

UNIVERSITY FOR DEVELOPMENT STUDIES

SCHOOL OF BUSINESS AND LAW

DEPARTMENT OF MANAGEMENT STUDIES



**AN EXAMINATION OF MANAGERIAL CHALLENGES CONFRONTING
MEDIUM SCALE ENTERPRISES IN THE SAGNARIGU MUNICIPALITY
OF NORTHERN REGION**

ISSAKA AYI VIDA

2022



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BY

ISSAKA AYI VIDA

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**A DISSERTATION SUBMITTED TO SCHOOL OF BUSINESS AND LAW,
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DEVELOPMENT STUDIES IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF MASTER OF COMMERCE IN
HUMAN RESOURCE MANAGEMENT**

JULY, 2022



DECLARATION

I, Issaka Ayi Vida hereby declare that this dissertation/thesis is the result of my own original work and that no part of it has been presented for another degree in this University or elsewhere.

NAME: ISSAKA AYI VIDA



13/01/23

.....

.....

SIGNATURE

DATE

Supervisor's Declaration

I hereby declare that the preparation and presentation of the research work was supervised in accordance with the guidelines on supervision of long essay, laid down by the University for Development Studies

SUPERVISOR'S NAME:

PROF. JOHN YAW AKPAREP

.....

.....

SIGNATURE

DATE

:



DEDICATION

This work is dedicated to the almighty Allah.



ABSTRACT

SMEs are important in Ghana since they are the main forces behind methods for generating income. In terms of providing cash and jobs, SMEs are crucial to a nation's industrial development. The study was carried out to assess managerial challenges confronting small and medium scale enterprises in the Sagnarigu Municipality in the Northern Region of Ghana. A descriptive survey design was employed. A total of 50 respondents, including managers and other staff were included in the sample. Data was collected using two main instruments (questionnaires and interviews), and was then analyzed using the Statistical Package for Social Sciences (SPSS). The results of the study revealed that a number of SMEs in the Sagnarigu Municipality use one or more management techniques at work. The owners of SMEs face similar difficulties, such as inadequate managerial skills, a lack of network, a shortage of competent workers, and financial constraints, in addition to significant labor turnover. The primary detrimental effects of management or SMEs' issues were revealed to be the collapse of SMEs and a rise in operational costs. Finally, bonuses are the most overt incentive scheme used by leadership at their workplace. Based on the result, the following were recommended: government and other NGOs should support SMEs in diverse ways, training on how to manage business such as giving them knowledge on how to handle business capital, manage expenditure, and also planning and budgeting should be organized for management of SMEs. That apart, the owners of SMEs should organize in-service training for their workers.



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LIST OF ABBREVIATIONS

SME's	Small-Medium Enterprises
AGI	Association of Ghana Industries
BAC	Business Advisory Center
NGO's	Non-Governmental Organization
NYEP	National Youth Employment Program
GDP	Gross Domestic Product
SIC	Standard Industrial Classification
UK	United Kingdom
US	United State
MSA	Metropolitan Statistical Area
HP	Hewlett Packard
UNCTAD	United Nations Center For Trade And Agriculture Development
TQM	Total Quality Management
QM	Quality Management
QMP	Quality Management Principles
HRMF	Human Resource Management Functions
LT	Legislative Instrument
PHC	Population and Housing Census
CEO	Chief Executive Officer
JHS	Junior High School
SHS	Senior High School



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Micro and small Scale companies (SMEs) are generally recognized across the world as engines of economic growth and development. SMEs are significant in Ghana since they are primary drivers of employment and livelihood strategies. SMEs are critical to a country's industrial development in terms of job creation and income generating. SMEs are expected to engage 22% of the adults' population in developing countries (Ayandibu &Houghton, 2017). Despite being labor intensive, they are capital efficient and capable of providing the majority of new jobs needed to address the problem of youth unemployment in most developing nations, including Ghana (Janet *et al.*, 2015; Yeboah, 2015; Mgembe, 2019). SMEs account for approximately 25% of all exports to the Organization for Economic Cooperation and Development (Angulo-Guerrero *et al.*, 2017).

There are two types of SMEs in Ghana: Structured and unstructured enterprises (Quartey, 2017). While the unregulated ones are mostly consisting of craftsmen who work in open environments, temporary bricks or wooden structures, "containers' facilities, or at home with few to no salaried staff, the organized ones have salaried personnel and registered offices (Judd, 2017). Around 85% of skilled workers in Ghana are estimated to be held by small businesses, making them a distinguishing aspect of the country's manufacturing landscape (Baffoe, 2016).





SMEs are also accountable for over 92 % percent of all Ghanaian businesses, generating over 70% of the country's GDP (Oppong *et al.*, 2014; Akugri, 2015). The Northern Region of Ghana covers a total area of 26,524 km² and has a population of 2,310,939 people, with the working class accounting for about half of the population (15-64). Among the key operations in this sector, which can be classified as small or medium-sized businesses, are smoke weavers, agro-processers, bakers, tailors, food processers, wood furniture and mechanics (Waithaka *et al.*, 2014).

According to the 2020 population and housing census report, roughly 27% of the working populations are employed in service and sales. Whilst 22% worked in skilled and allied crafts, 21.5% worked in skilled agriculture, forestry, and fisheries sectors, and 16.1% percent worked as technicians, managers and other professionals. According to the findings, the private informal sector employs 77.5% of the workers in the area, followed by the public sector (15.9%) (GSS, 2014). Regardless of the huge impact of SMEs on the state's economic growth, majority of Ghanaian SMEs still are struggling to effectively operate, manage, and improve their operations in order to continue to supply excellent products and services.

SMEs face challenges that limit their performance capabilities and contribution to the economy of Ghana. Various problems have been identified as impediments to the productivity of majority of SMEs in Northern part of Ghana, and these have strained down to the municipal level. Lack of logistics and proper use of commercial, as well as quality management procedures, are some of their primary growth barriers. According to research, the most common causes of SME failure in Ghana are lack of cash,

overinvestment in fixed assets, an inability to plan, and lack of strategic planning (Sakyi *et al.*, 2019). In addition, Donkor *et al.* (2018) discovered that small business managers and owners practiced strategic planning little and seldom. According to Abosede *et al.*(2016), the fundamental problem of SMEs is a general lack of strategic management skills and competences. However, several researchers, business leaders, and SME managers have blamed the failure of SMEs in Ghana, and indeed Africa, on lack of ready, fast, and adequate finance (Sakyi *et al.*, 2019). Another difficulty is trade liberalization, which has resulted in the entry of foreign-made textiles, medicinal products, food items, matches, and even toothpicks (United Nations, 2002). How Ghanaian SMEs can compete with these low-cost imports and even develop goods that match international standards, allowing them to export, remains a key challenge for Ghanaian SMEs. With a rise in the rate of urbanization and unemployment in Ghana's Northern area, this study considered the management issues of SMEs in the Sagnarigu Municipality, which is one of the largest in the Northern part of Ghana.

1.2 Problem Statement

Although beginning a new business may seem very difficult for some people, entrepreneurs start small and medium firms with a view of making profit rather than losses. The major problem with small and medium firms nowadays is their sustenance and management as many business collapses before break through or few years of break due to managerial challenges. Though, business is considered as two-way model, thus one either gain or lose in considering a business venture, over half of these new enterprises will either fail within the first five years. According to McIntyre (2018),





around 20% of small businesses are unable to perform well the first year of their establishment. Nearly 50% after five years, and 30% in their second year.

Furthermore, managerial challenges among SMEs are mostly attributed to improper implementation of regulatory policies to allow the transformation of SMEs into formal intermediaries while retaining their primary mission of delivering quality goods and services. SMEs in Northern Ghana face many challenges, particularly the attitude of employees to work in addition to the high demand for benefits and salaries which in most cases do not match their level of performance or qualification. Furthermore, SMEs do not appreciate and value the worth of their employees leading to demotivation and inefficiency at the work place (Faiza et al, 2021). In other to maximize profit and attain outstanding results, SMEs should begin to value and appreciate its staff through the creation of good bondage of relationship, thus making employees feel they are parts of the success of the business. Again, making the placement and right hiring decisions is a problem that is affecting SMEs and this generally affects the productivity and cost of production or operation as a result of making bad business decisions. This can be highly attributed to poor levels of education of workers in hospitality homes and business within the region (Mazur, 2021).

Mostly, thousands of SME owners are left without access to financial products and services to grow their businesses because of the unstable regulatory requirements which in most cases prevent some of them from proper functioning such as meeting of minimum requirement in the case of banks and insurance companies leading to collapse of SMEs in same cases.



Professional management practices are less likely to be applied as there is over-reliance on one individual in terms of managing SMEs. This is a very rampant issue in many parts of the country and Sagnarigu Municipal is not an exception. Also, in most cases, SMEs are managed by the owner, friends and members of the family. Since they do not trust others, the business owner tends to be most at time sole proprietors thus being owners of SMEs and also Managers even if they do not have skills in that particular enterprise. In some cases the owners may decide to take up almost all management roles, such as secretary, salesperson, marketing manager, and other important duties. While this may be the case, no empirical study has been carried out within the Municipality to determine the managerial practices that could make SMEs thrive or collapse. Since businesses within the Municipality are equally susceptible to the managerial challenges that might harm the productivity and performance of these ventures (Kurniawati & Yuliando, 2015).As a result, the basic aim of this investigation was to examine the perspectives of a number or group of SME owners or managers about the managerial issues they are confronted with, using the Sagnarigu Municipality as a case study.

1.3 Objectives of the Study

1.3.1 Main Objective

The study's goal was to look at the managerial issues that SMEs face in the Sagnarigu Municipality of Northern Region.



1.3.2 Specific Objectives

The following specific objectives were targeted for the study:

1. To determine the managerial practices employed by owners and managers of SMEs in the Sagnarigu Municipality.
2. To unveil the challenges associated with the managerial practices employed by owners and managers of SMEs in the Sagnarigu Municipality.
3. To ascertain how challenges of managerial practices employed by managers, affect the operations of SMEs in the Sagnarigu Municipality.

1.4 Research Questions

The main question of the study was: what are the managerial issues that SMEs face in the Sagnarigu Municipality of Northern Region?

To accomplish the objectives, the study attempted to provide answersto the following specific questions:

1. What are the managerial practices employed by owners and managers of SMEs in the Sagnarigu Municipality?
2. What are some of the challenges associated with the managerial practices employed by owners and managers of SMEs in the Sagnarigu Municipality?
3. How do these challenges affect the operations of SMEs in the Sagnarigu Municipality?
4. What are some motivational packages given by management of SMEs?

1.5 Significance of the Study

In economic development SMEs play a very crucial role, the study is expected to suggest managerial practices aimed at promoting the operations of SMEs in the Sagnarigu Municipality. The research is anticipated to assist owners and managers in taking proactive actions to guarantee that SMEs operate better, resulting in economic growth (Atiase, 2020). The findings of the study will be used to guide policy decisions by the Ministry of Trade and Industry, the Association of Ghana Industries (AGI), the Business Advisory Center (BAC), NGOs, the National Board for Small-Scale Industries (NBSSI), SMEs, the Tamale Metropolitan Assembly, and the National Youth Employment Programme. The findings of the study would also serve as a reference for further research. Finally, this study can motivate other researchers to carry out similar studies in other Districts and Municipalities in the Region and other parts of Ghana.

1.6 Scope of the Study

The focus of the study will be the managerial difficulties SMEs in the Sagnarigu Municipality face. The study will identify the management strategies used by SMEs' owners and managers in the Sagnarigu Municipality. It is also delimited to describing the difficulties faced by owners and managers of SMEs in the Sagnarigu Municipality who use managerial practices. It is also to identify how the Sagnarigu Municipality's SMEs are affected by these difficulties and to reveal some of the motivational initiatives taken by SMEs' management.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section covers the literature on the research topic under study. It covers literature on some thematic areas with respect to the topic.

2.1 Meaning of Small and Medium Scale Enterprises (SMEs)

Small and medium-sized businesses, or SMEs, are context specific in every country. The specifications of a SME's stated size depend on the nation in which the business is located. Based on the nation, a company may be sized or classified as an SME based on a variety of factors. The characteristics can be any combination of the following: capitalization, number of assets owned by the company, number of staff, and annual revenues. SMEs are also clearly distinguished in the US based on the sector. Small-to-medium enterprises, also known as SMEs, are a useful phrase for describing companies and other organizations that fall within the "small office-home office" size and the bigger enterprise.

An SME is a legally separate business with 500 or less employees, according to the European Union. According to CFI (2022), SME is an independent company with between 50 to 250 workers. Small and medium-sized businesses are autonomous, non-subsidary companies with less than a certain category of employees. The amount varies between nations. With respect to the European Union, 250 staff is often the highest limit for an SME. However, other nations set the cap at 200 people, whereas the US includes businesses with fewer than five hundred workers as SMEs. Micro-enterprises have a





maximum of 10, and in certain situations, just 5, employees, whereas small businesses are often those with fewer than 50 employees.

SMEs are also characterized by their capital instruments. On January 1, 2005, a new definition became effective in the European Union. It applies to all Community legislation, financial initiatives, and state aid, allowing SMEs to receive higher regional and/or national aid than large corporations. The updated definition raises the monetary ceilings: among medium-sized businesses (50 to 249 workers), it is now 50 million Euros; for smaller companies (50 to 99 staff), it is 10 million Euros; and for micro businesses (below 10 workers), it is 2 million Euros. As an alternative, the balance sheets of medium-sized, small-scale, and micro-businesses should not exceed 43 million, 10 million, and 2 million EU, respectively.

Small-scale business growth requires greater amount of discipline, commitment, perseverance, and originality in addition to lots of hard work. The micro-entrepreneur need to be allowed to manage its own accounts, workers (if any), and also make decision-making. Nearly every neighborhood in a homeland has small-scale businesses. There is no one definition for SME's. The qualities, relationship and geographic area, as well as relationship to the economic climate in which the firms operate are all different ways it can be characterize. "What may certainly be seen as a modest industry in an industrialized country like Europe may be seen as a major enterprise in a less advanced African country," Meggenson *et al.* (2015) wrote.

According to Broom et al. (2013), a small scale business is defined as one that has less than 100 employees. It will be reasonable to define SME's in a country like Ghana as



those businesses with fewer than thirty employees. Awuah (2016) medium scale businesses can operate everywhere due to their size and small nature. They have a small staff, typically between 10 and 30, and they frequently use labor-intensive manufacturing techniques with limited capital. Over 97% of Ghana's small-scale businesses, according to 2012 survey conducted by the National Board for Small-Scale Industries, had overall substantial assets only 2 million Ghana cedis, which is evidently insufficient to benefit from economies of scale. NBSSI (2012) According to Balasuriya (2013), who was cited in the National Development Planning Bulletin (2017), smaller firms have a greater impact on a nation's GDP over their larger competitors. They increase employment, disseminate development throughout all regions, encourage and broaden the acquisition of knowledge on industrial skills and know-how among a wide range of the population, and help a nation distribute its revenue more fairly. They are also investment productive (Balasuriya; 2013).

Although statistical standards are used all over the world to describe SMEs based on particular performance metrics, such definitions are insufficient to reveal the different qualitative characteristics of these businesses. Three quantitative indicators are typically used to identify SMEs, including: capital investment in equipment and machinery; the average number of employees per firm; and, the amount of annual revenues or sales.

However, each of these quantitative measurements has a number of flaws and is not a sufficient indicator of the size of an SME. Because of this, they are unable to adequately describe the crucial financial, social, emotional, behavioral, and institutional traits of SMEs, which are critical in explaining why and how small firms start, grow, and persist.



The following are some significant qualitative and functional traits that set SME's apart from their larger competitors and reveal their inherent strengths and weaknesses:

Firstly, a key organizational characteristic of SMEs is that they really are typically owned and run by a single person or small group of people. Thus, there is a close connection that, in many circumstances, cannot be separated between the business and the entrepreneur. The profound individual attention of the businessman makes him highly devoted to the success of firms, even though this occasionally subjects them to bigger risk.

Secondly, Due to the frequent presence of family members, small businesses also tend to have stronger family component. This has both advantageous and negative effects for small businesses.

Also, the owner-dominating manager's presence across all business sectors facilitates swift and flexible judgment, but it also results in lack of delegation, which at times renders him autocratic or "loner."

Another, closely connected characteristic is the fact that, in contrast to the hierarchical organization of management style used by large corporations, there is virtually no any division of management functions in SMEs because middle management is missing from a crucial position.

Again, according to empirical study (Monteiro, 2020), SMEs also stand out for having greater rate of employee turnover, poor worker wages, and lack of clearly defined career

routes for human resources, among other things. However, AlMazrouei, et al. (2020) point out that SMEs frequently gain from some latitude in how service norms are applied to employees, which enables them to exercise increased organizational latitude.

2.2 History of Small-Scale Enterprises

SME's have been increasingly important in Ghana's growth over the years, having a substantial influence on the country's economic reformation via self-reliance industrialization and Ghana beyond aid policies. SMEs are defined by five major factors, according to Berk, (2010): labor, capital, loan size, fixed assets, and yearly sales turnover. The World Bank SMEs Department opined that a micro-enterprise is one that has up to ten(10)workers, \$10,000 in assets, and \$100,000 annual sales turnover, according to Ayyagari *et al.* (2015).

SMEs contribute significantly to Ghana's financial development, according to study by Ntiamoah, Li, and Kwamega (2016).SMEs account for roughly 99% percent of all businesses, 44 % percent to 70 % percent of employment, also it is made up of 50% percent of industrial production, according to UNCTAD (2005). In developing countries, SMEs forms about 98% of enterprises, 50% through to 80% of company engagement, and 50% of industrial output. Similarly, Coleman and Okyere (2016) claim that SMEs account for almost 90% of the profit share and provide over 85% of the jobs in the industrial sector, whilst Asomaning & Abdulai (2015) claim that SMEs offer significant role in the Ghanaian economy through jobs creation. The manufacturing industry employs 85% percent of Ghana's workforce. SMEs account for about 70% of Ghana's





Grass Domestic Product (GDP), demonstrating their significance in terms of development, economic growth, employment, and income (Asare & Fei, 2015). According to the Registrar-General, SMEs make up over 90% of registered firms in Ghana, which accounts for roughly 80% of the country's private sector and 92 percent of all businesses, according to study by Abor & Quartey (2010). Gyasi (2015) asserts that small scale businesses have made significant contributions to increasing output, providing value-added operations in the manufacturing sector, generating employment possibilities, particularly in the services industry, and broadening Ghana's geographical reach.

The obstacles that small businesses encounter are numerous. Several studies, for example, have highlighted the rising relevance of credit to every business entity's growth and productivity, particularly Small and Medium-sized Enterprises (SMEs) (Osei-Assibey, 2013). Businesses require money to purchase assets, pay staff salaries, and cover operating expenditures. Improved finance availability aids SMEs in expanding their production level and enhancing their ability to compete in both home and international markets (UNCTAD, 2012).

2.3 Factors Affecting Growth of Medium Scale Enterprises

A review of earlier studies on micro and medium firms in developing states or countries discloses that, several elements an impact on the development of SMEs. According to the study, environmental barriers to SME's expansion include high taxes, market access restrictions, pricey and unreliable supply of electricity, and shortage of skilled and

qualified personnel. Degefu *et al.* (2018) investigated the variables impacting the proliferation of SMEs in Nigeria and Uganda using a descriptive study strategy obtained from a sample of Sixty SMEs. Kinyua (2013) looked at the factors influencing the output of SMEs in Kenya, using a descriptive and analytical study approach based on a sample of 262 SMEs. Admasu (2012) investigated the factors influencing the expansion of SMEs in Addis Abeba, Ethiopia with a descriptive data gathering/analysis and a multiple regression technique. According to his research, financial constraints, marketing elements, infrastructure considerations, technological challenges, management factors, as well as work place and entrepreneurial variables are all factors that hinder SME's operations and growth.

2. 3.1 Pre-Start-up Factors

A wide variety of pre-startup personalities of the entrepreneur have been linked to the success of enterprises, particularly SMEs (Storey and Greene, 2010). Discover that the age of the entrepreneur is the first pre-startup element impacting growth of an enterprise. This is an effort to relate the manager's age to the company's growth strategy and future plan. Young individuals are believed to be supreme candidates for running firms that can perform better since they have the capabilities with respect to energy than the older entrepreneurs with excitement needed as well as technological expertise that drive business in this millennium to achieve growth (Storey and Greene, 2010). On the contrary, Matlay (2012) indicated that older managers usually have their businesses grow faster than younger ones. According to him, because older entrepreneurs have the





experience needed to manage and positively influence their company's output/performance. Younger people are more motivated to grow their businesses however; they may have limited required networks/connections and resources, both of which play significant roles in business (Scarborough, 2011).

According to Scarborough (2011), female-owned businesses perform well in the industries with the fastest growth for them, including wholesale, the arts and music, health care, and scientific, professional, and other services. They also grow more slowly than male-owned businesses, have a higher survival rate, and are successful in these fields. According to Storey and Greene (2010), male-owned enterprises stand the advantage to grow faster than those owned by women this is because women are more likely to experience resource limitations due to gender bias, and they may be shut out of powerful networks because they are not one of the guys or acting like honorary males, which presents a barrier for women trying to market their commodities.

According to Matlay (2012), lack of capital exacerbates both economic and social hardship by stifling the growth and economic potential of females who run SMEs. According to Marlow (2002), because women are more likely to be highly committed to their families, they would prefer to operate business on part-time, rather than full-time, thus limiting their motivation to efficiently grow their firms.

They may also find themselves in a corporate sector thus experiencing slower growth. Women entrepreneurs, on the other side, are thought to be hampered more by illiteracy and lack of funds (Coleman, 2007; Storey & Greene, 2010). The Canadian National Local Business Data (2012) shows a link between manager/owner formal education as an



enterprise management tool and business growth. The survival and expansion of small enterprises are positively impacted by higher education, such as a Bachelor's degree (Altinay & Altinay, 2018).

Highly-educated entrepreneurs are perceived to more capable of negotiating with lenders, suppliers, consumers, and other stakeholders, resulting in increased business growth (Altinay & Altinay, 2018). According to Gray(2006), a person's industry of choice for starting a business is driven by previous formal education and qualifications. This is certainly relevant in an expertise economy. One entrepreneurial position contends that formal education and credentials are not necessary if the goal is to start a firm, in contrast to prior arguments in favor of formal education as a necessary component (Storey and Greene, 2010). The educational background of an entrepreneur has a considerable negative impact on growth, according to Matlay (2012), suggesting that a greater educational standard is not necessary for business success. Higher education and formal education do not increase one's performance or capacity in these areas, nor do they prepare one for risky business environment. It has been demonstrated that a company's success and expansion is impacted by the founder, owner, or manager's ethnicity (Storey & Greene, 2010).

The indication is that if such practices and rules are thoroughly understood and followed, significant corporate development can be obtained (Storey & Greene, 2010). However, no two possibilities in a single or specific industry are identical, so prior knowledge of an organization may be predictor of future company success (Storey and Greene, 2010). Individuals who approach a sector with fresh ideas or whom have the aptitude and know-



how to 'think outside the box,' according to Storey and Greene (2010), are more likely to develop truly innovative ideas that promote economic success. Also Growth may necessitate the introduction of new products and services that are not currently available on the market (Storey & Greene, 2010). Prior industry experience isn't always relevant, and entrepreneurs with prior industry knowledge are less likely to run a fast-growing business (Storey & Greene, 2010).

Existing managerial expertise, conversely, may be viewed as an important factor in business development (Storey & Greene, 2010). The vast majority of new businesses will not hire, those that do well almost do so through hiring. As a result, according to Storey and Green (2010), the capability of a small business manager to successfully manage others will be regarded as a prerequisite for business development. The entrepreneur's prior managerial experience is likely to be critical factor in the company's success (Canadian Key Small Business Statistics, 2012).

Managerial ability can be inherited from the owner's parents, acquired through previous paid labor in a related industry, or acquired through the owner's previous management practice. Prior management experience, on the other hand, is meaningless because managing people in another company is fundamentally different from controlling workers in one's own business (Storey & Greene, 2010). This is due to the fact that previous expectations are likely to differ from current expectations, such as the business owner's higher level of commitment than the professional managers, or management conditions are highly likely to differ (Storey & Greene, 2010). While prior managerial experience of

an entrepreneur may play a minor or major role in a company's success, the researcher believes that its significance as a key component is unknown. Managing an enterprise as an owner differs from managing a company as an employee (Storey & Greene, 2010).

The success of the business could be greatly influenced by the investor's prior experience as a business owner (Fadahunsi, 2012). Academic and professional attempt to connect an entrepreneur's prior experience as a company owner to the firm's growth orientation, according to Fadahunsi (2012); entrepreneurs who have run businesses in the past are inherently more cautious than beginners. It is thought that having certain skills before beginning and running a business will greatly lower the likelihood of business failing (Storey and Greene, 2010). Iacobucci & Rosa (2015) assert that the investor's prior experience as business owners might direct the company toward growth-related possibilities while preventing growth-related problems.

Entrepreneurs, according to Delmar & Shane (2016), learn from their successes and failures, as well as previous ownership, and as a result, organizations formed by such individuals outperform those formed by embryonic entrepreneurs. Previous business ownership is thought to improve a person's entrepreneurial abilities. Prior experience as a business owner, on the other hand, may be irrelevant to an entrepreneur's growth (Storey & Greene, 2010). As a result of the entrepreneur's experience, the individual's ability to appropriately appraise their own entrepreneurial talent has evolved (Storey & Greene, 2010).





In a study that contrasted portfolio companies, experienced business owners, and new entrepreneurs' performance, Ucbasaran *et al.* (2016) discovered that previous knowledge on a business ownership does not significantly affects business growth. Family-owned businesses and family support, according to Bentzen, *et al.* (2011), have a significant impact on a firm's growth rate. The phrase "family company" conjures up images of a small, family-owned business that has been passed down through generations. According to studies, family-owned businesses outperform non-family enterprises (Sraer & Thesmar, 2017; Villalonga & Amit, 2010). Non-family-owned businesses perform significantly worse than family-owned businesses. Businesses benefit from economies of scale because they can service larger market while also reducing fixed expenses as percentage of total costs (Sraer & Thesmar, 2017; Villalonga & Amit, 2010). According to the PwC Family Business Survey (2012), family-owned businesses are resilient, dynamic, and successful all over the world, in both developed and emerging economies, and in industries as diverse as automotive, manufacturing, retail, and construction. Despite the ongoing economic uncertainty, they are aggressive, inventive, and produce consistent performance and profit growth.

Nonetheless, family-owned businesses grow at a slower rate than nonfamily-owned businesses, according to Hamelin (2019). There is a risk that family and corporate goals will collide, affecting the company's financial success. This suggests that families may not always have the same goals, and even if that holds, the generosity may create room for family interest's which may take precedence over commercial ones. By relying solely on family members' talents, the family-owned business also denies itself access to the



superior and vast experience, abilities, and knowledge of non-family members (Storey & Greene, 2010). According to Coleman (2017), there is no link between the success of family-owned businesses and the success of the company. According to Perez Gonzalez (2016), enterprises that employ second-generation family members perform worse than enterprises that employ non-family members, though a performance impact based solely on family ownership is extremely difficult to refer to. The number of partners or founders at the start of a business has also been highlighted as an important determinant of its success and growth (Storey and Greene, 2010). Morris *et al.* (2006) and Fadahunsi (2012) sought to relate the startup's diverse skills and resources to its growth path. As a result, businesses started and managed by several people are more likely to excel better and grow at a faster rate than businesses founded and managed by a single individual. According to Khan *et al.*, the number of partners or partnerships in a firm has an impact on its growth (2005). According to Eisenhardt & Schoonhoven (2015), the partners may be able to increase the company's resource and skill bases (2015). They suggest that forming a partnership might help firm gain credibility with potential lenders and other stakeholders. Functional knowledge, capital, and a wider range of managerial experience are all advantages of forming a partnership or engaging partners (Eisenhardt & Schoonhoven, 2015). Partners can benefit from the enormous psychological support that emerges up as results, as well as the lessened dependence on single owner's desire and judgment, according to Perren (2010). Therefore, the number of partners is a significant factor in attaining high performance and growth. As business expands, the entrepreneur will undoubtedly confront problems; as a result, seeking out partners might be a

beneficial source of knowledge as well as the finances required to expand (Cooper *et al.*, 2015).

2. 3.2 At Start-up Factors

Following an evaluation of the 'pre-start-up' elements, the 'at start-up' elements are considered, as well as how they relate to or affect business growth. The organization's size and age are two parameters that are frequently used in empirical studies of business growth (Papadaki & Chami, 2012). The size and age of the company, according to the authors, is an important factor to consider when studying business growth. According to research, a company's growth can significantly influenced its age and size (Dunne *et al.*, 2017).

Smaller businesses expand more rapidly than giant organizations (Storey & Greene, 2010). The justification for this quicker pace of development is that in order for a business to succeed, it must be able to produce at the minimal effective level (MES). Without it, the company is most likely to be close due to high costs; as a result, the company must strive to achieve the MESs level in order to continue operating. It is usually believed that small and medium-scale companies expand more quickly than larger corporations (Fadahunsi, 2012).

For instance, many researches utilizing the employability measure shows a mixture of significant, insignificant, and negative associations, illuminating the nature of the opposing ideas (Storey and Greene, 2010). Nevertheless it may not be immediately apparent, launching a small to medium sized firms accelerated growth. More crucially,



there is almost no record to support the principle that the methodology used to measure and characterize growth has a significant impact on how firms grow, how big they get, and how old they are (Heshmati, 2001).

Furthermore, no single theoretical background appears to exist that predicts the initial size and future expansion of new businesses (Storey & Greene, 2010). The choice of legal structure has also been laid bare as an important ingredient influencing the advancement of SMEs (Storey & Greene, 2010). This is accomplished by tying a company's decision to its success. The success of small and medium-sized businesses is greatly influenced by legal concerns, according to Khan et al. (2005), a unified legal practice and robust legal protection for the preservation of private owned property would have an impact on firms growth by deciding the legal form used. It has been demonstrated that firms with restricted liability, such as those that are incorporated, expand more quickly than sole traders with limitless responsibility (Kira, et al.,2012). It is said that incorporating a corporation gives an entrepreneur or group of entrepreneur's certain benefits over unincorporated businesses (Storey & Greene, 2010).

After registration, the business separates from its founders or owners as a separate legal entity, and as a result of this legislative structure, the inventors' or owners' responsibility is limited (Storey & Greene, 2010). When a business dissolves, the proprietors' personal assets cannot be used to pay off the remaining debts of the business; instead, the company's assets are held liable (Storey and Greene, 2010). The relationship between businesses and their growth is explained by a number of factors, according to Papadaki



&Chami (2002). When a company is formed, it gains the ability to issue stock that investors can resell (Papadaki & Chami, 2002). In other words, the corporation may 'trade' in equity shares, increasing its capital base, making the company easier to sell, and possibly providing tax benefits (Storey & Greene, 2010).

Companies that choose to incorporate are said to grow faster because they gain value for their customer and supplier reputation, which encourages the adoption and incorporation of reporting procedures such as presenting an accounts that have been audited (Storey & Greene, 2010). An advantages of incorporation are offset by higher tax requirements and legal complexity, which will undoubtedly have a detrimental effects on growth because it has less incentive to the firm (Papadaki & Chami, 2002), as both stock prices and assets are taxable at the corporate level (Papadaki & Chami, 2012). It is also possible that incorporation is merely a 'fabrication' to protect the company's owners from liability. This legal structure normally comes with its own set of problems because external lenders like banks frequently demand collateral as "security" against any business loan, typically in the form of the owner's home or other valuable asset. No matter the legal structure of the business, collateral is frequently required, and incorporation necessary an additional regulatory requirement. In addition to the requirement to submit audited financial statements to authorities, implies that the business's regulatory and compliance costs will increase, claim (Storey & Greene, 2010).



2.3.3 Post Start-up Factors

After looking at a number of factors that affects the start of a given business and their influence on business advancement, the second and final phase looks at a variety of 'post-start-up' factors and their effects on the growth of SMEs. The impact of 'post' start-up variables on small and medium-sized firm's growth is explored in this third phase. Beyond 'pre-start-up' and 'during start-up,' the emphasis is on examining a number of strategic elements that may impact the performance and future growth of nascent and petite organization.

Until recently, the small and medium-sized company sector was regarded to be devoid of formal long-term planning, nevertheless, there is an indication that this may be changing. A company's formal plans or planning may be connected to its success and development. However here comes the question of how the entrepreneur's or company's strategy (Storey and Greene, 2010) should be structured. Should a formal written business plan be prioritized or focused on in the planning process, assuming that such plans are necessary (Storey & Greene, 2010).

According to Drucker (2012), in a commercial organization, planning lays the groundwork for subsequent activities. Creating corporate strategy may have two benefits, according to Storey and Greene (2010). First of all, it improves entrepreneurs' capacity to view their company from a strategic perspective, which is especially important when the entrepreneur lacks information. Making errors on paper is different from investing real money in a business. A thorough business plan can help businesses stay guided.





According to Masurel and Smith (2010), long-term planning in small and medium-sized businesses is linked to higher propensity for growth. According to Delmar & Shane (2003), the firm's strategic direction is actively driven by formal written plans.

Delmar & Shane (2003) opined that planning speeds up decision-making process, helps manage the efficient producers and consumers as well as organizational assets, it also enables managers to define specific goals. Formal business plans help the company by enhancing or improving its prospects of obtaining more finance (Storey & Greene, 2010). In that, other entities or participants, such as lenders and possible investors, can be pre-informed of the business planning. Storey & Greene (2010), disclosed that a written business plan can help a company become legitimate by outlining its objectives, how they will be achieved, and potential rewards for investors. The company would have a better chance of obtaining outside finance as a result.

Grant(2003) advocates a "learning" strategy to the performance of businesses in opposition to the reasons for writing a business plan indicated above in relation to business growth. Regardless of the objectives of the business owner, Grant (2003) recommended that strategy be "improvised" through "trial and error" until it is compatible with the market settings. In today's fast-paced and unpredictably changing business climate, it would be practically impossible to execute a formal detailed business plan exactly. Entrepreneurs must therefore be adaptable and agile. Entrepreneurs would need to make several strategic changes, such as releasing a new product, employing a new employee, or extending and/or increasing an existing market penetration



(Hitt, 2017). Written business plans could be considered to be inconvenient and expensive because they require the investor's time and money. It's also debatable whether the plans actually improve the business manager's or operational productivity and capabilities (Storey & Greene, 2010).

Instead of devising a plan for their exploitation, experienced entrepreneurs, according to Bhide (2000), should seek out business opportunities. Small firms and entrepreneurs confront more external unpredictability than bigger companies (Storey and Greene, 2010). As a result, even if sufficient information is available to construct seemingly solid and dependable plans for the organization's future growth, an unanticipated event may still repeat, causing the strategic orientation of the firm to be utterly destroyed (Storey and Greene, 2010). As a result, most entrepreneurs and small businesses would rather pay attention to following their company concept or agenda than concentrate on the business strategy, given the high chance of unplanned occurrences (Bhide, 2000).

In this situation, writing a business plan is one way to stand out from the crowd. According to Honig & Karlsson (2004), demanding the presentation of a business plan in order to acquire funds from a government funding program or a private lender is "coercive". Bhide (2000) reported that just 28% of 500 Inc. start-ups in the United States had a comprehensive business approach, 41% do not have business plan at all, and others in his research of 500 Inc. start-ups in the United States. According to this notion, fast-growing businesses have a lower tendency to have a formal/specific business plan. According to Karlsson & Honig (2009), companies who use a formal approach during the

start-up stage do so primarily to legitimize the company; after that, the entrepreneurs abandon the business plan, no longer updating or referring to it as the company grows and changes. The genuine empirical data, in the researcher's judgment, is varied and perplexing. The relationship between official written plans and planning is still hazy and unclear, adding to the confusion.

2.4 The Significance of Developing Theories in the Context of SMEs

An institution theory is a good tool for examining the boundaries between industries or social groups that have influenced SMEs in different ways to sustained growth

(Fauzi & Sheng, 2020). Explaining why sustainable endeavors are important is not solely a personal task, as the success of businesses is challenged by a number of factors, such as governmental regulations and competitive pressures. As a result, sustainable innovation and internal or external firms-centric factors are the main emphasis of institutional ideas. Possibilities with prescriptive behavior and representative drivers to impact businesses to shape business for social and economic decision-making and to legitimize the vision of corporate businesses sustainability, Thereby are presenting institutional ideas of stable growth for small and medium sized businesses (Shibin *et al.*, 2020; Caldera *et al.*, 2019).

Viable business practices "promise profitability, sustainability, and beneficial social and environmental benefits, and are an aim for an increasing share of small and medium scale enterprises worldwide" (Caldera *et al.*, 2019). Company owners are reacting to organizational limitations in a variety of imaginative ways, including by implementing novel business ideas, strengthening their resolve and courage, joining organizations,





attempting to give back to the community, and cooperating with the regulators (Eijdenberg *et al.*, 2019). In addition to creating stable growth policies and practices, institutional theory has been employed widely (Heiskanen, 2002). When desirability has been the motivating factor for the practice of technology orientation, institutionalism offers greater enlightenment. The integrity of the institutional framework is affected by three different types of market pressures: ethical pressures, rivalry pressure, and coercive stressors. Organizational actions are used to strengthen their programs for sustainable, social, and environmental focus and growth, thus for businesses to attain appropriateness perceived value-are run by all three of these criteria. Regulatory theory describes larger and more durable approaches to social structures; study of requires strong as guidelines for the social behavior of the officials through laws and norms (Scott, 2004). In other terms, Caldera, *et al.* (2017) tends to concentrate on a process through which behaviors might be accepted as economic, social, and environmental standards within an institution. According to Srisathan, Ketkaew, & Naruetharadhol (2020), institutionalism based on innovative elements or capabilities with sustainable growth of small and medium-sized enterprises as a stimulus lens that encourages management practices to pursue sustainable business performance. These factors include culture, the legal and social surroundings, traditional or cultural values, economic tax incentives, and market value. The basic idea was on the regulations set forth by the institutions, but the new approach concentrated on entrepreneurship studies, such as the implementation of sustainable business models and attention to possibilities (Hadjimanolis, 2019). The two fundamental causes of the behavior patterns of organizations connected to institutionalism are moral legitimacy and

isomorphism. The business wants legitimacy to satisfy the needs of stakeholders and society (Ratten & Usmanij, 2020). Firms have made significant or system that is able judgments about sustainability as a result of institutional pressure (Daniels & Dainty, 2014). Businesses collaborate with many partners to foster innovation within the confines of the regulatory framework in order to support SMEs' long-term expansion.

2.4.1 Resource Based View Theory

The origins of resource-based competitive theory can be traced to (Knott, 2005), who argued that resources that were successfully owned, deployed, and used would outperform those produced by other industrial structures. Nurjaman,(2021) developed the term "resource base view" to describe how he saw a corporation from the perspective of a crucial resource. The term "quality standard" was emphasized by Nurjaman, (2021), who also called attention to a variety of crucial resources the firm capability are referred to it as a strategic edge. Another academic described it as a unique competency, while the strategic application of resources and competencies (Parry, 2010). The theory of the asset view is an expansion of the concept of the firm's development (Barney, 2019). This thesis explained how the firm's resources performed to give it a lasting competitive edge (Nurjaman, 2021)

The theory of commodity thinking had opened up new opportunities based on resource uniqueness that would result in competitiveness (Grewal *et al.*,2011). The research enhanced understanding of the study's setting and strategies that concentrate on the establishment of green franchising from a management perspective (Samsudin *et al.*, 2018).





In addition to business owners on their growth route, a resource-based vision is undoubtedly crucial to take into account. The evaluation of all available resources enables businesses to successfully accomplish their goals. Managers can overcome growth obstacles or reduce changes in course and growth challenges by choosing an effective growth plan. The contingency perspective has claimed that managerial writers needed a framework to describe how an organization's culture of openness and innovation develops timely, quickly, or with considerable flexibility in dynamic marketplaces. This is known as the resource-based line of sight (Kiiru, 2015).

The limitations of the resource-based perspective theory of the firm are mostly focused on an organization-specific basis, hence it is not broadly applicable (Davis & Bendickson, 2020; Rezaee *et al.*, 2019). The primary challenges regarding capacities or businesses' performance were the subject of the resource-based line of sight, which has a long history of applicability in the management literature (Darcy *et al.*, 2014). Small and medium-sized businesses, which are typically seen in a frantic attempt at sustainability and expansion, frequently do not have a culture that embraces the company's resource-based approach or the idea of continuous strategic edge (Darcy *et al.*, 2014). In highly dynamic markets, resource-based view theory (RBVT), like Porter's model of competitive forces, cannot successfully contribute to an enterprise's competitiveness. Similar to this, the idea did not sufficiently address how to refresh the existing stocks of precious, uncommon, imitable, and sustainably produced resources that would be revived in unfavorable environmental conditions. The hypothesis, according to Priem & Butler (2001), has drawn heavy criticism for being unspecific and lacking in practical validity.

2.4.2 Contingency Theory

According to contingency theory, businesses can maintain their strategy alignment with the physical conditions and its vulnerabilities in order to maintain their profitability, business growth efficiency, and longevity. The primary theoretical framework utilized to view the firm is contingency theory (Dentchev *et al.*, 2018). The fundamental tenet of the dualism of contingency theory seems to be that organizational effectiveness is the consequence of organizational elements, such structure and contingencies, being adjusted to reflect the organizational context (Bagnoli & Giachetti, 2015).

According to contingency theory, businesses can maintain their strategy alignment with the physical conditions and its vulnerabilities in order to maintain their profitability, business growth efficiency, and longevity. The fundamental tenet of the dualism of contingency theory seems to be that organizational effectiveness is the consequence of organizational elements, such framework and contingency, being adjusted to reflect the organizational context (Bagnoli & Giachetti, 2015). Contingency plans are part of nature (Burns & Stalker, 2012), organization size (Child, 2015), and corporate structure (McAdam *et al.*, 2019).

According to the contingency theory, the surroundings, capacity, and approach are three variables that require the institutional framework to be updated (Donaldson, 2016). According to the theory of contingency, managers should improve the link between the business units involved in bringing about innovation by raising the level of novelty or the volume of new products per unit of time they are targeting (McAdam, Miller & McSorley, 2016). The novel problem-solving required by innovation calls for unexpected



knowledge transfer between functional domains (Bagnoli & Giachetti, 2015). Maleti, *et al.* (2018) provided evidence that the strategies for durability and organizational performance have been revisited using a contingency lens. Therefore, the adoption of a situational leadership is the most creative dilemma culture and interconnectedness that directly influences the supply of new products, meeting the needs of clients, partners, the public, social, environmental and social areas (Pratono *et al.*, 2016).

2.4.3 Dynamic Capabilities Theory

In strategy formulation studies, dynamic skills have become increasingly prominent (Barreto, 2010). Teece (2017) developed the dynamic capacities hypothesis, which was strengthened. Teece (2017) pointed out that while strategic flexibility were about doing the right thing in terms of new product (and system) growth, unique management orchestration process, change-oriented organizational culture, and accurate reflection of economic landscape and technology trends at the right time, dynamic capabilities were primarily about businesses that do the right thing. Substantial, developments are thus possessed by a select minority, not by a large number of people (Teece, 2017). In particular during times of change and volatility, strategic flexibility and organizational strategy look at how the company might go beyond sources of competitive advantage. The discussion over corporate sustainability commitments has grown as a result of ongoing disputes. Fortunately, dynamic capabilities do not just appear overnight; rather, they are typically the result of exposure to and experience inside an organization (Kuuluvainen, 2012). A company with strong dynamic skills could in fact stay ahead with quick innovation and distinctive business approaches (Schoemaker *et al.*, 2018;



Cuervo-Cazurra *et al.*, 2020). The importance of dynamic skills has recently been enhanced as a result of the international economy becoming much more accessible and the qualities of creativity and production becoming much more regionally and organizationally heterogeneous (Kuuluvainen, 2012). Salunke *et al.* (2011) research findings have demonstrated that organizations purposefully employ, build, grow, and adapt techniques to develop and build crucial dynamic capacities.

Other than for practical objectives like, emotional competencies can be usefully divided into three main groups of operations such as

- i. detection, creation, co-creation, and evaluation of technology potential in relation to the customer needs (detecting);
- ii. mobilization of resources to address issues and aspirations and to realize value from using it (seizing); and
- iii. ongoing rejuvenation (converting) Teece (2017).

According to Rezazadeh *et al.*, (2016), a realignment operation requires an organization's ability to reshape or model by applying resources to fulfill the sustainability goals of the rapidly evolving business environment. The importance of organizational culture as a component of innovation connected to dynamic capability has received significant scholarly attention (Hock, Clauss & Schulz, 2015) recently found that the organizational culture and dynamic capacities of unions in China considerably and favorably influenced their competitive advantage. The key components of strategic direction are undoubtedly an essential component of dynamic capacities and adaptable ability, according to a survey



of 380 organizations (Zhou & Li, 2009). Similar to Wangari (2015), and Tseng *et al.* (2019), these authors have discovered evidence to support their views that strategic orientation is a dynamic competence in an organization.

Regarding technology alignment, the innovation diffusion view recognizes that technological expertise is not easily accessible but rather the result of value-creating activities like research and innovation, lifelong learning, and the interoperation of organisational assets (Teece, 2017).

Furthermore, Rezazadeh *et al.* (2016) asserted that in order to survive in the face of rising levels of technological volatility, businesses must invest in technical advancement, test the development and incorporation of new technologies, and handle technological ambiguity and practices (Srinivasan *et al.*, 2002). Moreover, Arifin & Frmanzah (2015) found that senior managements who supported "hardware" components and promoted "software" competence of businesses were more able to establish persistent adoption of technology in their organizations. Additionally, with regards to strategic business designs, the business strategic prototype clearly outlines the scheduled control-related measures for subsequent processes, which included four organizational management control activity modes, including financial services, diversity, data, and innovative thinking (Betz, 2016).

Similarly, Teece (2018) noted that the interdependence of the business model, dynamic capabilities, and strategy led to the selection of particular business models, target markets, and a grab approach over all other competitive evaluations. Ritter & Lettl (2018)





discovered that economic model investigations have been set up as a network which connects part to the continued expansion of the field of strategic management. According to Teece (2017), dynamic capabilities support business models, primarily because an adaptively capable firm would be dynamic and able to quickly change, test, and reorganize newly revised marketing strategies. This is a straightforward method to see any organization. „Ceiling - mounted tasks beyond can be created as a business model (enterprise environment).

2.5 Contribution of SMEs to Economic Development and Growth

Industrialization is the process of structurally changing an economy through industrialization, increasing GNP, and increasing per capita income. Contrarily, economic growth is desired since it enables the sector to consume and produce more goods and services through increased investment, an expansion in the labor force, the proper application of inputs to boost output, and technical advancement. SMEs are the vehicle of the economic growth of a country; as such, it must be provided with the means to accelerate its expansion (Anyima-Ackah, 2006). Because they create jobs, pay taxes, are creative, and play a significant role in a nation's participation in the global market, the SME sector is regarded as being extremely significant in many economies. According to Beck and Kunt (2004), the relatively considerable proportion of the SME sector in most underdeveloped nations and the significant international resources that have been directed toward the SME sector of these countries make SME activity and economic expansion vital. Since SMEs make up roughly 93 percent of all registered firms in Ghana, they are

crucial for economic growth since they, among other things, stimulate creativity, new business prospects, innovation, and employment chances.

Kayanula & Quartey (2010) recognize them as the engines through which the growth objectives of developing countries can be achieved and are potential sources of employment and income in many developing countries. Mensah (2015) makes the analogy that SMEs act like sponges by soaking up surplus labor to provide a large share of employment and income in Ghana. Many researchers have observed that SMEs enhances competition and entrepreneurship therefore they suggest that direct government support can boost economic growth and development. Also SMEs growth boost employment more than large firm because they are labor intensive and make better use of scarce resources with very small amount of capital.

They are recognized as the catalysts for achieving the growth goals of developing countries by Kayanula & Quartey (2010) and as prospective sources of employment and revenue in many of these nations. Mensah (2015) compares SMEs to absorbers that absorb excess labor to contribute significantly to employment and income in Ghana. Numerous researchers have found that SMEs businesses in terms and competition; as a result, they contend that direct government assistance can accelerate economic growth and development. Additionally, SMEs' labor-intensive nature and ability to utilize limited assets more efficiently with little to no capital contribute to their expansion boosting employment more than large companies.





When correctly managed, SMEs can be a source of new jobs and a significant amount of cash. Revenues from taxes also contribute to social stability. A thriving SME sector correlates with lower levels of illegal activity, according to the World Bank (2018), which reduces state revenue. According to the International Finance Corporation (IFC), there is a correlation between a nation's total income level and the number of SMEs per 1,000 people. According to Nyanga *et al.* (2013), SMEs have a positive impact on economic growth, a process of economic transition that involves the structural transformation through industrialisation, increasing GDP, and increasing per capita income. The production of goods, the delivery of services to distribution channels, and the provision of inputs to larger corporations all contribute to GDP development. Without SMEs, low-income countries' growth goals cannot be reached in terms of sustained economic growth (Worku, 2013). This is consistent with higher exports and less reliance on importing raw materials. Consequently, achieving SME growth is important for sustainability.

SMEs frequently have stake in community improvement. Due to their proximity to the community, they rely on it for both workforce and business. They typically offer products and services that are tailored to local requirements and priced affordably for locals. Worku (2013) continued by saying that SMEs' contributions to local areas depend on their capacity to create job opportunities, make use of resources, increase local output, create local technologies, produce immediate goods, exacerbate sustainable and equitable advancement, and reduce income disparities. Additionally, they are major source of employment, especially for low-skilled employees, women, and young people, who



frequently make up the majority of the jobless in emerging economies. Their employees must do various functions due to their flat management systems, making them less liable to being laid off during economic downturns.

The market and the larger business eco-system both depend heavily on SMEs. To accelerate economic growth and bring about a more inclusive globalization, we must provide them the tools they need to adapt, prosper in an open environment, and engage more actively in the digital transformation. Small and medium-sized enterprises (SMEs) play a critical role in achieving the Sustainable Development Goals (SDGs) across all nations and levels of development by fostering inclusive economic growth, generating jobs and decent work for all, fostering sustainable industrialization and innovative thinking, and lowering income disparities (Storey & Greene, 2010).

The main drivers of growth in many economies are established medium-sized businesses that innovate and scale up, frequently promoting the coordination, improvement, as well as the involvement of local suppliers in the supply chain. For instance, in Switzerland, medium-sized businesses consisting of (50–249 employees) account for only 4% of all businesses, but 23% of all employment and 25% of all value created (OECD, 2016). Additionally, there are lots of thriving small businesses operating in low- or mid-tech fields that are integrated into efficient domestic supply systems, providing innovation and most often support employment gap, social integration, and geographical cohesion. However, contain lots of small businesses inside their local marketplaces.



Also, lots of small businesses stay just within their local marketplaces. These businesses frequently remain minute for the duration of their existence since they produce little or no creativity and do not have goals for significant expansion. Corporate social responsibility (CSR) is increasingly seen in many nations as a method for firms growth and sustainability, including SMEs, to support societal objectives. Small firms can support sustainable and inclusive growth, particularly at the local level, by committing to decent labor and environmental protection practices as well as excellent community ties. Additionally, CSR can strengthen a company's ability to recruit and retain competent and motivated personnel as well as the perception that consumers, investors, and other partners have of the company(Ogbari & Taiye, 2015).

Additionally, small enterprises can be a powerful vehicle for addressing people's needs through the market by offering public goods and services. This is the situation with nonprofit organizations, which provide innovative approaches to the issues of poverty, social exclusion, and unemployment as well as filling in the gaps in the supply of general-interest services (EU/OECD, 2016). The economic importance of the social and solidarity economy, in which social companies operate, has steadily risen in recent years, notably in the wake of the financial crisis, in many nations. For instance, the economic system contributed 10% to the GDP of France in 2014 (Kura *et al.*, 2020).

As income growth, more specialized market demand, and evolving technologies have allowed SMEs to strengthen their comparative advantages and reduce the structural detriments resulting from resource limitations and limited capacity to realize economies of scale, SMEs' participation to invention dynamics has increased in the past few



decades. SMEs make up the majority of businesses in the OECD region, making up about 99 percent of all companies. They are the primary source of employment, making up roughly 70% of occupations on average, and they significantly contribute to value creation, adding an estimate of between 50% and 60% to the economy (OECD, 2016). In developing nations, SMEs account for up to 45% of all employment and 33% of GDP. In most nations, Sector accounts for much more than 50% of employment and GDP after accounting for the contribution of informal companies, regardless of income levels (IFC, 2010). Additionally, the growth of SME's can support robustness and economic diversification. This is especially important for resource-rich nations since they are more susceptible to changes in commodity prices.

SMEs development has since been valued as a critical strategy for fiscal growth, expansion, and poverty reduction, particularly in Africa. Since independence, the majority of African countries have endorsed the expansion of SMEs as a source of revenue for economic development. There has been a renewed emphasis on the promotion of Medium Scale Enterprises (SMEs) because of the growth in joblessness and poverty as a key to reduce unemployment and to increase job creation, not just as an engine for economic growth and sustainability. But also, as a poverty reduction strategy. This has been a major challenge for many African countries. According to studies, Africa has higher percentage of people living in poverty. Almost half of the world's population spends less than a dollar (\$1) in a day (Azzarri & Signorelli, 2020; Jennings & Oldiges, 2020).



In Ghana, medium-sized businesses (SMEs) are regarded as one of the main engines in the country's socioeconomic growth. Most notably, the sector contributes to the economy by increasing jobs, which accounts for 45% percent of total employment and 33% percent of Gross Domestic Product (Kumar, 2017; Amoah, 2018). The recent increase in the usage of information technology, as well as the advent of digital devices such as smartphones, has improved SMEs' business processes (Kaplan and Haenlein, 2010). The use of social media, in particular, has enhanced the financial performance of SMEs. Medium-sized businesses in Africa have higher failure rate, which is a huge problem for African economic growth with little investment and other capital challenges. Business failure rates and restrictions are identified as the courses of increased unemployment and perpetuating poverty. Furthermore, the expansion of business enterprises contributes greatly to the growth of human capital through job creation. According to Amoah & Amoah (2018), the sector's employment increases people's welfare, standard of life, income, and social stability. The industry also assists in the extraction of resources such as raw minerals that are likely to generate larger international revenues for the country.

2.6 Quality Management in MSE's

Quality management (TQM) is a strategic approach and style of thinking that aims to elevate an organization's standing to that of a world-class organization (Yusof & Aspinwall 2000). It has also been regarded as a framework for an organization's pursuit of greatness (Yusof & Aspinwall 2000). This definition specifically focuses on quality management, quality assurance, quality standards, and quality enhancement rather than attempting to achieve "excellent quality" in the more general sense to ensure that

organizations products are consistent. Quality management must consider not only the final product or service but also the processes used to get there, as well as how customers or consumers will use respond or adept it. Quality management uses project quality assessment of both processes and products to create more consistent performance (Ogbari&Taiye, 2015). TQM (Total Quality Management) is an important method for enhancing quality of goods services or products in competitive organization SMEs have been hesitant to embrace TQM. Quality is typically stated in terms of the unit in question's subjectively assessed Performance Level (P) and the customers' expectations (E) (Allen, 2016). As a management tool for continuous improvement and innovation, QM processes have grown increasingly significant. To be competitive and expand into new global markets, SMEs must see QM practices or management as an important aspect of growth.

2.6.1 Quality Management Principles QMPs

The term "principle" is seen as a fundamental idea, guideline, or methods that are employed to significantly influence how something is carried out. The term "quality assurance principles" describes a group of fundamental ideas, customs, expectations, and values that are generally acknowledged as true and which can be applied in the construction of QMPs. (Jabeen *et al.*, 2015). The QMPs can also be used to direct an institution's optimization efforts. They were developed and maintained by ISO/TC 176 experts from throughout the world, who are responsible for defining and maintaining high standard of ISO's quality control (Irfan-Saleem, 2011).





2.6.2 Customer focus

The main goal of quality administration is to satisfy customer needs while aiming to go above and beyond their objectives. When consumers and other interested parties have faith in a company's operations, it achieves long-term success. Every area of consumer engagement exposes you to fresh business prospects. Higher customer value, greater satisfaction of customers, increased customer commitment, improved the reputation of the organization, increased customer commitment, increased monetary earnings, and also maximize market profit are just a few of the significant advantages (Klute-Wenig & Refflinghaus, 2020).

2.6.3 Leadership

Leaderships and management at all levels create an environment that encourages employees to contribute to the organization's quality goals by giving the group a shared purpose and direction. It is concerned with the development of a sense of direction and purpose, as well as the engagement of people, in order for an organization's plans, policies, and procedures, to be effective, resources must be used in coordination in order to achieve its goals (Tarwirei, 2015). Improved communication across the firm's levels and operations, greater effectiveness and efficiency in achieving the company's quality goals, development and enhancement of the organization's and its people's capacity to produce desired outcomes. Dialogues about a company's mission, vision, strategy, policies, and processes are essential at all stages of its development. Good leadership also contributes to the creation and maintenance of common principles, justice, and ethical

standards of behavior at all levels of the organization's life span/cycle, as well as a culture of trust and honesty (Kura *et al.*, 2020).

2.6.4 Engagement of people

The ability of the organization to create and deliver value must be increased, which calls for capable, motivated, and committed employees at all levels. Include all personnel at all levels and also to value and motivate them as persons in order to run an effective and profitable organization (Kura *et al.* 2020). People are more inclined to assist in accomplishing the organization's quality objectives when they are appreciated, motivated, and given the chance to develop their talents. People in the company are better informed about the company's quality goals and are more driven to achieve them. Individual engagement in development activities will also boost creativity and personal growth. Individual communication to let them know how valuable their efforts are also encourages cross-organizational collaboration (Irfan- Saleem 2011).

2.6.5 Process Approach

Whenever tasks are seen as interconnected processes that work as a cohesive system and governed as such, more stable and accurate outcomes can be achieved. The several interconnected processes that make up the standard control system. The capacity of an organization to improve the system and its effectiveness depends on its capacity to comprehend how it produces results. One advantage is the improved capacity to focus energy on crucial operations and growth prospects (Klute-Wenig & Refflinghaus, 2020). Predictable and constant results are achieved through a well-designed approach system; increase result is achieved through efficient handling of processes, efficient resource





utilization, and diminished inter-functional boundaries, allowing the organization's to open access with interested parties group with confidence in its accuracy, effectiveness, and efficiency. Identifying the system's objectives/core mandate and procedures required to achieve them, as well as creating authority, responsibility, for process management, also understanding the organization's capabilities and resource limits, are all key steps to consider before proceeding to deliver enhance outcome (Irfan Saleem, 2011).

2.6.6 Improvement

Successful organizations consistently prioritize improvement. To sustain present quality standards, react to shifting internal and external market conditions and causes, and develop new business opportunities, an organization must improve. Just a few advantages include increased root-cause enquiry and research strategy, improved ability to foresee and respond to risks and opportunities from both inside and outside the company, consideration of accumulative and new discovery advancement, enhanced use of learning for improved performance, and increased drive for innovation (Kura et al., 2020). Encourage the development of better goals at all organizational level, enlighten and train staff at all stages on how to use fundamental tools and methodologies to obtain better results, and make sure that personnel are qualified to effectively promote and carry out tasks (Abdirahman & Sauvée, 2012).

2.6.7 Evidence-based Decision Making

Decisions that are obtained from the analysis and evaluation of data and facts are far more likely to produce the assumed outcomes. Making judgments is a difficult process that is constantly dangerous. It often includes a variety of input sources and input kinds in



addition to an individual view of the inputs. It is crucial to comprehend the relationships between causes and consequences as well as the possibility of unanticipated effects. Facts and information management improve credibility and objectivity of decision-making (Aliyu, 2016).

A few advantages include quality standards procedures, higher operational productivity and quality, improved ability to assess, contest, and amend opinions and findings, and increased ability to demonstrate the usefulness of prior judgments. Establish, measure, and track essential metrics for the organization's success, make the necessary data accessible to the appropriate parties, and guarantee that understanding and analysis are precise, reliable, and safe (Irfan-Saleem, 2011). For long-term success, a company must manage its relationships with relevant parties, such as suppliers. Stakeholders with an interest in a company can affect its performance. The possibility of a company's long-term success rises when it manages relationships with all of its partnerships to optimize their impact on firm performance. Relationship management with the network of partners and suppliers for the business is essential. A very well supply chain that ensures a steady flow of goods and services, increased efficiency of the organization and its relevant individuals by trying to respond to each taking an interest party's enablers and barriers, shared understanding of ideals and priorities among stakeholders, increased possibility to generate value for parties involved by wanting to share resources and competences, and quality-related risk management are all advantages to be gained from highlighting the significance of the factors (Kura *et al.*, 2020).



2.7 Strategic Planning in MSE's

According to Odame (2007), corporate strategy is a "technique" for developing and implementing long-term plans in a flexible manner in order to meet the goals of the company. The procedures of goal/objective creation, emergency plans, substitute selection, execution, and evaluation that enable an organization to achieve its objectives and outcomes are standardized by planning process (Tapinos *et al.*, 2005). According to Toffler (2003), a company without a plan is likened to an airliner flying through the air, being thrown down and up, crushed by storms, and becoming lost in thunderclouds. Pitts *et al.* (2003) go further to state that, a strategy is the organisation's strengths and unique competences that are put to work such that it will achieve a competitive advantage over its rivalry firms in any given context. Sarason & Tegarden (2003) indicated that the positive correlation between management and performance outcomes is especially beneficial for organizations. Small and medium-sized businesses (SMEs) frequently employ the majority of the labour force in a sector, but their leadership lacks sufficient business acumen (Beaver, 2003).

Asking questions as to where the business wants to really go, where it is now, how it expects to get there, and what changes occur in the firm's environment in which it operates are among the key elements of strategic planning methods (Huang, 2006). SMEs often offer a limited range of products on a fewer number of markets than large firms do, concentrating instead on tactics for developing a new product rather than growing market or diversity. Small and medium businesses (SMEs) occur frequently in a single or a limited amount of marketplaces with a restricted amount of goods or services, and

frequently even in a niche market, which makes it very difficult for them to afford central service midpoints that can carry out thorough market evaluations and investigations.

According to Desai (2000), businesses should engage in strategic planning because their environment is becoming more complex and uncertain. Consequently, using strategic planning techniques can help SMEs' managers and owners understand where they are, where they're going, and how to handle unpredictability in the business environment. Desai (2000) asserts that strategic planning creates a workable connection between a company's mission, vision, objectives, targets, key choices, and assets. The favourable correlation between strategic planning and SMEs' performance should encourage SMEs to adopt strategic planning as a core practice. SMEs may improve their performance, raise their possibilities of growth, and, as a result, reinforce their competitive edge over others and succeed within the national economy. (Sandada, Pooe, & Dhurup, 2014).

Conceptual model takes the form of business strategy (Wouters & Wilderom, 2008). The level of codification describes how tightly corporate rules and integration services control employee behavior (Terziovski, 2010; Golann, 2006). It is crucial in the context of SMEs since formalizing measurement could have an impact on factors that contribute to competitive edge, such adaptability, reactivity, or innovation. The formalization of systems and processes, according to proponents of informality, is not necessary and could even hurt SME viability. Unlike huge companies, SMEs are dependent on a small number of products and clients (Appiah-Adu & Singh, 2008). Their ability to adapt to changing client needs is essential to their ability to compete (Ghobadian & Gallear, 2007). Procedure and structure conceptual model may hinder this flexibility and lessen





their agility (Golann, 2006). Additionally, it may be argued that SMEs do not need formal direction and control from upper management in order to enforce certain, preset conduct because employees have a common understanding of what will allow people to make productive decisions for themselves.

Structures and practices for strategic planning in SMEs help to develop organizational competencies and are a significant performance driver (Terziovski, 2010). In SMEs, the requirement for more business strategy arises as business size rises. According to Golann (2006), established procedures that involve pertinent, timely actions and reporting improve a SME's response. Additionally, strategic planning enhances cooperation and two-way interaction inside an organization (Golann, 2006). Planning process, according to researchers, provides the foundation for process changes that ultimately lead to internal cost reduction in manufacturing organizations (Terziovski, 2010). This section offers a general overview of the approaches for strategic planning that researchers contend are appropriate for SMEs. Additionally, reports literature and studies describe how strategizing is actually used in SMEs.

Developing smaller businesses today operate in a world where technology is always evolving. If the organization ignores these developments, they could pose a serious threat, but if they are anticipated, they could also present important opportunities. A greater attention in the area of technology awareness has resulted from increasing awareness and a desire to benefit from this (Schraedr, 2012). Information and technology (IT) techniques, both generic and tailored to SME needs, are not always adequately strategy-related. On the other hand, a wide range of well-researched and tried-and-true



strategic tools and processes are available to support long term planning and choice. These strategies, in turn, are occasionally insufficiently technology-related and inadequately tailored to SME needs (Raduan *et al.*, 2009). Four fundamental forecasting techniques are typically combined: extension, critical factors, casual frameworks, and stochastic techniques (Ida, 2015). To uncover patterns in historical data, the initial technique is to spot trends or cycles of any kind. The second technique involves looking for connections between previous and upcoming sequences of occurrences. These projections are based on mathematics and equations, whereas informal models look at relationship. Instead of a single value, bayesian approaches provide a distribution. Finding early signs of potential innovations is crucial because these strategies focus on continuity and past events. This environmental control process entails gathering data from all environmental sectors, screening it to weed out relevant data, evaluating it to determine its relevance, and establishing hypotheses. Ultimately, a threshold level is defined at which the forecast will be made. However, little work has been done to date to connect IT that is pertinent to SMEs with strategic planning (Grant, 2008).

Businesses emphasize a further crucial phase that includes significant administration. In general, businesses ensure that a little undertaking is noteworthy and successful even in a highly competitive context. The most notable aspect of business strategic management is how it promotes the development of unique products that are now just a little bit different from what is being given by rivals (Hill & Jones, 2012). The act of an enterprise is highly fundamental since it increases passion for the goods that an enterprise offers. It is crucial to emphasize how businesses have been used well by various corporate entities, including



international foundations. This is a sign of the significant claimed by the item segregation strategic planning method. Success of a business is inextricably linked to its ability to offer unique products (Cesnovar, 2006). However, the lack of other businesses hinders a small business's ability to be aggressive. It is very much unavoidable for an attempt to be associated with some sense of distinctiveness in a market dominated by numerous businesses that provide comparable goods in order to compete (Freeman, 2010). The fundamental principles of effective management provide a solid framework for determining the best techniques for improving a product. This could involve putting an item in an unusual package, changing the color, or even using a restricted offer. Such strategies have a significant impact on gaining ground in the competitive market of today. It is crucial to emphasize that businesses focus on the wants and needs of distinct market segments. Elevated demands for diversity are linked to the preferences of distinct product offerings. In light of these considerations, it is crucial to concentrate on the unique tendencies and preferences of each target market (Thompson, 2010). In terms of competition, this serves as a hospitable stage for excellence.

These perspectives make it clear that businesses play a crucial role in the overall system of important administration. Practically speaking, strategic planning is about gaining a competitive edge. According to O'Regan & Ghobadian (2009), the goal of strategic planning is to enable a firm "to achieve as economically as practical, a lasting edge over its competitors." The majority of SMEs, however, lack planning, and the causes of this are little recognized (Robinson and Pearce, 2011; Sexton & van Auken 2011). Governments all around the globe have highlighted the contribution SMEs make to



economic growth, job creation, and a rise in living standard of people. Indeed, SMEs frequently serve as the foundation of financial systems, and recently, their significance has grown (McCartan-Quinn & Carson 2003). A crucial component of political debates is the growth of SMEs and SME sectors in economic systems. Therefore, a thorough analysis is warranted given how these SMEs enterprises conduct and maintain their operations. Despite the numerous SME support programs that help SMEs, the majority of SMEs in developing nations continue to deteriorate (not every SMEs are growing) (Baloyi, 2010).

2.8 Conceptual Framework

According to research, small businesses' economic activity has significantly expanded during the previous two decades (Bostic,2017). Furthermore, the employee average growth in small businesses has outpaced that of large corporations, demonstrating the significance of a small business sector (Green, 2007). Small businesses have served as a focus for economic and management research and have taught major organizations valuable lessons about survival in a challenging environment (Bostic, 2017). However, there is a contradiction in many industries.

The theory's main focus remains on huge organizations and their growth potential and employment though their importance has diminished. Some theories fall short of providing a clear image of an economy with a framework of small businesses that are adaptable to change, a significant source of innovation, and significant job producers (Malizia, 2020). Many have attacked the development SMEs and the sector as a whole



for their competitive nature, adoption of new technology and procedures, and organizational management concerns (Seethamraju *et al.*, 2015). Large construction companies have historically taken corrective measures to counteract the consequences of diminishing profits and economic downturn. Retrenching back into primary business sectors and organizations is one of the huge company's strategic options. Fiscal austerity and lack of investment strategies allow larger, more diverse companies to ignore unimportant commercial ventures and focus instead on industries in that they have unique expertise or a significant competitiveness. There may be an implied interdependence among small and medium scale enterprises, as suggested by retrenchment tactics and the rise of small subcontracting industries. Interdependence implies that for a project to be successful and for customers to be satisfied, both parties must work together. However, achieving harmony can frequently prove to be challenging.

The link between independent and dependent components is depicted in the conceptual framework. Operators must understand which aspects impact companies to accomplish desired development since some factors influence corporate growth. Strategic planning challenges, operational impediments, starting money (access to finance), technology, infrastructure, human resource and marketing challenges and timeliness are some of the variables that may be assessed.

Conceptual Framework

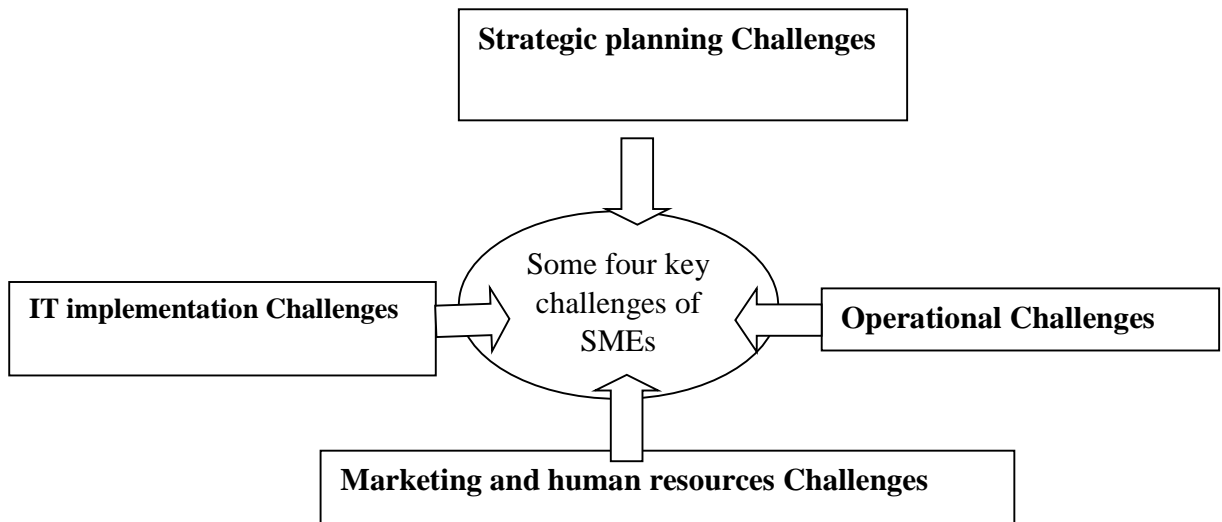


Figure 2.1: Conceptual Framework-Managerial Challenges Faced by SMEs

2.8.1 Strategic Planning Challenges

To achieve corporate performance, strategic planning integrates all organizational functional areas, including marketing, finance and accounting, operations and production, and management. Strategic planning is an organizational process that tries to efficiently meet the needs of consumers and other key stakeholders by allocating both human and other organizational resources. The mission statement, defined policies, and strategic goals and objectives all serve as guidelines for implementing strategic planning.

There are four main challenges when it comes to strategic planning: lack of ownership, poor communication, lack of alignment, and slow adoption. It's important to understand what's at the core of these challenges before we dive into solutions.





An effective strategy requires cross-departmental and cross-functional feedback from across the organization. However, to avoid creating a disjointed strategic plan, someone still needs to own the final compilation, documentation, and execution of the strategy.

Kathleen Booth, VP of Marketing at clean.io, notes that one of the biggest issues of strategic planning is lack of ownership and follow through, and that achieving the goals that are defined during the strategic planning process requires clear focus and a commitment to priorities. “In my experience, this is best achieved through an OKR (objectives and key results) framework where each objective and key results has an individual owner responsible for ensuring follow through,” says Booth.

Poor communication is at the crux of most problems—both business and personal. Effective collaboration is one of the most critical and challenging parts of the strategic planning process. Still, it can be tough to gather all the necessary inputs you need, especially as your organization scales. Business disruptions like COVID-19 can inevitably make strategic planning and communication more challenging, especially without digital collaboration or whiteboarding tools.

Even the most well-executed strategic plan would not be useful without strategic alignment. A lack of representation from across the organization is one of the primary causes of poor strategic alignment. As Charlotte Laing, Head of Marketing at Metrikus and AirRated, explains, “There must be input from all parts of the organization, at all levels, so that you can understand the landscape, the challenges, and the direction that makes the most sense.”



2.8.2 Challenges of IT Adoption by SMEs

Existing literature reveals that SMEs face numerous challenges to the adoption and use of ICTs. Challenges of ICT adoption are common among SMEs in both the developed and developing countries, but developing countries are largely faced with more challenges. In the literature, the most frequently cited challenges are poor telecommunications infrastructure, lack of skilled or limited ICT personnel, ineffective integration ICT into business processes, high costs of ICT equipment, and government regulations for e-commerce (Tan, et al., 2020). Other studies have determined that technology constraints due to unskilled technicians, including ignorance on the worth of ICTs and return on investment have been the major reasons for lower rate of adoption (Kogilah et al., 2018). Other challenges include nongovernmental support, expensive initiative, risk, complex procedure, managerial leadership, costs and benefits, security, legal issues, business complexity, human capital deficiency, turnover of technical staff, and customer services (Fink and Disterer, 2016).

A study by Chau and Turner (2012) argue that the owner's lack of knowledge of ICT technology and perceived benefits is a major challenge to the adoption of ICT. According to a study by (Mehrtens et al 2011) economic, political and cultural factors also present challenges to ICT adoption by SMEs in Africa. Akomea-Bonsu and Sampong (2012) reported that lack of internal technical capabilities, financial constraints, poor or lack of infrastructure and personal factors were the main challenges to ICT adoption in the Kumasi Metropolis of Ghana. Many developing countries still have poor communications infrastructure. Poor communications infrastructure results in limited internet access and

higher costs. Outdated equipment and state-owned monopolies often result in expensive charges and limited coverage, especially in rural areas. This discourages SMEs from adopting even the basic ICTs of fixed lines or mobile phones.

2.9 Challenges of Small-Scale Enterprises

Many attributes of small scale enterprises have long been recognized. Small Scale Enterprise sector however, has several major problems that hinder it from achieving its goals. Among these are:

2.9.1 Finance

Insufficient capital resources are an important issue small scale enterprises face, which is preventing the advancement of their operations. According to Ganbold (2018), only modern major businesses that are eligible for specialized incentives and loans have access to loans through the financial sector. Steel stated that the lending practices of the banking institutions have been biased against SMEs. They view lending to SMEs as being both riskier and more expensive administratively. The NBSSI survey's findings in Ghana from 1989 stated that "The struggle of microenterprises in acquiring finance emerges from the assertion that their innate sizes, limited economic base, inadequate financial accounting, our issues at hand, limited economic base, and lack of financial asset - backed securities have denied them credit facilities from the banking institutions,". Many small-scale businesses have turned to informal methods of financing since they are unable to obtain bank loans and generally lack suitable alternatives. Because the interest rates charged by unregistered financial intermediation are typically higher than those charged by banks,



SSEs find it difficult to borrow additional capital for growth. As a result, the cycle of scarce financial resources and growing reliance on the formal financial markets has impeded Ghana's SMEs capacity building. Doh, *et al.* (2014), reported that about 38% of the SMEs questioned, mention access to financial assistance as a limitation. Due in part to the idea of increased risk, lack of access to information, and the increased costs of credit intermediary for medium size businesses, SMEs have restricted access to capital markets both locally and globally. Because of this, SMEs frequently struggle to secure long-period financing in the form of credit and equity.

2.9.2 Skilled Manpower

Small Scale Enterprise faces special difficulties in attracting and retaining skilled labor. They are unable to obtain and maintain the services of qualified employees. Additionally, Dasmani, (2011) reported that SMEs experience higher labor turnover than large firms.

2.9.4 Management and Entrepreneurship Skills

Failure to efficiently control financial, physical, and human capital is what causes challenges for companies, as shown in a World Bank Report from 1989 and highlighted by Kauda in the journal of management studies in 1990. Nyamita(2014) stated that the management style of the majority of private firms has an influence on the management of financial assets in their study on the development of African private enterprises. They saw that because basic accounting procedures were lacking, most business owners viewed loans as gifts and used them improperly for personal expenses. The



administration of small scale enterprises is impacted by societal norms, according to Nyamita (2014).

Another issue affecting small scale enterprises is inadequate management, which manifests as a lack of business expertise, bad management techniques, inadequate planning, and insufficient experience. Many of them have a propensity to employ one-man management, and they are reluctant to change this tendency. They frequently choose unqualified staff and fail to give them sufficient power and responsibility to manage effectively because they have a tendency to guard their position with jealousy. Most SSEs are founded because someone is skilled in a certain area, not because they have administrative abilities (Sondergaard, *et al.*, 2014).

2.9.5 Marketing

Mustapha (2017) The entrepreneurs of these businesses have an advantage in that they only require relatively small markets, which are not reproduced by powerful competitors, when it comes to promoting the products of SMEs businesses. Despite this, the challenge of marketing remains a significant roadblock to the growth of SMEs. Due to the inflow of low-cost imported goods combined with the poor-quality of items, the issue is increasingly severely. (Adly, 2020) SME's faces a complex and connected marketing challenge. Poor product quality, weak communication network, government trade liberalization, and lack of effective accounting systems, other factors also contribute to the disadvantaged position of small businesses in the marketing world.





2.9.6 Government Attitude

The informal sector, including SMEs, has been ignored by general government policies and initiatives for some time. The significance of these informal industries in terms of employment is acknowledged. But he regretted that "poor productivity has been caused by disregard of the socioeconomical significant section of the industry." Petrini (2017), citing Dr. Kwame Krumah, that, the neglect is frequently willful. Even if secondary (informal) industries are crucial for our economic independence, they nonetheless leave us mostly dependent on foreign resources and expertise if we don't develop the heavy industries, which are the only ones that can supply the essential building blocks for industrialization.

Therefore, since independence, the informal sector plays little role in government policy. Thormi & Yankson; (1985) pointed out that developing strategies adopted by developing countries in the 1950's and 1960's revolves around rapid industrialization with emphasis on key industries with the exception of the spill-over or trickle-down effect later spreading to other parts of the country. This led to the problem such as rural migration and unbalanced regional development.

2.9.7 Input Constraints

In commodity marketplaces, SMEs have numerous obstacles Purwandari, (2019). However, cost and material accessibility have been the most typical restrictions. The specific issues varied each nation, but many of them were connected, depending upon whether company thought that access, accessibility, or pricing was the biggest issue and



whether they were mostly based on indigenous or imported materials. The high cost of sourcing local raw materials was emphasized by SMEs in Ghana; this may be due to their weak cash transactions (Parker et al, 1995). According to Mustapha (2017), 5 percent of their sample had issues with the input limitation. Nevertheless, third of SMEs in Malawi experienced input issues, according to Kanyoma(). In comparison, just 8.2 percent, 7.5 percent, and 6.3 percent of business owners respectively reside in Botswana, Swaziland, and Lesotho. Input restrictions were also discovered to differ with company size.

2.9.8 Insufficient use of Technology

Technology in this area has advanced quickly. Smartphones, Mobile phones, and tablets computer ownership among households has grown rapidly in recent years. As a result, the e-commerce sector for individuals is growing as more consumers start to consider online purchases over traditional ones. SME's have not been able to fully take advantage of these potential. Smaller firms do not even have their own webpages. For instance, just 10% of SMEs sell products and accept orders through their own websites, less than 10% operate their own online stores or advertise their products. Online shopping portals, even though households in Ghana owned mobile phones in excess of 70% and over 50% of the population used the Internet.

2.9.9 Managerial Competency and Skills

The profitability of SMEs is positively impacted by managerial competencies. Managerial experience, training, expertise, and startup expertise are all considered management ability indicators (Hisrich & Drnovsek, 2002). In a study on the role of



management competence in SMEs success, it was found that lack of controlling ability was the main reason for SMEs failing (Martin & Staines, 2008). A report by Abdel *et al.* (2010), managers of small business have very limited knowledge of finance and management data as well as significant difficulties with financial literacy. In keeping with this pattern, it has been observed that persons with limited or no financial management talents do not even value the data obtained from yearly or quarterly financial statements, and that small and micro business owners have little expertise of financial issues (Alattar, Kouhy & Innes, 2009).

2.10 Promoting Small-Scale Enterprises

The NBSSI, (promotion of small enterprises in Ghana 1994) put certain institutional arrangement in place to assist and promote small-scale enterprises. In 1998 the NBSSI launched a series of Entrepreneurship Development Programmes (EDP).

The objectives of the EDP have been to:Generate self-employment through the establishment of small-scale enterprises; Encourage local entrepreneurship; Encourage the growth of the manufacturing sector, maximize the utilization of regional resources, and address regional disparities; boost the efficiency of micro-businesses and lending organizations and foster the behavioral and cultural attitudes required for the development of a robust manufacturing industry

The implementation of EDPs includes the following major activities:

It was formed to identify, select, and train potential business owners to enhance their entrepreneurial skills Secondly it was meant to create workable initiatives that will fit the



entrepreneur's abilities, for better preferences, and practices affecting fundamental managing abilities. Also, it was to support trainees in obtaining the necessary financial, infrastructural, and associated. It was also to help the marketing teams within SMEs shape as quickly as feasible for effective performance.

Furthermore, the, Entrepreneurship Development Programme, which has philosophy that entrepreneurs or successful business men/women were not born but can be identified trained and developed. It explains that people have latent entrepreneurial characteristics which they can make good use of the success of entrepreneurial activity since the features are latent, they are reactivated through EDPs. Such features can be developed in any target group that possesses the potential.

Under the Small and Medium Enterprises SME's projects, Entrepreneurship Development Advisory Centre was to be established as vehicles for delivery of support and assistance to small and medium-scale entrepreneurs in the regions.

However the most recent bodies that were charged with the responsibility of late are the National Bard for Small Scale Industries (NBSSI) and also the master card foundation (MCF)as well as the Business Advisory Centre (BAC).

Under the SME's project the, BACs were to be established under the support of the World Bank. BAC provides the following services, as far as entrepreneurship developments are concerned.

Each business Advisory Centre (BAC) conduct training workshop in:



- Management Development: These programmes focus on general management, business record keeping, and marketing and so on for both beginners and practicing entrepreneurs.
- Technical upgrading workshop: There are conducted for members of trade/sector association who are kept abreast with changing technologies through such training.
- Information seminars: These are organized for different target groups to explain business issues or inform clients about specific issues such as government procedure and requirement concessions and other benefits in business.
- Entrepreneurship Awareness Seminars: These are conducted for business creation and improvement .To date, emphasis has been on students of tertiary institutions, who are urged to think of self-employment as a possible source of income.

General Business Improvement Programmes: These are organized mainly for existing business. Trainers of the BACs offer the International Labor Organization (ILO) to improve your business model as part of the General Business Improvement programmes.

MasterCard Foundation also focuses on supporting the following SMEs and start-ups in terms of entrepreneurship development:

Firstly , SMEs that require assistance to endure the COVID-19 pandemic.

Secondly, companies in emerging markets where the recruitment of younger generations, particularly young women, would suffer from interruptions in business operations, supply chain issues, liquidity problems, decreased sales and profits, and company closures.

Thirdly, companies that offer services that will be in demand during the pandemic and have the potential to expand and have a beneficial influence on COVID-19-affected localities.

Fourthly, companies that will prioritize digitalization to aid SMEs.

2.11 Managerial Competence in SMEs

Von Broembsen *et al.* (2010) state that in South Africa, over 70% of newly established organizations fail within the first two to three 2-3 years of operations. This is in line with Fatoki and Odeyemi (2011), who found that it is less probable for recently founded SMEs to achieve growth and continue its activities above three years, especially in South Africa. Comparatively research must be connected to educational process to attend better results. The authoritarian paradigm of education and parenting has dominated in Poland's educational system. Only for the fulfillment of orders is a graduate trained in this style suitably prepared. According to the authoritarian paradigm, there is only one accurate view of the world and the best way to react to it managerial competences (Szaach, 2012).

Campion (2011) defines competence as an important, fundamental quality that leads to effective and/or improved performance of professional responsibilities. Professional competences, in his perspective, constitute potentials and capacities. The collection of competences a person possesses reflects his or her talents. The traits of a manager who executes his or her job well are used to identify competencies. According to Bennett (2014), in order for SMEs to performance competently, its management must have a thorough understanding of the industry on how to place the SMEs above it competitors.



Because of the limited financial resources available to SMEs, the enterprises are strongly reliant on human capital capabilities, particularly top management talents. The importance of management function is much more apparent in foreign market, where the business environment is complicated and aggressive. This is reinforced by Carpenter, Sanders, & Gregersen's (2001) empirical findings, which found that multinational firms performed better when senior managers exhibited international human capital attributes. Small enterprises are constrained in their attempt to compete in the worldwide market by a lack of physical resources due to their size. This is especially true given how resource-intensive global trade is. SMEs must seek out partnerships with overseas partners in order to cooperate to overcome the scarcity of assets (Knight & Cavusgil, 2004; Lages, Silva, & Styles, 2009).

2.12 Human Resource Function in SMEs

Due to the multiple difficulties they encounter owing to a lack of resources, especially financial and technological reporting process, SMEs are more vulnerable during the significant development stages (Cant & Wiid, 2013). The majority of SMEs initially focus on the sales and accounting aspects of their business. However, Human Resource Management Functions (HRMF) of late has raised concerns. Mazzarol (2003) asserts that when SMEs grow and the number of employees increases, they must learn how to develop and manage (HRMF). Many SME's proprietors and/or administrators are forced to take up other responsibilities they are often unprepared to undertake (Mazzarol, 2003). HRMF's primary goal is to build and retain competent employees that can fulfil the needs of the organization (Mayhew, 2014).



Employers who want to stay ahead of the competition through their workforce must really be able to control employee behaviour and output. Organizations must conduct performance management and appraisal in order to guarantee that there is a solid performance benchmark that can live up to expectations today and in the near future. To sustain a larger workforce, continuous improvement establishes the norms and guidelines required for the evaluation of employee effectiveness inside an organization (Armstrong, 2006). Mostly, firms frequently use the concept of improving staff performance as part of a systematic methodology to incorporating human resource activities and corporate policies. It can also be viewed as a catch-all phrase for how organizations seek to assess employees, advance their skills, improve performance, and distribute rewards. To further explain, performance evaluation is used to identify people who require training, the appropriate type of training, and those who require promotion, demotion, retention, or even termination. Setting of performance goals are mostly based on the job specification and is also the first step in the appraisal process (Dessler, 2008).

2.13 Empirical Evidence

According to Shute, *et al.* (2013), Small-scale business development requires a great amount of consistency, commitment, perseverance, and originality in addition to a lot of efforts; therefore it is not for everyone. The micro-entrepreneur needs to be able to manage its accounts, workers (if any), and decision-making effectively. Nearly every neighborhood nation has a small-scale business. There is no one definition of SMEs. The qualities, relationship and geographic area are sometimes use as distinctions, and relationship to the economic climate in which the firms operate are all different ways to





characterize SMEs. What may be considered a small industry in an industrialized country such as Europe may be perceived as a major industry in a less industrialized country in Africa. In terms of labor machinery, equipment's and size, Broom *et al.* (2003) views small scale enterprises as organizations employing less than one hundred (100) workers. In country such as Ghana, it is appropriate to consider SMEs as those firms with workers of less than thirty employees. (Awuah, 2006) small scale businesses can operate everywhere due to their size nature. They engage a smaller staff, typically between 10 and 30 workers respectively, and they frequently use labor-intensive production methods with limited capital.

About 97.5 percent of Ghana's small scale firms, according to 1989 assessment by the National Board for Small-Scale Industries, had net revenues estimated at 2 million Ghana cedis, which really is evidently insufficient to benefit from economies of scale. NBSSI; (1989) According to Balasuriya (2003), who was cited in the National Development Planning smaller industries have a greater impact on a nation's GDP than their larger competitors. They increase employment, disseminate development throughout all regions, encourage and broaden the learning of industrial skills and know-how among a wide range of the populace, and help a nation distribute its revenue more fairly. They are therefore capital efficient (Balasuriya, 2003)

In their study of managerial shortcomings in Small and Medium Businesses (SMEs) in the craft sector, Dumbu & Chadamoyo (2012) found that SMEs in the craft sector of Zimbabwe experience a wide variety of management shortcomings that inevitably affect



the performance and expansion of these businesses. According to their study, low performance in the major management areas of marketing, production, finance, and human resources is accompanied by poor performance in the managerial activities carried out by management and shareholders of SMEs in the craft industry in Zimbabwe. The majority of craft center entrepreneurs at Great Zimbabwe lack the necessary skills for leading, regulating, organizing, and planning

Rarjesh (2016), discovered that the numerous difficulties that SME's face in all key functional areas may vary for diverse industrial sectors. The position of SME's such as their home countries and international territory, may also affect the fluctuation in the level of intensity and wideness. Owners and executives of SMEs adhere to informal organizational culture. There are no tougher norms for owners and employees in this type of trade. This may be the main impediment to SMEs growth.

Instead, if SME's streamlining their commercial operations with greater professionalism, that will provide all participants more responsibility and power. There should also be a clear definition and classification of every business process across all functional areas, including marketing, human capital, management, and finance equipment's, and so on.

The analysis demonstrates that SMEs in Malaysia are typically still underperforming despite the various initiatives and money that have been utilized by the government and its policy makers to improve their output (SMEs Corporation, 2016). Based on a survey

by Bank Negara survey, the majority of SMEs faced a variety of obstacles that limited their capacity to operate better.

The rate of failure of SMEs in Malaysia is believed to be 60%, showing that they must overcome numerous obstacles in order to keep up with the competition (Ahmad *et al.*, 2020; Khalique, 2011). According to the survey, the main obstacles to SMEs' growth are financial hardships, a personnel scarcity, a lack of technological adoption, a high rate of turnover, and challenges in improving the businesses (Hu, 2017). These difficulties hinder the development of SMEs, and the government has not yet offered a workable strategy to address them (Tan, 2018). As a result, the sector's growth was slower than anticipated. It is essential to carry out a descriptive study in order to expose the barriers and challenges faced by SMSE's because there have been so few studies on the topic of SMEs in Kota Kinabalu, Sabah.

The 2019 study by Saeed, Amiya, and Ali looked at what influences organizational excellence in Fujairah municipal. Data were collected using a random sample approach, and analysis was done using partial least squares. The study's conclusions demonstrated that organization's structure and organizational strategy are reliable determinants of organizational success. Research findings were advised to nations like the UAE as more insights into effective techniques to achieve operational effectiveness.

Al-Hilali & Ghabor (2017) examined the link between superior organizational performance and efficient management of institutions of higher learning. The study discovered that the most crucial factor in ensuring organizational sustainability is competent leadership



supported by efficient decision-making. The study also discovered that there is a statistical difference between leadership effectiveness and other criteria like customer centricity, employee participation, and organizational learning in terms of the degree of availability.

Ugoani (2018) used Nigeria as a benchmark to evaluate the effects of good leadership decision-making on an organization's operational effectiveness. Data were gathered from 110 respondents who were stratified sampled from the Southern region as part of the study's exploratory research methodology. Utilizing descriptive regression methods, data was examined. According to the study, there is a significant statistical link between efficient management decision-making and the operational success of Nigerian businesses.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This part of the thesis covers methods that were used in getting the appropriate data relevant to the study. The section precisely covers the following; study area, study design, target population, sample size and sampling design. The rest of the chapter covers methods of data collection, sources of data, data handling and ethical considerations.

3.2 Study Area

The Municipality of Sagnarigu is one of sixteen (16) districts and municipalities in the Northern Region-Ghana. The Municipal was part of the Tamale Metropolis until it was carved out to form Sagnarigu District on 24th June, 2012. The Municipality falls between longitudes 0° 36' and 0° 57' West and latitudes 9°16' and 9°34' North. It has its boundaries with the Tamale Metropolis to South-East, West to Tolon District, North to Savelugu Municipality and Kumbungu District to the North-West. According to the 2020 Population and Housing Census, the Municipal has a land area of approximately 200.41km² and a total population of 341,712 inhabitants, with 170198 males and 171513 females (Ghana Statistical Service, 2020). Farming and its allied activities employ about 50% of the population in the area.

With the exception of few, the majority of the population cultivates rice and mangoes for economic purposes. Cereals and grains like millet, maize, sorghum, groundnuts, vegetables, cassava, potatoes, and rice are among the main crops produced. The other crops are cassava, yam, cowpea, and groundnut. Crop cultivation in the District is mostly



focused on crops however, animals such as cattle, sheep, goats, and poultry are also raised.

3.3 Research Design

A research design is a plan outlining a way to address the issue being studied (Orodho, 2003). It is a strategy that outlines how information on a certain issue should be gathered and examined. It serves as the blueprint for the research (Creswell, 2003). The phrase "techniques for collecting, analyzing, interpreting, and disseminating data in research activities" describes a study design (Creswell & Plano, 2007). It is the general strategy for linking the relevant (and doable) empirical research to the conceptual research concerns. In another direction, a study design specifies how the pertinent data is gathered, analyzed, and employed to address the research problem.

The case study approach will be taken in order to answer the questions raised in this study. A case study essentially is an in-depth study of a specific incident, circumstance, or person (Crowe et al., 2011). It is described as "an empirical study that investigates a current occurrence as it is occurring in real-world settings, when the distinctions between the occurrence and its context are not immediately apparent, and while using a variety of sources of information.

Descriptive survey according to Saunders *et al.* (2007) is a research for which the purpose is to produce an accurate representation of persons, events or situations. Iddrisu (2009) recommends the survey technique for research where attitudes, ideas, comments and public opinion on a problem or an issue are studied. In view of above, the descriptive survey design approach was used for the study. Again, descriptive survey design method



has the unique ability to use and apply differently, a lot of different empirical evidence (Yin, 2012).

Descriptive survey design has an advantage of producing good amount of responses from a wide range of target population, and it can also be used with greater confidence with regards to particular questions of special interest or values to a researcher. Notwithstanding, However, the method has some weaknesses such as time consuming to ensure that sample is representative, designing and piloting data collection instrument and trying to ensure a good response rate. Also, there is a limit to the number of questions that any questionnaire can contain for respondents. In spite of these weaknesses, the descriptive survey design was considered the most appropriate for the study taking into consideration the set objectives of the study.

3.4 Target Population

Population is a group of possible sets from which to choose a sample. In other words, any components, people, or units that satisfy the requirements for a group being examined and from which a given representative sample is selected for close scrutiny

(Bryman & Bell, 2011). According to King, (2017), the target population is the tiny subset of the population chosen for observation and analysis; it is from this group that a sample size is calculated. The complete population or set of items on which a researcher seeks to generalize the results of their investigation the population targeted for this research consisted of owners, managers and senior-level staff of Medium Scale Enterprises in the Sagnarigu Municipality.





3.5 Sample Size Determination and Sampling Technique

Sampling is the process of choosing a portion of a group so that a study or research can be done on them. It involves choosing units (such as individuals or organizations) from a target population so that, after examining the sample, a sufficiently general conclusion may be drawn about the population from which the units were selected (Trochim, 2006).

It was not possible to gather data of every individual in the study population given the larger numbers. Due to that, a fraction of the study population was selected for the study, according to Etikan (2016). This selected number is referred to as the sample size. A total of 50 respondents were covered for the research. These were subdivided into 10 owners of SMEs, 20 managers of SMEs and 20 employees of SMEs in the area where the research was undertaken.

Slovin's formula (Ellen, 2018) was adopted to calculate the sample size for this study.

Slovin's formula mathematically states that;

$$n = \frac{N}{(1 + Ne^2)}$$

Where: n = the size of the sample

N= Total number of populations (341711)

e = degree of freedom with a margin error of 0.1.

$$\text{Mathematically } n = \frac{341711}{[1 + 341711 (0.1^2)]} = 100$$



The study considered 50 randomly selected respondents instead of 100 based on the designated subdivisions for relevant findings as opined by Ellen (2018). Moreover, Ellen (2018) indicted that in other to reduce human exposure during research in a pandemic prone zone, half of the total population or the required sample size can be taken. Based on this, the researcher chose 50 respondents instead of 100 due to the recent COVID-19 pandemic outbreak. The researcher therefore selected 50 respondents for the study. The study could not achieve a response rate of 100% due to some respondents' unavailability for the survey and the level of education of specific respondent categories.

The non-probability sampling method including purposive and snowball techniques was used in this study. During the survey, critical observation was employed to select the deemed fit individuals within the sampling bracket that is the managers of the enterprises. Having achieved that, the managers were probed to show their employees and or staff for selection, only the long-serving employees were selected (Cooke, 2014). With non-probability sampling, not every individual of the target population has an equal opportunity of taking part in the research. The purposive sampling technique was adopted to pick owners and workers of SMEs. From the purposively identified population, the study used the snowball sampling technique to select individual members based on their designation in the research sample (owners of SMEs, managers of SMEs and employees of SMEs).

3.6 Data Collection Instrument(s)

The main instruments employed in the study was questionnaire.



3.6.1 Questionnaire

The questionnaires were developed from Fritsch *et al.* (2014) based on Management practices and firm performance and from other relevant literature on challenges facing SMEs and their performance. Respondents were given semi-structured questionnaires with both closed-ended and open-ended items. Closed-ended questions only allow the respondent to choose from the available options while open-ended questions provide the respondent the freedom to voice an opinion without being persuaded by the investigator (Carpenter, 2020). The surveys will make it easier for the investigator to get pertinent data as quickly as possible. Because they are dependable for the researcher and capture the expected outcomes, questionnaires will be used. Because the same questions will be posed to every respondent in the same order while using the questionnaire, validity is also upheld. It covered information on the subject of understudy. The questionnaires were in four categories based on the selected targets of the study. These questionnaires were given to the respondents to complete in a maximum of three days.

3.7 Source of Data Collection

Data was gathered mainly from sources (primary and secondary).

3.7.1 Primary Sources

The primary data was the major source of data used in this investigation. Primary data are those that are used for the reason for which they were obtained, according to André (2006). Primary data is information gathered for research purposes straight from an actual experience (Barker, 2013). The term "primary data" refers to information that has been



gathered from firsthand experience. It is typically gathered by asking both open-ended and closed-ended questions. The administration of survey questionnaires and the holding of employee interviews served as the key research gathering tools in this study. Primary source of data checks to ensure accuracy, reliability and more value than the secondary data because the magnitude sample errors and non-sample errors are known and can be described.

3.7.2 Secondary Sources

According to Saunders *et al.* (2007), secondary data refers to information used for projects but originally gathered for some other reason. Additionally, according to Barker (2013), secondary data covers information that was gathered for a reason other than the one it is being used for. Books, online searches, articles, and journals were just a few of the secondary sources of data the investigator used for the study. The researcher was able to understand how crucial ideas have been assessed and described by others, as well as how this study relates to earlier works, with the use of these secondary sources. Secondary data are facts or evidence that the researcher has gathered alone of the primary source.

2.8 Reliability and Validity

There are number of factors to consider when deciding the most suitable method for research project. These include reliability and validity of the data collection method. Reliability refers to a measurement that supplies consistent results with equal values (Blumberg *et al* 2015). It measures consistency, precision, repeatability and trustworthiness of a research (Chakrabatty 2013). Reliability is used to evaluate the



stability of measures administered at different times to some individuals and equivalence of set of items from the same test (Kimberlin and Winterstein, 2008). Validity is the intent to which an instrument measures that it asserts to measure (Blumberg et al 2005). It is a degree to which the results are truthful, so it requires a research instruments to correct measure the concept under the study.

To ensure reliability and validity, the researchers prepared questions which addressed specific objective in the study using a language that was understandable to the respondents (English Language). The researchers also made use of advantages of using the questionnaires and interviews and tried to overcome the limitations of these two data collection methods. The questionnaire and interview method were used in this research because they were suitable and provided valid and reliable data that helped answer research questions and minimized bias.

3.8 Data Analysis

LeCompte & Schensul (2010) described data analysis as a systematic procedure of condensing massive volumes of gathered data in order to make sense of them. In order to uncover the answers to research questions, Kerlinger (2016) defined data analysis as the categorization, modification, and summarizing of data. According to Kothari (2004), this is the method of giving answers in numbers or other symbols so that the answers may be grouped into a small number of categories or classes. After data has been gathered, it was then carefully examined to find any errors and any questions that were not answered or were answered incorrectly. Then the data collected was coded using SPSS software. The

coded data was then summarized and presented using tables and charts and analyzed with the use of percentages. Explanations were given to these data for clarity in chapter four.

3.9 Ethical considerations

Every questionnaire will have a brief overview at the top explaining the goals of the study in accordance with research ethics and standards. The debriefing letter will guarantee the respondents' privacy. Also arranged was the participant consent prior to their participation in the study. The questionnaire did not require respondents to give their names or any other kind of identification. The respondents' anonymity was guaranteed, and they were also given the assurance that the data they provide would be treated with the highest confidentiality.



CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter of the research presents the analyzed data of the study with interpretations and discussions.

4.1 Demography of Respondents

This section emphasizes the democratic features of respondents in the Sagnarigu Municipal. Gender, age, marital status and educational background of participants were considered.

4.1.1 Age of respondents

The respondents' age was determined by the researcher through interview with the respondents and the result was presented in Table 4.1.

Table: 4.1 Ages of Respondents

Age	Frequency	Percentage (%)
10-20	4	8
20 - 30	8	16
30 – 40	18	36
40 – 50	16	32
50-60	4	8
Total	50	100

Source: Field Survey, 2021



From Table 4.1, four (4) respondents representing 4% are between the age range of 10-20 years. The age group of 30-40 years forms the majority (18) representing 36% of the respondents. This was closely followed by the age range of 40-50 years which constituted 32% of the total respondents. However, 16% and 8% fall within the age group of 20-30 years and 50-60 years respectively. This implies that the people involved in SMEs in the Municipality are largely middle aged and energetic people (30 through to 50 years) forming 68%. As theorized by Maslow's (1946) hierarchy of human needs, the needs of individuals in this age bracket are to meet the middle-level needs (thinking and acting in a systematic order with resiliency and self-awareness) first predominant before the higher-level needs.

4.1.2 Respondents' Gender

The result presented in Table 4.2 revealed that 26 (52%) of the respondents were females whilst the remaining 24 (48%) were males. This indicates that the medium scale enterprises are predominantly made of females as compared to the males in that sector.

Table 4.2 Gender description of respondents

Sex description	Frequency	Percentage (%)
Male	26	48.0
Female	24	52.0
Total	50	100

Source: Field Survey, 2021



4.1.3 Respondents' Marital Status

The respondents' marital status (Figure 4.1) shows that 70% of them are married, 24% are single and the rest been separated.

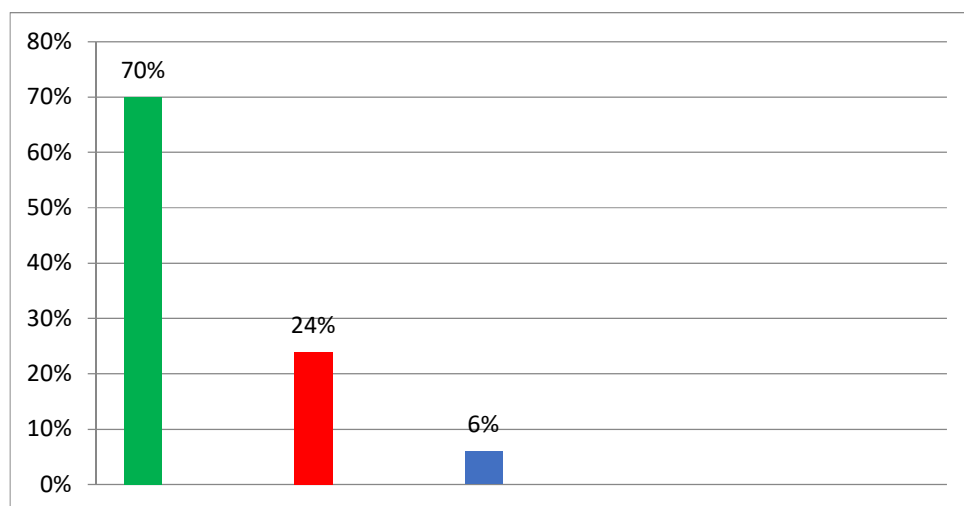


Figure 4.1: Respondents' Marital Status

Sources: Field data, 2021

4.1.4 Educational Backgrounds of Respondents

Table 4.3 presents the educational status of the individual in the sampled bracket. The hierarchy of education in this study follows in a chronological order; such as illiterate, JHS, SHS, Diploma, Degree and Postgraduate degree. Out of the fifty (50) individuals who were interviewed, 20 (40%) had attained senior high certificates, 14 (28%) had diploma certificates, 7 (14%) had degrees, 5 (10%) and 2 (4%) each had a certificate above degree or did not attend school at all. Those who completed or reached senior high school represent the chunk of the population. The overall assessment of the level of



education of the respondent revealed that 96% being the majority had some form of education with a few (4%) not getting an educational opportunity.

Table 4.3: Educational Backgrounds of Respondents

Education level	Frequency	Percent (%)
JHS	5	10
SHS	20	40
Diploma	14	28
Degree	7	14
Above	2	4
None	2	4
Total	50	100

Sources: Field data, 2021

4.2 Managerial Practices in SMEs in the Sagnarigu Municipality

The first objective of the study sought to identify some managerial practices that are employed by SMEs in the Sagnarigu Municipality. The study reveals several managerial practices that are used by managers operating SMEs within the Municipality. These are: human resource practices, work organization, target setting and employee motivation and appraisal among others. The participants were asked to evaluate how much they agreed or disagreed with the managerial techniques and how their bosses apply them in the day-to-day running of their firms.



4.2.1 Human Resource Practices

Table 4.4 shows that 22% of the respondents strongly agree that the human resource practices are used by their managers at work place, 30% also agree, 8% are uncertain whilst 36% disagree and 4% strongly disagree that human resource practices are employed by their managers. This implies that majority of the respondents did agree that human resource practices are practiced in their work places.

Table 4.4: Human Resource Practices

Response	Frequency	Percentage (%)
Strongly Agree	11	22
Agree	15	30
Uncertain	4	8
Disagree	18	36
Strongly Disagree	2	4
Total	50	100

Source: Field data, 2021

4.2.2 Work Organization

The term "work organization" refers to how job is scheduled, structured, and controlled within organizations, as well as decisions made regarding a variety of factors including working practices, work design, obligations, work instructions, work scheduling, work intensity, practices and regulations, and decision-making procedures (Codery *et al.*, 2009).





Table 4.5 has proven that 52% of the participants strongly agree that organization of work is practiced at the work place by their managers, 26% also agree, 12% are uncertain whilst 8% disagree that it is practiced by their leaders/managers. From the analysis, the majority of the respondents representing 78% agree with the statement. From the results in Table 4.5, it indicates that work organization is well practiced by SMEs in the Sagnarigu Municipality.

Table 4.5: Work Organization

Response	Frequency	Percentage (%)
Strongly Agree	26	52
Agree	13	26
Uncertain	6	12
Disagree	4	8
Strongly Disagree	1	2
Total	50	100

Source: Field data, 2021

4.2.3 Setting Targets

From table 4.8 above, it reveals that 48% of the respondents strongly agree that setting target is one of the service provided by their managers at running the SMEs. Again, 46% also agree whilst 2% disagree and only 4% strongly disagree that targets are not set by their managers in running the enterprises. This result discloses the higher-level

needs in Maslow's (1946) hierarchy of needs and Locke (1968) objective-setting theory, which holds that the motivation to work toward a particular goal is a significant source of job motivation.

Table 4.6: Target Setting

Response	Frequency	Percentage (%)
Strongly Agree	24	48
Agree	23	46
Uncertain	0	0
Disagree	1	2
Strongly Disagree	2	4
Total	50	100

Source: Field Survey, 2021

4.2.4 Employee Motivation and Appraisal

Table 4.7 indicates whether or not the employees were motivated by the kind of activities that they run/do at the workplaces. It was observed that 43 (86%) of the medium scale enterprises received motivation packages in different ways through their senior officers, the Government and some NGOs, whilst the rest of the 7 (14%) did not get any of such at the time of the investigation.



Table 4. 2: Employee Motivation and Appraisal

Response	Frequency	Percentage
Yes	43	86
No	7	14
Total	50	100

Source: Field Survey, 2021

4.3 Challenges that Affect Managerial Practices of SMEs in Sagnarigu Municipal

The second specific objective of the study sought to unveil the challenge which confronts the managerial practices of SMEs in the Sagnarigu Municipality. The result is represented in Table 4.8.



Table 4.8: Descriptive Statistics of some Managerial Challenges of SMEs in Sagnarigu Municipality

Challenges	Strongly Agree	Agree	Disagree	Strongly Disagree	Mean	Std. Dev.
Lack of Required Skills	21.5	21.5	2.6	4.5	3.1	0.657
Lack of Network	0.5	12.0	17.0	20.5	3.28	0.412
Shortage of Skilled Labor	20	14.2	14.8	1.0	3.52	0.382
Financial Constraints	33.4	10.6	4.5	1.6	3.54	0.656
Employee Turnover	30.7	14.7	2.5	2.1	3.05	0.217
Lack of Market Awareness	14.2	20.2	13.4	2.2	2.98	0.353

Source: Field Data, 2021

The descriptive findings relevant to the managerial difficulties experienced by the participants are displayed in Table 4.8. Notably, all mean scores were higher than three (3) in these results, with the exception of a lack of market awareness (2.98). This suggests that participants thought the majority of the mentioned features were always present in their surroundings. However, participants had notably strong opinions about the effects of a skilled labor shortage (3.52), financial constraints (3.54), a lack of required skills (3.1), employee turnover and a lack of networking possibilities (3.28).

Table 4.9: Effects of Managerial Challenges on the SMEs





Effects of the challenges	Yes	No	Total N(%)	Rank
Decrease profit	33(66%)	17(34%)	50(100)	4 th
Increase operational cost	43(86%)	7(14%)	50(100)	2 nd
Put pressure on the business	27(54%)	23(46%)	50(100)	5 th
May lead the collapse of the business	44(88%)	6(12%)	50(100)	1 st
Other challenges	42(84%)	8(16%)	50(100)	3 rd

Source: Field Data, 2021

In the response to research objective three, the result from Table 4.9 indicates majority of the respondents accepted that the challenges they face may lead the collapse of their businesses in the Municipality since 44 respondents representing 88% selected “YES” for that option while only 6 (12%) said they do not agree to that fact. This was closely followed by Increase operational cost of the business where 43(86%) did indicate that it affects their operational cost while 14% had the opposite view. Again, in line with decrease profit, putting pressure on the business and other challenges, the results show 66%, 54% and 84% of the respondents choosing the option “YES” respectively. From this result, it can be deduced that the most commonly effect of managerial challenges is resulting into the collapse of the SMEs.

4.4 Motivational Packages Embarked by Management of SMEs in the Sagnarigu Municipality

To discover the motivational packages used at the by SMEs, the researcher used a 5-point Like scale. Where 1 represent strongest level of disagreement through to 5 being the strongest level of agreement. This was analyzed using SPSS. The mean and standard deviations presented in the Table 4.10.

Table 4.10 Motivational Packages Embarked by SMEs in the Sagnarigu Municipality

Motivational Package	Mean	Standard Deviation
Promotion	3.80	0.82
Training and development	3.41	1.02
Allowances	3.84	0.75
Health insurance	2.18	1.06
Job security	2.11	1.17
Others	1.9	1.88

As seen in Table 4.10, the average scores on a five Point like scale, where 1 denotes the strongest level of disagreement and 5 the strongest level of agreement, vary from 2.18 to 3.84. The participants overwhelmingly concurred that "Allowances" is the most obvious motivating package employed by the leadership of SMEs, with a mean value of 3.84 and a small standard deviation of 0.75. Other motivational packages which were brought to



light from the respondents as being offered include: Job Security, Promotion, Training and development and Health Insurance. All these variables had mean values that exceed 2.0 except for the other motivational packages which had a mean value of less (1.9) but closer to 2.0.

DISCUSSION

4.5 Managerial Practices in SMEs in the Sagnarigu Municipality

4.5.1 Human Resource Practices

From the results, it is evident that human resources practices are receiving much attention in the current business environment as businesses look to acquire competitive advantages in the international market. This result agrees with what was reported by Baako *et al.* (2020) who found human resource practices not effective in SMEs. Processes including thorough selection and recruitment, learning, security, and appraisal are frequently included in HR strategies (Pfeffer, 2005). These procedures strongly impact how employees feel about their job (Abdullah and Boyle, 2015). Prior researches have evaluated the impact of HR procedures on a variety of outcomes, such as psychological contracts and job performance (e.g., Suazo *et al.*, 2009). HR policies are crucial for raising employees' motivation and bravery while also enhancing their technical abilities, according to Cimatti (2016). These traits can be differentiated from many other personal characteristics, such as dispositional affect, which are more significant than others.





4.5.2 Work Organization

From the results in Table 4.5, it indicates that work organization is well practiced by SMEs in the Sagnarigu Municipality. These results are in agreement with Cordery *et al.* (2009) who found SMEs to manage their work well. Their research discovered that there are several benefits to approaching work organization from a systems perspective. In the first place, it offers a common framework for defining the numerous organizational and coordinating strategies that have developed over time and in various situations and that are associated with various labels or terminology. It can be used, for instance, to distinguish, say, between distinct teamwork strategies that might develop in two different contact centers. It may be used to define the organizational structures associated with procedures as seemingly disparate as lean production and empowerment.

Although management typically plays a key role in deciding which skills the team requires and selecting the individuals who have these competencies, it is usually left to the team to decide how the work should be divided among its members. As the team evolves and team members become more multiskilled, the work that each individual performs often shifts to accommodate personal as well as work requirements' (Lawler and Finegold 2010).

4.5.3 Setting Targets

This result agrees with Srisathan *et al.*, (2020) who opined that setting targets is a critical component to achieving success in both professional and personal life. By setting achievable goals and striving to reach them, individuals and organizations are able to plan

and prioritize their activities, with the assurance that they are making progress towards their desired future.

Again, Tan et al., (2020), indicated that target setting is an important part of any successful business strategy. It helps to ensure that goals are achievable and that resources are used efficiently. It also helps to create a sense of accountability and encourages employees to work towards a common goal. By setting clear targets, organizations can measure their progress and make adjustments as needed to ensure that they are on track to reach their desired outcomes.

4.5.4 Employee Motivation and Appraisal

The result presented in the above table is in line with the discoveries of Dentch *et al.* (2018). Who found employee motivation and appraisals as high. The authors state that every manager's job includes conducting staff or productivity evaluations. In fact, whether intentional or not, it happens on a daily basis informally to decide how to complete tasks and which employees to assign task to is a decision of the head. A structured assessment, on the other hand, is a deliberate, systematic exercise in collaborative evaluation between the assessor and the appraiser. Different organizations have different levels of staff involvement, planning, the needs and objectives for their appraisal processes.

Performance evaluation is a major component of employee motivation in every company, so it is crucial to take into account when evaluating organizational development. A company's success or failure is determined on how its employees conduct themselves.





Additionally, performance does not increase automatically; rather, it does so through time as a result of staff members' obligations because it influences how an employee presents themselves. A company's ability to manage its people resources effectively could lead to improved organizational outcomes. However, it is challenging to manage the workers effectively. It must be understood that it faces several challenges, including those related to the lengthy working hours and the risks associated with getting to and from work.

4.6 Challenges that Affect Managerial Practices of SMEs in Sagnarigu Municipal

Similar to the report of Leboea (2017), who also found out that these difficulties are substantial for South African SMEs. The lack of sufficient labor resources with the necessary skills and employee turnover are of a country's main economic concerns (World Bank, 2018). This is because a lack of technical talent can lead to inefficient production methods and significantly curtail the degree of innovation required to advance (Czarniewski, 2016). Similarly, inadequate training for these kinds of businesses may indicate a death of effective entrepreneurship education, particularly in secondary school systems that fall short of adequately preparing owners for the present diverse and evolving business climate (De Jongh and Meyer, 2017).

According to the findings of Yoshino and Taghizadeh-Hesary (2014), SMEs are divided into three categories: financially stable, medium-risk, and financially risky. SMEs. Yoshino and Taghizadeh-Hesary (2014) provide a thorough explanation of the conceptual approach Banks can lend more money to SMEs in the financially sound group by charging low interest rates and requiring no collateral. On the other hand, banks can impose higher lending rates and more stringent collateral requirements on SMEs that fall



under the high-risk category. Banks may adjust their lending rates from highest to the lowest if a SME performs well and falls into a lesser risk category.

In Ghana, everyone in the business terrain faces some amount of difficulties, of which financial setbacks seems to be on the lead compare with the others as indicated in the table 4.8. This finding supports the hypothesis put forth by Bhandari, *et al.* (2004), according to which SMEs' access to bank credit has been and continues to be a major growth constraint. This hypothesis was also supported by Aryeetey *et al.* (2016), who claimed that from the perspective of the private sector, financial issues outweigh all other barriers to business growth. These further suggest that, despite a significant rise in the number of banks operating in the nation since 1993, when Aryeetey *et al.* published their findings, financing for SMEs, particularly in Ghana, remains a significant concern.

In Ghana, financial restrictions and lack of managerial skills impede the efficient performance of micro and small-scale firms of which medium scale enterprises are not exempted. Locational flexibility has been seen in micro and small-scale companies (SMEs). According to Churchill (2013)'s research, SMEs might be more easily deployed to accomplish industry growth and regional balance in economic development. The importance of small enterprises in the growth of the nation and the local community as well as the transformation of the rural economy cannot be miscalculated. Some of the problems confronted by medium scale businesses include; poor communication and poor management skills as already stated above, good managers are seen as the major drivers of enterprises, however the major issue in the northern region and Sagnarigu for that

matter requires special attention. Aside from this, poor handling of customers is a contributory factor to business failure. Furthermore, insufficient assistance from the government and other non-governmental organizations (NGOs) may result in poor performance of firms and, finally, the failure of the business, which may equally have negative impact on the nation.

4.7 Motivational Packages Embarked by Management of SMEs in the Sagnarigu Municipality

Motivation is important to understand because it describes the reasons that drive one's actions towards the achievement of a goal (Grant, 2018). Putting the right employees in the right positions depending on their skills and amount of work they can generate will enhance their ability to use their skills and abilities more frequently which will lead them to concentrate on the business missions and objectives (Yongsun, Barbara, & Christy, 2012).

Motivational practices are considered as intrinsic or external elements that are implemented to improve productivity and efficiency at work in order to produce significant output and results. When a company has enough human resources, it can flourish and produce fruitful outcomes, output, and capabilities.

Training helps to upgrade employees in an organization. By teaching people how to break down duties and problems and how to feel less overwhelmed by their available jobs, people can learn to become more motivated. Teaching workers how to handle situations



at work can immediately result in increased motivation (Daniel, 2001). The implementation of allowances can readily improve labor productivity by providing extra benefits. An extra benefit is the higher income that the employee receives based on their performance. Bonus is a crucial tool for boosting productivity (Agwu, 2013).

Most researches have shown that employees value money and payments more than other primary motivations since making a lot of money helps motivate people more effectively. It makes it clear that when workers are financially pleased, they are inspired to work hard. According to a study by Conrad (2015), raising individual compensation results in an increase in productivity of between 9 and 17 percent. Monetary factors and rewards have the biggest impact on employees' productivity, according to an analysis of motivation schemes and output by Pulakos (201



CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary view and conclusion of the study and also highlights some areas or topics which call for further research.

5.1 Summary of Findings

The study uncovered that most of the businesses within Sagnarigu Municipal do engage in one or more managerial skills or practices in the working situation. As organizations seek to gain competitive advantages in the global market, it can be inferred from the findings above that human resource activities are currently receiving more attention in the organizational environment. Human Resource methods usually incorporate procedures like careful recruitment and selection, learning, security, and appraisal. The majority of respondents firmly agree that their managers practice work organization at the workplace. Additionally, it shows how effectively SMEs organize their work in the Sagnarigu Municipality. It was found that majority of the medium-sized businesses received incentives in a variety of ways from their senior managers and some NGOs.

The study revealed that more than half of the businesses within Sagnarigu Municipal did not receive financial support from the government, private banks or some other institutions. The survey revealed most of the respondents were willing to remain in business as their source of livelihood. It is evident from the study that most of the SMEs business owners face challenges including proper managerial skills, lack of





network, shortage of skilled labor and financial constraints as well as employee turnover, low minimum capital for business growth and sustainability. Also, most of the SME owners did employ their own family relations/members which sometimes results in under performance incompetence and other related unforeseen business problems. The owners of most SMEs agree to the fact that, longer working hours, lack and risk of transportation to and from work was a challenge to their staff.

The primary adverse effects of managerial challenges were identified to be the collapse of SMEs, closely followed by an increase in operating costs. The effects of a skilled labour shortage (3.52), budgetary restrictions (3.54), and a lack of necessary skills were, however, subjects of particularly strong opinions from respondents. Finally, the respondents strongly agreed that "Allowances" is the most obvious motivating package utilized by the management SMEs, with a mean value of 3.84 and a small standard deviation of 0.75. In order to increase productivity and efficiency at work and deliver meaningful output and outcomes, motivational practices are seen as internal or external factors that are put into practice.

5.2 Conclusion

From the findings of the study, it can be concluded that:

- Majority of the SMEs in the Sagnarigu employ one or more management techniques or methods in the workplace.
- SMEs owners struggle with challenges including poor managerial abilities, a lack of networks, a skilled workforce scarcity, and financial restrictions in addition to

high staff turnover and ridiculously low capital requirements for sustainable growth.

- The collapsing of SMEs and an increased in operational costs were shown to be the main negative outcomes of managerial or SMEs' challenges.
- Finally, managements use allowances as the most evident incentive package at their work place.

5.3 Recommendations

- The government and other NGOs should support SMEs owners by taking them through training on how to manage their business and also give financial aid to help boost their business.
- The owners of SMEs should organize in-service training for their workers on some selected important areas of management functions such as planning, budgeting, controlling, and monitoring.
- Also business owners should always seek for professional advice from business experts and further design good strategic business plans for either annually, quarterly, or even yearly execution to enable them accomplish better results in today's changing business environment environment.
- Business owners should provide some level of motivational packages for their staff members.



Recommendation for Further Studies

- Further studies should be carried out to assess the amount of financial support SMEs have received over some particular period from the government.
- Further studies should be carried out in different region and locations across Ghana with increased sample size on Managerial Challenges of MSE's.



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SECTIONC: MANAGERIAL CHALLENGES

Indicate your level of agreement or disagreement by ticking the appropriate box on the Challenges of SMEs in Sagnarigu Municipality

Challenges	Strongly Agree	Agree	Disagree	Strongly Disagree
Lack of Required Skills				
Lack of Network				
Shortage of Skilled Labour				
Financial Constraints				
Employee Turnover				
Lack of Market Awareness				



SECTION BEFFECT OF SMEs CHALLENGES ON ITS PERFORMANCE

Indicate by selecting YES or NO whether the following negative effects can be found on your SMEs due to Managerial of challenges

Effects of the challenges	Yes	No
Decrease profit		
Increase operational cost		
Put pressure on the business		
May lead the collapse of the business		
Other challenges		



SECTION C: Motivational Packages Embarked by Management in the Ghana Education Service

Choose from the suggested list below your level of agreement or disagreement to the following motivational packages embarked by GES. 1 = strongly agree, 2 = Agree, 3 = Uncertain, 4 = Disagree and 5 = Strongly Disagree

Motivational Package	1	2	3	4	5
Promotion					
Training and development					
Promotion					
Allowances					
Allowance					
Health insurance					
Job security					
Others					

THANK YOU FOR YOUR CO-OPERATION

