

12th EADI General Conference  
**Global Governance for  
Sustainable Development**

The Need for Policy Coherence  
and New Partnerships



**Ghanaian Graduates in Enterprise:  
Policy Challenges for Enterprise Development**

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## **Abstract**

*The paper first presents enterprise formation as being perceived by the young Ghanaian graduates as a viable career option for them rather than an option of last resort. It further establishes that despite their satisfaction with their enterprises' performance, these graduates face numerous business challenges irrespective of their differences in trade and the different enterprise groups that they represent. In view of these challenges, they have high expectations from the Government for the protection and promotion of their enterprises. The paper, therefore, proposes that to a very large extent the State has a crucial role to play in the development of these enterprises and recommends the adoption of an eclectic approach in its intervention programmes.*

## **The Context**

Globally, joblessness has been of great concern and in the developing world, the phenomenon is even more crucial and has necessitated creating “productive employment opportunities for the unemployed, the underemployed and for new entrants to the labour market” (ILO, 2004a: 23). Unemployment is often associated with absence of wage employment especially in countries like Ghana where liberalisation policies through the Structural Adjustment Programme has resulted in downsizing in public organization. As noted by Szabo (2003) that, formation of one’s enterprise for independence has been a popular motivation for self-employment, a decision mostly taken as a result of collapse of the hitherto centrally-planned and public enterprise and unemployment or school drop out. Boateng and Ofori-Sarpong (2002: 10) have ascribed the increase in unemployment among Ghanaian university graduates partially to high wage expectations. It is also believed that people have preference for white-collar jobs with very attractive salaries and perquisites. For instance, most of the Middle School leavers in Ghana were found to be unenthusiastic about rural jobs, and that 18 months after leaving school, 57% of them were still unemployed (Livingstone et al, 1987: 473). Yet, it is also common to find university graduates who are forced by circumstances e.g. ‘qualification inflation’, to remain as casual workers or “trade down” for non-graduate and inferior jobs (UN, 2004: 57)

Partly associated with the unemployment issue in Ghana is the increasing focus on the development of micro and small enterprises<sup>1</sup> which has become central in the private sector promotion agenda of the Government of Ghana in recent times, especially in the 2000s. This initiative of the Government has earned the support of corporate bodies, academic institutions and development partners who have mounted up start-up. In his State of the Nation Address 2002 (Graphic, 148437 01/02/2002), President Kufour highlighted the importance of the private sector which over the years has been the most productive sector of the Ghanaian economy. He expressed the commitment of his government to energise the sector to make it “the Engine of Growth”:

...from time immemorial it is the private sector that has been the most productive part of the economy. In recent years, the private sector has not been energised and enabled to do what it does best....this government is determined to energise the private sector and to make it truly the engine of growth”. (Graphic Communications Group, 2002: 22).

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<sup>1</sup> Small firms in Ghana outnumber the large ones with micro-enterprises (i.e. employ less than 5 people) constituting 70% (GOG, December 2003a: 22).

Without making this a political gimmick, the Government has initiated several programmes for business start-ups which include registration of the unemployed and the Skills Training and Employment Placement Programme (STEP)<sup>2</sup> to equip the youth with employable skills, the Rural Enterprise Development Programme requiring each district to identify three enterprises for development; introduction of the National Youth Fund (NYF) to provide capital for skilled youth and individuals to set up private enterprises; the establishment of Micro-Finance and Small Loans Center (MASLOC) to extend credit facilities to small-scale entrepreneurs; and the establishment of the Venture Capital Trust Fund (VCTF) through the Parliamentary Act 680 of November 2004, provide financial resources to develop and promote venture capital financing for Small and Medium Scale Enterprises (SMEs)<sup>3</sup> that are in priority sectors e.g. agriculture, pharmaceuticals, tourism and ICT. Last, but not the least is the launching of the youth employment programme in 2006 with the broad objective of empowering the youth in contributing more productively to the socio-economic and sustainable development of the country (GoG, 2006a)

In sum, the Government of Ghana has since the beginning of the 2000s formulated policies and implemented programmes geared towards the creation of the 'transformative context' for the improvement of the private sector, especially enterprises concerning the youth as a way of both easing the problem of their joblessness and also in encouraging small-scale industrialization in the formal sector.

## Literature Review

Some studies on SMEs have pointed out the failure of micro-enterprises in some economies to grow or "graduate" into small enterprises and from small enterprises (for example those with less than 10 workers) into medium ones (UNIDO, 2002). For example, the study by Elhiraika and Nkurunziza (2006) examines how four African countries, namely Cameroon, Ghana, Kenya and Zimbabwe grow between two time periods, where growth is determined by proportion of firms that changed from one size to another during the two periods. Even though, the study recognized the acute economic crises in the 1980s in Cameroon and Ghana, the findings, among others revealed that while downsizing was a general pattern, in the case of Ghana, it was more pronounced with 25% of large firms becoming small as compared to Zimbabwe where eight (8) percent of large firms became medium-sized. It was found that in the long-term micro and small enterprises in Ghana and Cameroon were dominant, implying limited potential growth of these two types of enterprises. There was also the existence of the 'missing middle' in that none of the four countries had a long-term concentration of medium size firms because of medium size firms downsizing to micro and small size or becoming large.

Analysis of growth of firms in terms of size has already received some criticisms from people like Edith Penrose. Growth according to Penrose (1980) either denotes an increase in amount of a thing or an increase in size or an improvement in quality. Growth in terms of size also connotes 'natural' or 'normal' in relation to occurrence of a process in favourable conditions. Thus, "size becomes more or less incidental results of a continuous on-going or 'unfolding' process" (1980: 1) She challenges economic analysis where traditionally firm size is examined in terms of the pros and cons associated

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<sup>2</sup> "The GOG continues to pursue the assumption that there is some semi-automatic link between the provision of skills and the reduction of unemployment" (Palmer, January 2007: 29 in NORRAP News)

<sup>3</sup> An SME under the VCTF Act of 2004 (Act 680) refers to any enterprise employing at least 100 people and with total asset base excluding land and building not exceeding the cedi equivalent of one million US dollars.

with a particular size and also a shift from one size to another is explained in relation to 'net advantages of different sizes'. Examination of a firm size this way makes "[G]rowth becomes merely an adjustment to the size appropriate to given conditions", thus her rejection of the presumption of there being a 'most profitable' size. Penrose rather sees firm size as a mere by-product of the growth process and that there is nothing like 'optimum' or the 'most profitable' size of a firm. She criticizes the absence of the motivation and decisions of people in the analysis of growth process of firms because the ambition or the 'goals' of businessmen are closely related to the 'goals' of the firms. For, "[T]here are many businessmen, and very efficient ones too, who are not trying always to make more profits if to do so would involve them in increased effort, risk, or investment" (Penrose, 1980: 34). Similarly, Churchill and Lewis (1983: 3) in their discussion of stages of growth of small firms have criticized the inappropriateness of models for examining small enterprises using size and maturity or the stage of growth as different dimensions.

Instead of examining firm growth in terms of size, others have looked at growth in relation to creation of multiple ventures. One such person is Ronstadt (1988) who based his study on the 'the Corridor Principle' which is an improvement of the 'linear single venture career model'. The Corridor Principle is used in explaining the phenomenon of multiple venture and it states that "mere act of starting a venture enables entrepreneurs to see other venture opportunities they could neither see nor take advantage of until they had started their initial venture" (1988: 31). He made reference to earlier work on multiple ventures by Lamont (1972) who found in his seminal work that better performance (in terms of sales and profits) was being associated with entrepreneurs who started their second enterprises than those who were confined to their first business. Ronstadt concludes from his own study, among others, that multiple venture process is 'the rule rather than the exception' and that many entrepreneurs through the creation of multiple ventures realized the extension of their lives as entrepreneurs. Large proportion of multiple ventures overlaps than developing sequentially (reference to Ronstadt, 1984).

Growth of firms is also associated with a particular success measure especially profit. This reduction of success to financial performance is said to be a problem called *economism* which concerns the way people see work and actually work, a term attributed to Pope John Paul II in his Encyclical, *Laborem Exeercens 1981 #13* that is "considering human labour solely according to its economic purpose" (cited in Cornwall and Naughton, (2003). Cornwall and Naughton examine what they term 'an underdeveloped notion of success' from the Catholic Social Tradition<sup>4</sup> which analyses entrepreneurship from moral context. "There is virtually no effort in the literature to ask entrepreneurs what success means *to them*. Is it creating jobs, creating wealth, creating and marketing a useful product or service, distributing wealth, or something even more deeply personal and principled? And there is no attempt to examine what entrepreneurial success means taken from a moral perspective, let alone a spiritual or religious perspective. That is, what is a *good* entrepreneur?" (2003:62). Entrepreneurial studies look at the objectives which are often expressed in financial terms ignoring the subjective dimension of work and by so doing taking the entrepreneur out of entrepreneurship. While accepting the continuation of discussions over the appropriate financial success measure, they also point out the importance of personal, social and spiritual dimensions of the formation of the individual in the entrepreneurial process in such discussions.

In sum, performance or growth of SMEs is often assessed using various criteria such as the firm size or financial indicators like profit. An aspect that has received little attention is the examination of people's motivation for forming their own enterprises and finding out the extent to which they have achieved it over time. Thus, good performance of a firm has often been associated with *growth deepening* in size, profit etc instead of juxtaposing with *growth broadening* e.g. multiplicity of ventures.

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<sup>4</sup> "Catholic social tradition proposes the role of *virtue* as a critical framework to integrate the subjective and objective dimensions of entrepreneurial work"

## Study Rationale

In consideration of the current happenings regarding the labour market arrangement in Ghana, one may argue that doing one's own business appears to be a last resort. This paper posits that Ghanaian graduates rather choose to run their own enterprises as viable sources of employment because of their motivation to do so. For, [T]he world of work in 20 years time will look very different...many more will work for themselves rather than for someone else" (Phan et al, 2001: 14) and "[A] growing number of young people are taking up challenge of starting their own business..."(Szabo, 2003: 3)<sup>5</sup>. Besides, the graduates are not merely working from pocket to mouth despite the challenges their enterprises encounter. Therefore the question guiding the study is *"What motivate Ghanaian graduates in forming their own enterprises and are there differences in the performance and challenges among the different enterprises they represent?"* Key issues to be addressed are:

- Reasons for enterprise formation;
- Definition of success measures and how the enterprises performed using these measures;
- Ages of the enterprises and their owners;
- Level of satisfaction with enterprise's performance and the their corresponding reasons; and
- Trade types and their challenges.

## Methodology

The study is an exploratory and evaluation design focusing on enterprises of graduates from the Kwame Nkrumah University of Science and Technology (KNUST), the Tema Technical Institute (TTI) and the Traditional Apprentice Training (TAT) who are operating in any of the five trades, ICT, Electrical Rewinding, General Electrical, Carpentry & Joinery C & J), and Tailoring & Dressmaking (T & D). As much as possible, cohorts were selected from people who completed their career learning programme at most 10 years, and in the case of the university graduates, 12 years ago in 2006. Thus, the study is also a tracer one and it relied on sampling frame from their 'institutions' of learning their trade. For those from traditional apprenticeship programme their 'masters' or 'mistresses' were consulted for the names of people who have passed out and were working on their own or in dual employment. They recollected the names from memory and sometimes with the assistance of serving apprentices and employees. All the enterprises have been in existence for at least three years<sup>6</sup>.

The study employed the purposeful, quota and the snowball sampling methods in obtaining the respondents. With the assistance of some of the graduates, the university lecturers, masters or mistresses, serving apprentices and employees, the telephone numbers and locations of some of the colleagues or seniors were obtained. An interview schedule was used in gathering information from 121 self-employers who were selected from three (3) cities in Ghana – Accra (the capital city), Kumasi (the second largest city) and Tema (the most industrialised city. Case histories were compiled to provide deeper insights into some issues raised during the interviews. The graduates from the TTI

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<sup>5</sup>A statement attributed to Juan Somavia, Director of the ILO. A statement made at the Second Enterprise Forum held on 5 November 1999 in Geneva.

<sup>6</sup> Littunen et al., (1998), for example, uses as their measure of enterprise success the continuing existence of an enterprise after the first three years which are considered critical. Baldwin and Gellatly's (2003: Table 5.1) work showed that the mean age of their studied firms was 3.5 years at 5<sup>th</sup> percentile of 1.0 and 95<sup>th</sup> of 9.0. (Baldwin and Gellatly, 2003:95)

and TAT were all drawn from Tema and its environs because it was easy to obtain the desired sample size from there. In the case of the KNUST graduates, the sampling was extended from Tema to Accra and later to Kumasi because it was not possible to obtain the sample size from Tema alone. The enterprises in the study are not homogeneous but made up of four different types, namely, Self-Employed Own-Account Enterprises (SE/OAE) [have no paid employee]; Self-Employed Enterprises of Entrepreneur (SE/EE) [have paid employees]; Dual-Employed Own-Account Enterprises (DE/OAE) [no paid employee and owner is also involved in wage employment]; and Dual-Employed Enterprises of Entrepreneur (DE/EE) [have paid employee and owner is also involved in wage employment]. The composition is 43 (35.5%) Self-Employed Own-Account Enterprises (SE/OAE), 37 (30.6%) Self-Employed Enterprises of Entrepreneurs (SE/EE), 31 (25.6%) Dual-Employed Own-Account Enterprises (DE/OAE) and 10 (8.3%) Dual-Employed Enterprises of Entrepreneurs (DE/EE)

Due to the study's largely qualitative nature and the sampling methods employed, the assumption of normal distribution for rigorous statistical investigation was defied. As such mere descriptive statistics – frequencies and qui-square – were used to support the qualitative data. The confidence level was set at 95%.

## Empirical Findings

The profile of the studied enterprises of the graduates is presented in Table 1 below. The profile also shows the relationship among the enterprise types with respect to the defined independent variables.

Table 1: Profile of the Different Types of Enterprises

	SE/OAE	SE/EE	DE/OAE	DE/EE	Total	P-value
<b>Gender:</b>						0.023
Male	33.7% (34)	26.7% (27)	29.7% (30)	9.9% (10)	101 (83.5%)	
Female	45.0% (9)	50.0% (10)	5.0% (1)	0	20 (16.5%)	
<b>Trade:</b>						0.000
ICI	0	40.0% (8)	30.0% (6)	30.0% (6)	20 (16.5%)	
Rewinding	60.0% (9)	0	40.0% (6)	0	15 (12.4%)	
General Electrical	27.6% (8)	24.1% (7)	34.5% (10)	13.8% (4)	29 (24.0%)	
Tailoring/D'making	53.3% (16)	40.0% (12)	6.7% (2)	0	30 (24.8%)	
Carpentry & Joinery	37.0% (10)	37.0% (10)	25.9% (7)	0	27 (22.3%)	
<b>Enterprise Formation Channel:</b>						0.000
KNUST (University)	0	35.5% (11)	35.5% (11)	29.0% (9)	31 (25.6%)	
Tema Technical Inst.	38.6% (17)	27.3% (12)	31.8% (14)	2.3% (1)	44 (36.4%)	
Trad. Apprenticeship	56.5% (26)	30.4% (14)	13.0% (6)	0	46 (38.0%)	
<b>Highest Education:</b>						0.000
University	0	35.5% (11)	35.5% (11)	29.0% (9)	31 (25.6%)	
Post-Basic	44.1% (30)	29.4% (20)	25.0% (17)	1.5% (1)	68 (56.2%)	
Basic	59.1% (13)	27.3% (6)	13.6% (3)	0	22 (18.2%)	
<b>Educational System:</b>						0.006
Old System	26.2% (17)	30.8% (20)	27.7% (18)	15.4% (10)	65 (53.7%)	
New System <sup>7</sup>	46.4% (26)	30.4% (17)	23.2% (13)	0	56 (46.3%)	
<b>Age of Enterprises<sup>8</sup>:</b>						0.215

<sup>7</sup> The new educational system involves vocalization of education from basic to the secondary level – introduction of the Junior and Senior Secondary Schools now the Junior and Senior High Schools.

3 – 5 years	36.6% (26)	23.9% (17)	31.0% (22)	8.5% (6)	71 (58.7%)	
6 – 10 years	34.0% (17)	40.0% (20)	18.0% (9)	8.0% (4)	50 (41.3%)	
<b>Age of Graduates<sup>9</sup>:</b>						0.030
23 – 29 years	42.2% (19)	24.4% (11)	28.9% (13)	4.4% (2)	45 (37.2%)	
30 – 34 years	42.2% (19)	37.8% (17)	13.3% (6)	6.7% (3)	45 (37.2%)	
35 – 46 years	16.1% (5)	29.0% (9)	38.7% (12)	16.1% (5)	31 (25.6%)	
<b>Registration Status</b>						0.000
Unnoticed <sup>10</sup>	49.0% (24)	4.1% (2)	44.9% (22)	2.0% (1)	49 (40.5%)	
Registered	13.6% (6)	52.3% (23)	13.6% (6)	20.5% (9)	44 (36.4%)	
Acknowledged	46.4% (13)	42.9% (12)	10.7% (3)	0	28 (23.1%)	

## Enterprise Type and Reasons for Enterprise Formation

The graduates were asked to pick three out of nine reasons, if applicable, concerning their reasons for forming their enterprises and order them. From the 363 multiple responses as shown in the Table 2 below, most of the reasons are psycho-social-related with ‘bringing out my creativity’, marginally topping the list followed by ‘seeking independence’ and ‘training others’, ‘passion for and interest in the trade’, ‘job security’ and the least being ‘time for myself and family’. Financial factor, ‘making more money’, is the overall fourth highest reason. Employment related issues rather are the overall least, especially the reason concerning ‘lack of wage employment’.

Table 2: Multiple Responses of the Reasons for Enterprise Formation

	Frequency	Percent
<i>Psycho-social related</i>		
Bringing out my creativity	62	17.1%
Seeking independence	61	16.8%
Training others	61	16.8%
Passion for and interest in the trade	52	14.3%
Job security	33	9.1%
Time for myself and family		
<i>Finance related</i>		
Making more money	56	15.4%
<i>Employment related</i>		
Negative experience in wage employment	8	2.2%
Lack of wage employment	2	0.6%
Total (Multiple Responses)	363	100.0%

<sup>8</sup> Mean = 5.8; minimum = 3; maximum = 10

<sup>9</sup> Mean = 31.44; minimum = 23; maximum = 46

<sup>10</sup> Unnoticed enterprises are enterprises that have not registered with the Registrar General’s Department or come to the notice of the Assembly for payment of taxes like the *Artisan License* or the Internal Revenue Services for the payment of *Stamp Fee*.

Analysis of the most important reason of each graduate appeared as: 'bringing out my creativity' (22.3% or 27), 'seeking independence' (20.7% or 25), 'passion for and interest in the trade' (19.0% or 23), 'making more money' (14.0% or 17), 'training others' (10.7% or 13), 'job security' (5.0% or 6), 'negative experience in wage employment' (4.1% or 5), 'time for self and family' (3.3% or 4) and 'lack of wage employment' (0.8% or 1). Analysis of the relationship between their most important reason and the enterprise types shows differences that are statistically significant ( $p=0.039$ ). Among the SE/OAEs, their topmost reason is 'seeking independence' (34.9% or 15) which forms a large proportion (60.0%) of the total. For the SE/Es, their topmost reason is 'bringing out my creativity' (37.8% or 14) and forms over half (51.9%) of the total. The topmost reason for the DE/OAEs is 'making more money' (22.6% or 7) which forms a larger (41.2%) proportion of the total. Lastly, among the DE/EEs, the topmost reason is 'seeking independence' (30.0% or 3) but which is less than that of the SE/OAEs. Generally, a larger proportion of the dual employed enterprises (DE/OAEs and DE/EEs) aim at 'making more money' than their counterparts.

In sum, there is a relationship between enterprise type and reasons for enterprise formation. The most important reasons are more of psycho-social than economic and absence of wage employment is not a driving factor for enterprise formation among the graduates.

### **Enterprise Performance**

Different criteria are used in measuring the success of an enterprise because what constitutes success itself is subjective. According to Khera (1998:44 with reference to Earl Nightingale), "To some people, success might mean wealth. To others, it is recognition, good health, good family, happiness, satisfaction, and peace of mind...Success is subjective. It can mean different things to different people" He defines success as "the progressive realisation of a worthy goal" The productivity of an enterprise is gauged by its success, but success in whose eyes?

The study analyses the enterprises' performance over the last 12 months regarding the changes (increase or same/decrease) in the number of customers and the level of profit. According to Harrington (1995)<sup>11</sup>, assessment of an enterprise performance over 12 months is a short-term analysis contrasted with long-term analysis which covers performance over last five (5) years. Short-term analysis can also take two (2) forms: short-term self analysis and short-term competition analysis. The former compares an enterprise to where it was 12 months before and the latter compares its performance to the average of the top 10% of its competition.

In examining the performances, the graduates' own notion of enterprise success is considered very important instead of using the traditional financial ratios like the liquidity, efficiency, profitability and leverage (capital gearing) in assessing their performance which are applicable to large enterprises and meaningful to their stakeholders. Thus, to make it useful to the enterprises, their performance is assessed based on their own definition of success<sup>12</sup> or

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<sup>11</sup> As a measure, they use variables including Return on Assets (ROA), Value-Added per Employee (VAE), Market Share.

<sup>12</sup> In a study by (Panda, 2002), success was defined by selecting twenty organizations, made up two representative enterprises from each type of industry.

‘worthy goal’. Each graduate was asked to select three out of five success indicators (in addition to the option of stating their own) that they considered to be their criteria for assessing their enterprises’ success and rate them in order of importance. From the multiple responses, most of them defined their success indicator as ‘increase in the number of customers’ (88.4% or 107), ‘business expansion’ (82.6% or 100), ‘increase in the level of profit’ (78.5% or 95), ‘ability to fulfill personal and family responsibilities’ (41.3% or 50) and lastly ‘increase in the number of employees’ (9.1% or 11). By definition, an increase in the number of employees may form part of business expansion (as explained by some of them in the next session on reasons for level of satisfaction which could make business expansion the most important performance measure). However, the analysis was based on the number of customers and the level of profit. The relationship between the different enterprise types and the changes in the number of customers shows that over two-thirds (69.4% or 84) of them had an increase in the number of customers and the rest (30.6% or 37) mostly had a decrease<sup>13</sup>. Generally, a larger proportion of the enterprises owned by entrepreneurs had an increase in the number of customers than the own-account enterprises. But whereas a slightly larger proportion of the DE/EEs (90.0% or 9) had an increase than the SE/EEs (81.1% or 30), a larger proportion of the SE/OAE (65.1% or 28) had an increase than the DE/OAE (54.8% or 17). The observed differences are statistically significant ( $p=0.049$ ). Regarding profit, even though about two-thirds (66.9%) of the enterprises had an increase in the level of profit, the observed differences are not statistically significant ( $p=0.052$ ).

### **Ages of the Enterprises and their Owners**

The ages of the enterprises and their owners were also examined in relation to their enterprises’ performance. A larger proportion (65.5% or 55) of the younger enterprises (3 – 5 years) had an increase in the number of customers than the older ones (6 – 10 years) who constituted 35.5% (29). The observed differences are statistically significant ( $p=0.037$ ). Analysis of the profit also shows that overall, about two thirds of the enterprises (66.7% or 81) had an increase in the level of profit. The observed differences are statistically significant ( $p=0.019$ ) but there was no statistical significant differences regarding ages of the enterprise owners and changes in the number of customers or the level of profit.

### **Level of Satisfaction with Enterprise Performance and the Assigned Reason**

On a five-Likert scale, the graduates were asked to indicate the level of their satisfaction with their businesses’ performance. Overall, more than half of them were *at least satisfied*. The breakdown were ‘fully satisfied’ 22.3% (27), ‘satisfied’ 33.1% (40), ‘fairly satisfied’ 25.6% (31), ‘not satisfied’ 18.2% (22) and ‘not satisfied at all’ 0.8% (1). There was no statistical significant relationship between enterprise type and the level of satisfaction.

The graduates have their own definition of the level of satisfaction with their enterprises’ performance. The relationship between the level of satisfaction and the reasons assigned showed that a few though were *at least satisfied*, they still gave negative reasons because of their unmet high expectations. The positive reasons were slightly higher in proportion than the negative ones as shown in the first and the last columns of Tables 3a and 3b below.

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<sup>13</sup> A few (7.4% or 9) of them had the same number of customers.

A little over half (70 or 57.9%) gave positive reasons concerning their enterprise performance. Of those who said they were able to take care of themselves, 47.4% (9) were 'satisfied', 42.1% (8) were 'fully satisfied' and 10.2% (2) were 'fairly satisfied'. For reason of job satisfaction, 46.7% (7) were 'satisfied', 33.3% (5) were 'fully satisfied' and 20.0% (3) were 'fairly satisfied'. A little more than half (57.1% or 4) of those who said they were getting jobs were 'satisfied', 28.6% (2) were 'fairly satisfied', and 14.3% (1) was 'fully satisfied'. Majority (83.3% or 5) were 'fully satisfied' for being able to satisfy their customers and the remaining (16.7% or 1) was 'satisfied'. Of those who gave reasons concerning their competent workforce and their ability to take care of them, 75.0% (3) of them are 'satisfied' and 25.0% (1) is 'fully satisfied'. The same proportions were given by those who felt they had gained their independence. Of those who found their enterprises challenging, 66.7% (2) were 'satisfied' and 33.3% (1) was 'fully satisfied'. The same proportion gave reasons about having increase in income/sales and think they have in income better than in wage employment/or their colleague in wage employment. The two (100.0%) who indicated that they had been able to make investment or set up a business on their own were 'satisfied'. The only graduate who mentioned having job security was also 'fully satisfied'.

A slightly less than half (42.1% or 51) of the reasons were negative, with a large proportion related to expectations concerning the expansion of the enterprises (22 or 18.2%), followed by low demand (13 or 10.7%) and limited time devoted to the enterprises (9 or 7.4%), general dissatisfaction [with income, sales, service levels etc] (4 or 3.3%), lack of fund/capital (2 or 1.7%) and customers not paying (1 or 0.8). Of the enterprises which complained of low demand, 61.5% (8) were 'fairly satisfied' and the rest (5 or 38.5%) were 'not satisfied'. Among those who complained about devoting limited to the enterprise, 44.4% (4) were 'fairly satisfied', 44.4% (4) were 'not satisfied' and 11.1% (1) was 'not satisfied at all' with the performance of the enterprise. Regarding complaint about enterprises not expanding, more than half (59.1% or 13) of the enterprise were 'not satisfied', 31.8% (7) were 'fairly satisfied' and 9.1% (2) were satisfied. The only enterprise that complained of customers not paying for jobs done for them was 'fairly satisfied' with the enterprise's performance. Two enterprises complained of lack of fund/capital but were all 'satisfied'. The four enterprises that generally felt dissatisfied with their performance because the income, service levels etc were not moving as expected were all 'fairly satisfied'. In sum, enterprises that gave negative comments about their business performance, 3.4% (4) were 'satisfied', 19.8% (24) were 'fairly satisfied', 18.1% (22) were 'not satisfied' and 0.8% (1) was 'not satisfied at all'.

By enterprise type as shown in Tables 3a and 3b below, generally the enterprises of the self-employed, especially the SE/OAEs are satisfied with their enterprises performance than enterprises of the dual employed, especially the DE/OAEs. This may be that their commitment to the enterprises in terms of given them maximum attention is higher than those in dual-employed enterprises who have to apportion their time between their waged employment and their own enterprises. Overwhelmingly, more of those in self-employed enterprises also expressed their satisfaction with their jobs and also their ability to take care of themselves and others than those in dual-employed enterprises. The observed differences are statistically significant (0.003).

## Enterprise Challenges

The graduates were asked to state the most important challenge that their enterprises encountered and which they believed to have 'inhibited' their performance. Three graduates could not give any and four others gave challenges relating to corporate governance. Thus, in all 114 out of the 121 graduates gave challenges which were external to the enterprises. As shown in Table 4, financial-related problem, especially loans, constitutes about a third (30.7%) of all the challenges and it cuts across all trades. It may also be related to the problem of limited capital. It is a challenge to half of the Tailoring & Dressmaking enterprises and a third of the Rewinding and Carpentry & Joinery enterprises. These are worse affected probably because to most of them their enterprises are the only source of income since a large proportion of them are not in dual employment as shown in the Table 1 on the profile of the enterprises. The enterprises need the loans for business expansion, especially renting workshops. A comment from an ICT graduate was: "We need financial and technical support – for purchase of equipment and increase our capital for large scale production". From the case histories, a graduate in the T&D enterprise remarked, "Finance is a major problem; without it instead of taking a year to take off properly, it may take you about 4 years to do so. Since it is a production line, all the machines and tools you need to do the work must be available." The observed differences are statistically significant ( $p=0.000$ ).

Unavailability and high cost of machinery, equipment, materials and accessories are other critical issues to all trades, except those in ICT. Prices of materials such as trimmings, electrical accessories, tools and iron mongeries which are all imported into the country are found high. Wood is obtained from the country, yet found expensive. It is a major challenge to those in the Carpentry & Joinery business. There is a ban on 'bush cut' which appears to be their major source of supply to these enterprises. It is quite expensive for them to buy from the saw-mills since most of their wood is for export. Woodworking machinery and equipment that a few in the Carpentry & Joinery trade had were acquired as second-hand, a common phenomenon in Ghana for small enterprises. "While countries discriminate against used machines through trade restriction, there are strong arguments in its favour, particularly in low-income countries where low wages and technological learning imperatives make them attractive" (Oyelaran-Oyeyinka, 2003). The machines are antiquated and occupy a lot of space. Most of them also do not have the portable ones to work with.

Iron mongeries for good finishing and precision work are not available. As such a lot of useful wood that can be used for kitchen tools, playthings for kids etc are thrown away as off-cuts. Even among the experts interviewed who are in medium enterprises, getting the machines and equipment is a problem. Some depend on the benevolence of friends outside the country to send them used ones. They reach a contractual agreement with them to be paid for, either on installment or to serve as the person's share contribution in the business. This may be related to the findings of Hsu et al "There is a significant dearth of testing equipment for electric motors in Ghana" (Hsu et al, 1999:6). For those in the Tailoring & Dressmaking trade, electrical sewing machines are the most common ones used. Possession of an industrial machine gives the enterprise a status and also the use of own over-lock or knitting machine. Less than a third (9 or 30%) of them had industrial machines as compared to over-lock and knitting machines (26 or 86.7%). Some individuals do knitting or over-locking commercially for tailors and dressmakers who do not have their own machines. However, tailors and dressmakers admit that having one's own machine saves a lot of time

and ensures one's set quality standards as was also the views of those in carpentry and joinery who made use of the machine shops.

Table 3a: Enterprise Types and Positive Reasons for Level of Satisfaction

	SE/OAE	SE/EE	DE/OAE	DE/EE	Total
<b>Positive Reasons</b>					
Take care of myself (and family) <sup>14</sup>	9.1 (11)	4.1 (5)	2.5 (3)	0	15.7 (19)
Job satisfaction	8.3 (10)	3.3 (4)	0	0.8 (1)	12.4 (15)
Get job; increase in number of customers	0	2.5 (3)	2.5 (3)	0.8 (1)	5.8 (7)
Able to satisfy customers	3.3 (4)	0	1.7 (2)	0	5.0 (6)
Have my independence	0.8 (1)	0	2.5 (3)	0	3.3 (4)
Competent employees; well-cared for	0	3.3 (4)	0	0	3.3 (4)
Business is challenging <sup>15</sup>	0	0.8 (1)	0.8 (1)	0.8 (1)	2.5 (3)
Increase in income/turnover	0.8 (1)	0.8 (1)	0	0.8 (1)	2.5 (3)
Feel better	0.8 (1)	0	1.7 (2)	0	2.5 (3)
Able to make an investment; set up a business	0	1.7 (2)	0	0	1.7 (2)
Able to save	0	0.8 (1)	0	0	0.8 (1)
Feel resourced	0	0.8 (1)	0	0	0.8 (1)
Satisfied with the results so far	0.8 (1)	0	0	0	0.8 (1)
Have job security	0	0	0	0.8 (1)	0.8 (1)
<b>Total</b>	<b>23.9 (29)</b>	<b>18.1 (22)</b>	<b>11.7 (14)</b>	<b>4.0 (5)</b>	<b>57.7 (70)</b>

<sup>14</sup> “I am able to get daily income and have brought forth four children”. He also claimed being better than in wage employment although has never been employed before. “Though the business I have been able to put up a house, a workshop and married”

<sup>15</sup> “It offers a lot of opportunities to grow “

Table 3b: Enterprise Types and Negatives Reasons for Level of Satisfaction

	SE/OAE	SE/EE	DE/OAE	DE/EE	Total
<b>Negative Reasons</b>					
Business not expanded <sup>16</sup>	5.8 (7)	6.6 (8)	4.1 (5)	1.7 (2)	18.2 (22)
Low demand <sup>17</sup>	4.1 (5)	1.7 (2)	5.0 (6)	0	10.7 (13)
Spend less time on the business <sup>18</sup>	0	1.7 (2)	4.1 (5)	1.7 (2)	7.4 (9)
Generally dissatisfied	1.7 (2)	0	0.8 (1)	0.8 (1)	3.3 (4)
Lack of funds/capital	0	1.7 (2)	0	0	1.7 (2)
Customers not paying	0	0.8 (1)	0	0	0.8 (1)
<b>Total</b>	<b>11.6 (14)</b>	<b>12.5 (15)</b>	<b>14.0 (17)</b>	<b>4.2 (5)</b>	<b>42.3 (51)</b>
<b>Variance</b>	<b>12.3</b>	<b>5.6</b>	<b>-2.3</b>	<b>-0.2</b>	<b>15.4</b>

<sup>16</sup> “Business not expanding as expected even though it was through it that I financed my education at the Technical school and the Polytechnic”. “No workshop of mine”; “No industrial machine”; “Not employed anybody”; “I wish I could design for exhibition or organize a fashion show”; “I wish to have a bigger workshop”; “I wish I could do retailing tailoring” *instead of bespoke only*.

<sup>17</sup> A KNUST graduate ascribes it to his unregistered enterprise. “When there is a funeral we sew a lot of tops”.

<sup>18</sup> “I know there is a bigger market out there but stepping out into uncertainty is my fear” and “Because of childbirth I am not able to give the business the needed attention”

Table 4: Enterprise Challenges by Trade

Challenges	ICT	Rewinding	Gen. Elect	T & D	C & J	Total
Loans – with low interest	25.0% (5)	33.3% (5)	11.5% (3)	50.0% (13)	33.3% (9)	30.7% (35)
High cost of materials e.g. wood, trimmings	0	33.3% (5)	7.7% (2)	15.4% (4)	29.6% (8)	16.7% (19)
Use local software developers; local products; contract	5.0% (1)	6.7% (1)	15.4% (4)	0	7.4% (2)	7.0% (8)
High taxes: artisan license; tax holiday, import tax	5.0% (1)	6.7% (1)	11.5% (3)	7.7% (2)	0	6.1% (7)
Environment: security; financial sector; registration	15.0% (3)	0	3.8% (1)	3.8% (1)	3.7% (1)	5.3% (6)
Quality standards: imports; influx of imitation	0	0	19.2% (5)	0	3.7% (1)	5.3% (6)
Availability of materials/machinery e.g. wood; tools,	0	0	3.8% (1)	0	14.8% (4)	4.4% (5)
Economic hardships: result in low demand; shoddy job	10.0% (2)	0	7.7% (2)	3.8% (1)	0	4.4% (5)
Workshop: e.g. for rental at affordable prices	0	20.0% (3)	3.8% (1)	3.8% (1)	0	4.4% (5)
Provision for hire purchase of machines and tools	0	0	3.8% (1)	3.8% (1)	7.4% (2)	3.5% (4)
Reliable infrastructure: comm. systems; electricity	10.0% (2)	0	3.8% (1)	0	0	2.6% (3)
Public employees to embrace IT in their work	15.0% (3)	0	0	0	0	2.6% (3)
Limited capital	5.0% (1)	0	7.7% (2)	0	0	2.6% (3)
Competition with second-hand clothing	0	0	0	11.5% (3)	0	2.6% (3)
Cost of communication – accessing internet	10.0% (2)	0	0	0	0	1.8% (2)
Total	17.5% (20)	13.2% (15)	22.8% (26)	22.8% (26)	23.7% (27)	100.0% (114)

The Ghanaian market is getting flooded with inferior electrical accessories, tools, machines etc as reported by about a fifth of those in General Electrical trade whose work includes installation in homes and factories. It has become common in Ghana to hear the question from sellers of electrical accessories, 'Are you buying British or Chinese made?' The belief is that the accessories by the former are of higher quality and more expensive than the latter's which are counterfeited.

Some of the challenges of the enterprises have to do with love for foreign products and services as reported of public institutions not make use of local software developers. From the case histories, there were comments such as "There is competition with imported second-hand items for which the people have developed a strong taste" and "Government should minimise the importation of clothing from Dubai, Thailand etc and boost up local textile industries because their materials are good – fast in colour as compared to the imported ones".

A few university graduates, especially those in the ICT complain about communication system e.g. high cost of internet connection and electricity problem. During the field work, one of the ICT graduates was interviewed at the Busy Incubator of the Busy Internet Café where he often did his work because of high cost of obtaining services directly from an internet service provider. There was also an instance where an entrepreneur in the General Electrical trade complained of communication problems (affecting access to his internet and phone calls) after relocating the enterprise from Accra to Achimota because telephone lines had not been connected to the new place, although it was already a developed area. He had to wait for months for the services to be extended to the area. There were also a few complaints regarding taxation which was mainly on imports *artisan license*.

## **Summary of Findings and Policy Implications**

The paper has examined small-scale enterprises by looking beyond analysis usually based on dichotomous grouping of being either micro or small enterprise. It is a commonplace to find in Ghana individuals in dual employment, especially the university graduates. A study such as this that factors in this phenomenon will be revealing for policy purposes. However, ages of the enterprise owners do not make any statistically significant differences in enterprise performance.

The analyses have shown that there is a relationship between enterprise type and reasons for enterprise formation. The most important reasons are psycho-social related with the topmost being bringing to bear one's creativity followed by their quest for independence. It is also revealed that absence of wage employment is not a driving factor for enterprise formation among the graduates. Generally, a larger proportion of those involved in dual employment aim at 'making more money' than those involved in self-employment. The enterprises have their own notion of the most important performance or success measure, which they defined as first as number of customers, followed by business expansion, and the level of profit. A large proportion of the enterprises had an increase in both the number of customers and the level of profit. There is a relationship between number of customers and the enterprise type and age. Level of profit also relate with enterprise age. Overall, enterprises of entrepreneurs are associated with an increase in the number of customers than the own-account ones. Young enterprises are also associated with an increase in the number of customers and the level profit than the older ones.

There is a relationship between enterprise type and the level of satisfaction. More than half of the enterprises were at least satisfied with the general performance of the enterprises with a quarter being fairly satisfied. Over half of the reasons for their level of satisfaction were positive related to the ability to take care of themselves and other family member such as parents and siblings. Another reason is job satisfaction. The overall positive reasons were given by the self-employed enterprises especially the owners of own-account enterprises (SE/OAE). Most of the negative reasons were given by the dual employed in own-account enterprises. The topmost reasons concern business expansion and low demand which were mostly given by the owners of OAEs. The remarks made by the dual employed in OAEs regarding time spent on the enterprise is understandable since they do not have people to stand in for them when they attend to their wage employment. Even those with employees complain of mismanagement in their absence.

There exists a relationship between trade and enterprise challenges. The most important of the challenges is finance in relation to accessing loans which are needed for business expansion. The worse affected are those in T&D, Rewinding and C&J. Unavailability and high cost of machinery, accessories/tools and materials is another major constraint. Those imported into the country too are of inferior quality. Competition with product and services from the outside world is another challenge where public organisations and the Ghanaian public give preference to products and services from outside the country. Another important challenge is about the communication system which is central to running an enterprise especially those in ICT trade. Generally, there was some level of satisfaction among those who even gave the negative reasons.

The findings have implications and policy challenges for the Government of Ghana with respect to small-scale enterprise development and industrialization and competition with the international market:

- In enterprise development, the issue of workspace especially for start-up becomes critical.
- Assistance to small-scale enterprises is often made directly in financial terms like access to loans which have never been feasible to these enterprises. An option in the form of hire purchase of machines, tools and materials need exploring.
- Enterprise development strategies based on the usual micro-small enterprises classification is not too insightful considering the reality on the ground where some graduates find themselves in dual employment. Their waged jobs may serve naturally as a linkage and avenue for networking for their own enterprises.
- The openness of the Ghanaian economy to any outside competition has serious consequences for the country because of weaknesses of the country's small-scale industries in such competition.
- Competition and benchmarking rest on learning from best (quality) practices. The many counterfeit products from the Newly-Industrialised Countries which serve as inputs to the Ghana's small-scale enterprises question the quality of small-scale enterprise development in Ghana since these enterprises will be bound to produce inferior goods and poor services.
- Even though it appears enterprises in Ghana have to make a Hobson's choice for used machines from the advanced nations, the long run effect of their usage on the environment requires critical examination.
- To a large extent, the integrated approach is required for the development of these small-scale enterprises. The minimalist approach which requires intervention in piece-meal will be necessary only when testing an intervention strategy. All said and done, the Government of Ghana is expected to be eclectic in its approach.

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