

Evaluating Entrepreneurs Competency on the Growth of Small Scale Businesses in the Cape Coast Metropolis

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Abstract

The study evaluated entrepreneur's competency on the growth of small scale businesses. The study, among other objectives, sought to examine the competencies of entrepreneurs in terms of (education, related job experience, knowledge and skills and training), examined the association between entrepreneurs competency on the growth of small businesses and determined competency development strategies and the associated challenges among entrepreneurs in the Mechanic and Beautician sectors in the Cape Coast Metropolis. The study employed a cross-sectional study design. It involved two hundred (200) entrepreneurs. Questionnaire and interview guide were used to collect data. Results were analysed using descriptive statistics. Chi-square test was also used to find out the associations between variables. It was found that almost all the entrepreneurs had at least basic education. Also, greater parts of the entrepreneurs were adjudged to be mainly competent based on their levels of education, working experience, knowledge and skills and training they had. In addition, the findings confirmed that education, job related experience, knowledge and skill as well as training were significantly associated with the growth dimensions (growth in sales, growth in profit, growth in market share, customer satisfaction, employee retention and increased in number of employees.). On-the-job training in the form of apprenticeship was the most important strategy used by the entrepreneurs. However, high cost of training and lack of support from government and other agencies were upsetting their efforts. It is recommended that government should perk up its support for these artisans to enhance their performance and growth. The on-the-job training approach should be sustained due to its associated advantages over the off-the-job type.

Keywords: human capital, small scale business, development, competency, entrepreneurs

1. Introduction

Small scale businesses are the basis of a country's economic development. They do not only signify the largest category of businesses numerically, they also make the biggest contribution to Gross National Product and provide work for greater fraction of the labour force. In 2008, companies having two hundred and fifty (250) or less employees were responsible for sixty-six percent (66%) of all jobs and fifty-eight percent (58%) of total business revenue (European Commission, 2009). The exploit of small scale businesses all over the world, have appropriate expertise and know-how as their strength of character. This justifies the value of human capital which is one of the input production factors in any business enterprise. Pena (2002) put forward that entrepreneurs' competencies comprise various elements including education, relevant employment experience and skills.

Succinctly, the levels of education of entrepreneurs and relevant job experience have considerable effect on the survival, profitability and growth of any business endeavour (Pena, 2002). In Ghana, small scale businesses are held to be a distinctive mark of the production landscape and have been noted to represent about ninety-two (92%) of Ghanaian businesses and contribute about seventy percent (70%) to the nation's Gross Domestic Product (GDP) and more than eighty percent (80%) to employment creation (Abor & Adjasi, 2007) and, therefore, contribute significantly to the growth of the economy.

Small businesses seek out to optimize their workforce through wide-ranging competency development programmes not only to realize business goals but most importantly is for the enduring continued existence and sustainability of the business (Marimuthu, Arokiasamy, and Ismail, 2009). To continue to exist in business, small businesses must survey all possible avenues that can bring about competitive advantage. To develop a competitive advantage, it is vital that small businesses actually leverage on the workforce as a competitive weapon. An approach for improving workforce productivity to drive higher worth which has become an important focal point for small businesses continued existence. To get these done, small businesses will have to put in wherewithal to guarantee that employees/apprentices have the knowledge, skills, and experiences they require to work successfully in a speedily changing and intricate environment.

In answer to the changes, a good number of small businesses that have embraced the view of competency development have a good competitive advantage that will boost higher performance (Mabey, & Ramirez, 2005). In view of that, a lot of studies have been done relating employee competencies to organizational performance and growth (Thapa 2007). Outcome from a good number of studies indicate positive correlation linking employee competencies to performance, growth and continued existence of small businesses.

Katou (2009) reported that there is a huge and mounting body of proof that shows a positive association among the improvement in employee competencies and small business performance, growth and continued existence.

Notwithstanding the numerous interventions by many institutions to augment the activities of small scale businesses in the Cape Coast Metropolis, there remains a gap among entrepreneur. The upshot of this is managerial incompetence which results in problems such as poor business planning, poor record keeping and inability to set strategic goals (Buame 1996) with Adjei (2012) concluding that the growth of small scale businesses in the Cape Coast Metropolis is very stumpy. Although, there have been a number of studies on the monetary challenges of small scale businesses in the Metropolis (e.g Adjei 2012), not any had delved into entrepreneurial competency and its effects on small business growth. It is on the basis of this that the study sought to fill this gap by evaluating entrepreneurs' competency on the growth of small scale businesses in the Cape Coast Metropolis. The specific objectives of the study were to examine entrepreneurs' competency on the growth of their businesses, examine the association between entrepreneurs competency on the growth of small scale businesses and to determine strategies for the development of entrepreneurial competency and its associated challenges.

2. Methodology

This study employed the cross-sectional design. The population for the study comprised all small scale businesses in the Cape Coast Metropolis. The study population was registered Beauticians and Mechanics in the metropolis. The total population of these two groups constituted four hundred and eighteen people (418). Two (2) key informants made up of the presidents of both the Beauticians and Mechanics associations were interviewed. The study used the stratified random sampling technique. Each of the stratum to which the population was divided obtained an equal chance of being sampled. In all, two hundred (200) entrepreneurs out of the population were sampled for the study. The sample size was based on Krejcie and Morgan's (1970) table for determining sample size from a given population. The study used questionnaire and interview guide as tools for collecting data. Descriptive statistics was the medium used for analysis of quantitative data whereas qualitative data was analysed using thematic analysis. Inferential statistical tools including Chi-square test was also used.

3. Discussions

3.1 *Highest educational qualification of entrepreneurs*

The results explained that almost all the entrepreneurs had attained a level of formal education. In fact, 141 (70.5%) of them had had basic education, 39 (19.5%) of them had attained secondary/technical education, while the remaining 10 (5%) had tertiary education. With reference to the Mechanics, only 3 (1.5%) of them had attained a tertiary level of education. However, 7 (3.5%) of the Beauticians had attained tertiary education. It can be deduced from the results above that these entrepreneurs were somewhat educated, which could contribute significantly to the success of the performance and growth of their individual businesses.

3.2 *Duration of working experience of entrepreneurs*

The findings pointed out that a larger percentage of the entrepreneurs had had relatively extensive length of working experience. About 73% of them had been in business for at least 4 years, while 6 (3%) and 27 (13.5%) had operated for 1-3 years and less than a year, correspondingly. A fraction of (10.5%) did not, however, committed to memory the number of years that they had stayed in business. It can, on the other hand, be argued that these respondents had equally spent a longer period of time in business consequently, the high possibility of forgetting the time of starting their businesses. On the basis of their working experience as entrepreneurs, the study concluded that greater parts of them were vastly experienced. Equally, Bontis and Fitzenz (2002) found that industry experience had an optimistic effect on firm performance and subsequently, on the growth of businesses as measured by net cash flow and employment generation.

Using the Chi-square test, the study explored the effect of education, working experience, knowledge and skills and training on the business growth dimensions such as sales, market shares, profit, and customer satisfaction, number of employees / apprentices and employee/apprentice retention.

3.3 *Effect of entrepreneurs' education on business growth*

The test results explained that there were significant association between the education of entrepreneurs and the various business growth dimensions except the number of employees at 5% significance level. Also, the results disclosed that education had a strong connection with customer satisfaction, growth in sales, and growth in market shares, since their respective Chi-square were 66.449, 52.828 and 31.104. The connotation of this findings is that the higher the education of an entrepreneur, the better the customer care resulting in higher customer satisfaction. Secondly, business entrepreneurs with higher education were more probably to attain growth in their sales compared to those with little or no education.

3.4 Effect of entrepreneur working experience on business growth

With respect to the influence of working experience on business growth, it was found to be statistically associated with all the growth dimensions at 5% significance level. The outcome exposed that working experience had a very strong relationship with growth in sales, growth in market share, growth in profit, customer satisfaction, increased number of employees/apprentices and employee/apprentice retention since their respective Chi-square and p-values were 38.735 (.001), 45.311 (.000), 81.306 (.000), 96.858 (.000) and 107.700 (.000).

Specifically, working experience of the entrepreneur had a sway on the growth in sales of their business; implying that a more experienced entrepreneur stood a privilege of increasing his/her sales than those who were inexperienced in their businesses. Also, experienced entrepreneurs were more possibly to have an increased profit as well as better customer satisfaction. It can also be seen that experienced entrepreneur could contribute to having increased number of employees or apprentices as well as their satisfaction. Lastly, the working experience of the entrepreneur had a large significant result on employee or apprentice retention. This means that when an entrepreneur is highly experienced, he or she is most likely to keep the employees and apprentices than those who are relatively inexperienced. The findings above are consistent with the study by Wiredu (2013) that the number of years of experience influences the business growth in terms of profit of small scale businesses positively.

3.5 Effects of entrepreneurs' knowledge and skills on business growth

Reference to the influence of knowledge and skills on business growth, it was found to be statistically associated with all the growth dimensions at 5% significance level. Also, the results revealed that knowledge and skills had a strongest association with growth in sales, growth in market share, growth in profit, customer satisfaction, increased number of employees/apprentices and employee/apprentice retention since their respective Chi-square and p-values were 45.036 (.000), 46.611 (.000), 18.809 (.004), 40.724 (.000), 24.974 (.000) and 60.959 (.000).

Distinctively, knowledge and skills of the entrepreneur had an influence on the growth in sales of their business; the inference is that a more knowledgeable and skilful entrepreneur stood a higher chance of increasing his/her sales than those who had insufficient knowledge and skill in their businesses. Also, knowledgeable and skilled owners were more likely to have an increased profit as well as improved customer satisfaction. It was also seen that knowledge and skills on the part of business owners could have a say in increased number of employees or apprentices as well as their satisfaction. Finally, the knowledge of the business owner had the largest significant effect on employee or apprentice retention. This means that when an entrepreneur is more knowledgeable and skilled, he or she is likely to maintain the employees and apprentices than those who comparatively, have inadequate knowledge and skills on their jobs.

3.6 Effect of entrepreneurs training on business growth

The study brought into being that statistically, entrepreneur training is associated with all the growth dimensions at 5% significance level. Also, the test revealed that training had a positive relationship with growth in sales, growth in market share, growth in profit, enhanced customer satisfaction, increased number of employees/apprentices and employee/apprentice retention since their respective Chi-square and p-values were 28.731 (.001), 25.709 (.012), 17.684 (.007), 66.449 (.000), 22.218 (.035) and 52.828 (.000).

Explicitly, training of entrepreneurs had an influence on the growth in sales of their business; signifying that a well trained entrepreneur had a very good opportunity of increasing his/her sales than those who were untrained in their businesses. Also, there is the likelihood that trained entrepreneurs would have an increased profit as well as improved customer satisfaction. It is noteworthy that entrepreneurial training contributes to having increased number of employees or apprentices as well as their satisfaction. Last but not least, training of the business owners had great positive connection on employee or apprentice retention. This means that when an entrepreneur is highly trained, that individual is likely to keep the employees and apprentices than those who are fairly untrained.

3.7 Strategies for developing entrepreneurs' competency

The most preferred type of training among the business owners in the metropolis was the on-the-job training. As many as 142 (71%) of them indicated their preference for this type of training as against 58 (29%) who indicated the off-the-job training. Among both categories of respondents, the on-the-job training was the most widely employed competency development strategy in the metropolis. In confirmation, both the president of the Beauticians' and the Mechanics associations in the metropolis revealed that their respective associations usually used the on-the-job training in the form of apprenticeship and sometimes off-the-job training when the need arose.

João and Franco (2011) postulated that the on-the-job training may be by way of induction training, apprenticeship training, and supervisory training. On-the-job training principally, apprenticeship was found to be

a course that most thriving entrepreneurs followed in order to gain the relevant business experience.

3.8 Entrepreneur development challenges

The study sought to find out the barriers to competency development among the respondents. The views of the business entrepreneurs were collated and analysed. According to the entrepreneurs the main challenges to competency development include lack of funds, high cost of training, lack of governmental support, inadequate training materials, equipment and machines.

4. Summary

4. The following major findings came to light from the study:

The competencies of the entrepreneurs were not in doubt at all. This was because in terms of educational qualifications, almost all of them had at least basic education with 4 % of the owners attaining tertiary education. Also, 146 (73%) of the entrepreneurs had been in business for at least 4 years. Again, all the owners had at least one employee or apprentice. In addition, owners had adequate training and experience as well as knowledge and skill in the work they do.

The competencies of the entrepreneurs positively affect the growth of their businesses since educational qualification was significantly associated with the increased number of employees and apprentices ($p < .05$), while their working experience, knowledge and skills and training significantly influenced the growth of sales, profit, customer satisfaction, increased number of employees and apprentices, employee and apprentice satisfaction and retention. Also, the number of employees and apprentices they had helped to have customer satisfaction.

The key strategies employed for competency development by entrepreneurs was on-the-job training through apprenticeship and induction training. The study identified that the major challenges small businesses are confronted with include lack funds, high cost of training and inadequate materials, equipment and machines for training.

5. Conclusion

From the data gathered for the study, the following conclusions have been drawn: In the course of the study, it was discovered that small scale businesses in the Beautician and the Mechanics sectors in the metropolis are faced with challenges in their attempt to develop their capability for an improved performance and survival despite their fairly high competencies in terms of formal education, working experience, knowledge and skills as well as training.

Recommendations

Based on the findings from the study, the following recommendations have been made for stakeholders in the Mechanic and Beautician sectors in the Cape Coast Metropolis to consider implementing:

Government through its ministries, departments and agencies should try supporting training programmes for Mechanics and Beauticians for improved productivity. The Ministry of Trade and Industry and National Board for Small Scale Industries should revive their training programmes for these artisans.

The Ghana Hairdressers' and Beauticians' Associations and the Ghana National Association of Garages should regularly embark upon managerial and competency skills development programmes for its members. This will help them learn about new technologies and business strategies to enhance their operations.

Prospective Mechanic and Beauticians apprentices should consider spending quality time to educate themselves, acquire the necessary working experience, knowledge and skill as well as training before establishing their businesses. This is because of the influence that these competencies are likely to have on their capabilities to really gain ground when managing their businesses.

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