of the government, financial institutions, international organisations, higher educational institutions and the entrepreneurs themselves will commit themselves to effective building of capacity, the positive impact will be enormous. Even though the enterprise support organisations in Ghana are working towards the building of entrepreneurship capacity in various ways, there are still more room for improvement. The current contribution to the growth and development of entrepreneurship and the national economy for that matter is not the best. The current commitment levels are not enough to bring about the desired development.

The low level of contribution from the enterprise support organizations is as a result of the many challenges that they face as they try to put measures in place to help in building entrepreneurship capacity. Even though the problems may not be completely removed, there can be a drastic reduction in these challenges confronting the enterprise support organisations. This can be achieved if the government effectively coordinate the entrepreneurship capacity building network to ensure that some of the challenges are removed or reduced drastically.

In a nutshell, there is the prospect of growth and development of the economy of Ghana through entrepreneurship capacity building by the commitment of all the stakeholders. However, this is not without challenges. These challenges, however, can be circumvented through the effective coordination of the activities of the stakeholder by the government serving as the coordinating agent.

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## APPENDICES

### APPENDIX A

#### INTERVIEW GUIDE

##### ENTERPRISE SUPPORT ORGANIZATIONS

1. Gender of respondent: Male ☐ Female ☐

2. Respondent's designation ☐

.....

3. Name of Organisation

.....

4. Which of these applies to your organisation?

Government Agency ☐ NGO ☐ Financial Institution ☐ Educational

Institution ☐ International organisation ☐ Other ☐

Please specify.....

5. What is your core business?

.....

.....

6. Do you have any programmes/facilities for entrepreneurs and small businesses?

Yes ☐ No ☐

7. If yes, what are some of the programmes/ facilities and the contents/topics of the programme?

.....

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.....

8. What methods are used in delivering the programme?

.....

.....

.....

9. When did you start these programmes/ facilities?

.....

.....

.....

10. What are the motivations behind these programmes/facilities for entrepreneurs and small businesses?

.....

.....

.....

11. How often do you embark on these programmes?

.....

.....

.....

12. How have these programmes/facilities impacted on the activities of entrepreneurs and small businesses?

.....

.....

.....

13. How do you measure your success? Have you been successful?

.....

.....

.....

14. What criteria do you use in selecting your target entrepreneurs and small businesses?

.....

.....

.....

15. How do entrepreneurs and small business owners hear about your programmes/ facilities?

.....  
.....  
.....

16. Are your activities restricted to a particular sector? Yes ☐ No ☐

Please

explain .....  
.....  
.....  
.....

17. What relationship exists between your organisation and beneficiary entrepreneurs and small businesses?

.....  
.....  
.....

18. Are there any collaborations between your organisation and other organisations in assisting entrepreneurs and small businesses? Yes ☐ No ☐

Please explain

.....  
.....  
.....

19. Do some entrepreneurs and small businesses find it difficult in accessing your programmes/facilities? Yes ☐ No ☐

Please explain

.....  
.....  
.....



20. If you answered yes to the question 14 above; what is your organisation doing to mitigate these challenges?

.....

.....

.....

.....

21. What are the difficulties you encounter in trying to help entrepreneurs and small businesses in the country?

.....

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.....

22. Are there any charges for your services?    Yes    ☐    No    ☐

Please explain

.....

.....

.....

23. Does your organisation receive any support from the government or an international organisation?    Yes    ☐    No    ☐

Please explain

.....

.....

24. What do you intend to do for small businesses and entrepreneurs in the next five years?

.....

.....

25. What do you think is the future of entrepreneurship and small businesses and the Ghanaian economy for that matter?

.....

.....

.....

## APPENDIX B

### INTERVIEW GUIDE

#### SMALL BUSINESS OWNERS

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1. Sex:      Male      ☐                      Female      ☐

2. Age:      18-25      ☐      26-35      ☐      37-45      ☐      46-55      ☐      55 and above      ☐

3. What is your level of education?

No formal education      ☐      MSLC /JSS      ☐      SHS      ☐      Diploma      ☐      HND      ☐

Degree and above      ☐      Other, please specify.....

4. When did your organisation start full operation?

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.....

5. How many employees do you currently have?

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6. What is your estimated annual turnover?

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7. Did you start your organisation on your own or with others?

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.....

8. In which of these sectors does your venture belong?

Trading ☐ Agro processing ☐ Manufacturing ☐ Services ☐ Other ☐

Please specify.....

9. What is your business activity?

.....  
.....

10. Have you ever received any assistance in any form from any organisation?

Yes ☐ No ☐

11. If you answered yes to question 7; what are these assistance?

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12. If you answered no to question 7; explain why you have not received any assistance from any organisation.

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13. Are you aware of any programme or facility being offered by any organisation for entrepreneurs and small business?

Yes ☐ No ☐

14. How did you hear about such programmes/facilities?

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15. Have you attended any programme organised by any organisation for entrepreneurs and small businesses? Yes ☐ No ☐

16. If you answered yes to question 12, what were the details of the programme?

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17. What impact did it have on you and/or your business?

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18. What do you think did not go well with these programmes and what would be your suggestions?

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19. How often do you attend such programmes?

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20. What are the problems you encounter in accessing these programmes?

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21. What are the sources of finance for your business?

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22. What are the advantages and disadvantages of these sources?

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23. What are the challenges involved in securing finance from financial organisations in Ghana?

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24. Have you heard about the activities of the Venture Capital Trust Fund?

Yes

☐

No

☐

25. If your answer to question 21 is yes; have made any attempt to access their funds and what happened?

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26. Do you know about National Board for Small Scale Industries (NBSSI) and their activities?

Yes

☐

No

☐

27. If yes is your answer to question 22; have you had the chance of accessing any of their programmes they organise for entrepreneurs and small businesses and what were the direct benefits?

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28. What are the general challenges you are facing as an entrepreneur in terms of start-up, sustainability and growth?

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29. What do you think can be done by the government and other organisation to mitigate some of these problems?

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30. What steps are you taking to circumvent these challenges?

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31. Do you have a business plan and did you write the plan yourself?

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32. How did you learn how to write a business plan?

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33. Do you have any plan of going international?

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34. What benefits do you expect from internationalisation?

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35. What methods or strategies are you considering in entering the international market?

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36. What do you think are the potential challenges?

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37. What does the future hold for entrepreneurship and small businesses in Ghana as far as their contribution to the economy is concerned?

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## **APPENDIX C**

### **FOCUS GROUP DISCUSSION GUIDE**

#### **Part A: Welcome address**

1. Introduction of the researcher and the purpose of gathering
2. Self-introduction by participants
3. Simple rules for the discussion

#### **Part B: Questions**

1. What is the general relationship between enterprise support organisations and small business owners in Ghana?
2. What kind of assistance do enterprise support organisations offer small businesses?
3. What is the level of impact of the activities of enterprise support organisations on entrepreneurship growth and development?
4. What are the challenges that enterprise support organisations face in supporting small businesses in Ghana?
5. What measures are they putting in place to ensure that these challenges are mitigated?
6. How do small business owners rate the level of support from enterprise support organisations?
7. What are the challenges of small businesses as they seek help from enterprise support organisations?
8. How are small businesses going about circumventing their challenges?
9. What is the future of entrepreneurship in Ghana from the perspectives of both enterprise support organisations and small business owners?

#### **Part C: Conclusion**

Concluding remarks and vote of thanks.



## **APPENDIX D**

### **ACCESS LETTER 1**

KNUST School of Business  
PMB, University Post Office  
Kumasi  
Ghana

2<sup>nd</sup> April, 2010

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Dear Sir/ Madam,

#### **REQUEST FOR RESEARCH ACCESS: MR. BYLON ABEEKU BAMFO**

I write to introduce the above named person who is a lecturer in KNUST School of Business and a PhD student of Southampton University in the United Kingdom. His PhD topic is “Capacity Building for Entrepreneurship and Small Business Development in Ghana: Prospects and Challenges”.

I would like to seek your help in granting him research access to interview appropriate members of your organisation. In line with social science research, all information gathered will be used solely for the purpose of this study. In addition, the identity of every participant in the study will be kept confidential.

I should be most grateful; if you could grant him access to the appropriate section and/or staff of your organisation.

Yours sincerely,

Joseph M. Frimpong.  
(Ag. Dean)

## **APPENDIX E**

### **ACCESS LETTER 2**

KNUST School of Business  
PMB, University Post Office  
Kumasi  
Ghana

2<sup>nd</sup> April, 2010

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.....  
.....

Dear Sir/ Madam,

#### **REQUEST FOR RESEARCH ACCESS**

I am a lecturer in KNUST School of Business and currently a PhD student of Southampton University in the United Kingdom. My PhD topic is “Capacity Building for Entrepreneurship and Small Business Development in Ghana: Prospects and Challenges”.

I would like to seek your help in gaining research access to interview appropriate members of your organisation. In line with social science research, all information gathered will be used solely for the purpose of this study. In addition the identity of every participant in the study will be kept confidential.

I would be most grateful; if you could please introduce me to the appropriate section and/or staff of your organisation.

Thank you.

Yours sincerely,

Bylon Abeeku Bamfo (Mr.)