Entrepreneurial Risk taking propensity and Performance: A case study of Owner-Managed companies in the Ghana Club 100.

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Abstract
Title: Entrepreneurial Risk taking propensity and Performance: A case study of Owner-Managed companies in the Ghana Club 100.

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Course: Master’s thesis in Business administration, 15 credits (ECTS).

Background and Problem Discussion: This study seeks to assess how successful are Owner-Managed Companies in the “Ghana Club100”. The broad question addressed by this study is whether Owners manage their businesses better or not and also to examine whether Owner Managers in aggregate exhibit decision biases in their investment decision making processes taking into account the risk bearing role of entrepreneurs.

Purpose: This research sought to investigate the risk aversion of Ghanaian entrepreneurs, whether or not they are biased in their investment decision making and to assess the performance of Owner-managed companies against their counterparts employed to manage for shareholders.

Method: The study employed both conceptual and empirical approach. That is theories and principles pertaining to the study were examined and steps were taken to establish factual evidence base on figures sought from respondents by the use of questionnaire. Primary and secondary data were used extensively for the study.

Theory: There was an extensive review of existing literature on the subject matter with careful consideration for concepts which clearly bring alive the understanding of entrepreneurship, risk taking propensity, performance and good corporate governance and makes linkages with empirical data.

Analysis: Both quantitative and qualitative measurements were employed in analyzing the data collected for the study. The quantitative analysis involved the use of descriptive statistics and qualitative analysis focused mostly on information derived from the interviews and questionnaire administered. The outcomes were used to test the hypotheses.

Conclusion: I found that Ghanaian Entrepreneurs have two types of risk: demand uncertainty and ability uncertainty. They display a significant amount of risk aversion to demand uncertainty but are very confident about their capabilities, in other words, they are “risk seeking” in respect of their ability uncertainty. Accordingly, whilst they are risk-averse in the classic sense of preferring a “certain return” to an uncertain investment with commensurate expected value, their over-confidence predisposes them to bear economic risk under a given set of conditions.
Acknowledgements

Research work is a team work requiring collaboration, commitment and the free will to contribute to the project. It is for this reason that I want to appreciate the following individuals and institution without which this project would not have been a success.

First of all I want to thank God Almighty for the strength, Knowledge and wisdom given me to be able to finish this work and also bringing my way the array of individuals who have been of tremendous help to me on this journey.

My special thanks go to Professor Klaus Solberg for changing my original thesis topic because that single action had made me discover a new whole world as I have to search for new topic. I also want to thank him sincerely for the invaluable suggestions, correction and the prompt responses to my questions and clarifications.

Many thanks to Professor Anders Herderstierna: for accepting to be my supervisor and having gone through this research with me. I owe a great deal of the quality of this piece to him. I very much appreciate you, Prof; God Bless you!

I also want to thank Bright Kpodo, student of BTH for the objective critic and suggestions; they were worthwhile, thank you.

I want to acknowledge all lecturers for the knowledge they impacted, their dedication to our success. Many thanks to you Prof Emil Numminen, Prof. Thomas Danborg, Prof Jennie Blomqvist, Prof Marie Auriel and Katrin Andersson. For this research work is a collection of your individual knowledge you had impacted to me as every lecturer mentioned above can identify with portions of this work.

Finally, I want to acknowledge, my loving family for their sacrifices made and the support during the entire program but more especially during this thesis period. Specials thank to my wife Sheilla Dellor for the support in diverse ways and my daughters, Kelsy Dellor and Kadia Della Dellor for their understanding to forgo the wonderful play times and the usual outings since I have to stay late to study even on week-ends. Thank you all, and may God richly bless you.
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Chapter One
Introduction to the Study

1.0 Background

Many entrepreneurs are quick to identify business opportunities and are fast at ceasing such opportunities by way of investing in them. This study seeks to assess how successful are Owner-Managed Companies in the “Ghana Club100”. I will be assessing the quality of their investment decisions and their bearings on profitability. A large majority of small business owner-managers in developing countries including Ghana started business ventures enthusiastically as a result of economic necessity but do not continue to be in business for a long time (Olomi, 2001; Rutashobya, 1995). It naturally becomes of much interest to know the extent to which they are entrepreneurs and whether the degree of entrepreneurship changes in the course of doing business.

It was also reported that Owner-managers’ set goals and growth motivation do change over time (Olomi 2001; Tuch and Hamilton, 1996). Olomi (2001) found that some of those who started business because they have to do business to survive or simply to enhance family security do evolve into serious entrepreneurs, running large enterprises and adopting proactive growth seeking strategies. This suggests that growth motivation can somehow be enhanced after star-up. However, evolution from economic necessity appears to be rare and we need to understand so that we can design programs and policies to address it. Recourse to literature revealed that the question of transition in growth motivation or primary motivation for being in business has not been addressed. Dunkelberg and Cooper (1982), Kelvereid (1992) have noted that it is still unknown when and how entrepreneurs decide to grow and what triggers the desire to grow.

The broad question addressed by this study is therefore how does transition in primary motive for being in business occurs, whether Owners manage their businesses better or not in the light of the afore, mentioned observations and also to examine whether entrepreneurs in aggregate exhibit decision biases in their investment decision making processes taking into account the risk bearing role of entrepreneurs. Since in Ghana only a few Owner-Managed firms have made it into the “Ghana Club 100” and even a smaller number is able to be listed on the Ghana Stock exchange, my study will be centered on those companies whilst keeping an eye on those which are not there and why they are where they are.
1.1 Scope of the Study

This research is devoted to the study of Owner managed companies in the Ghana Club 100, private companies listed on the Ghana Stock exchange by assessing how well they are performing and how they achieved their current feat. In this regard I focused my attention on ventures which involved real risk taking such as manufacturing, distribution of goods and rendering of services, apart from buying and selling of share, investments in treasury bills and fixed deposits.

The research is aimed at testing the following hypotheses:

a. Ghanaian Entrepreneurs are traditionally risk averse towards investment opportunities but are confident about their capabilities.

b. Owner-Managers are biased in their investment decisions.

c. Owner-Managed companies perform better than others.

1.2 Research Motivation

This research is motivated by the staggering revelations from the preliminary observations and perceptions from sections of the general public that Ghanaians prefer clerical jobs to venturing into their own ventures. It is also a general view that owner Managers manage their businesses better that managers who oversee companies on behalf of owners. Besides, the favorable ranking of some of the Owner managed companies in the Ghana Club 100 ranking over the years had strengthened this assertion. On the contrary, the level of corporate plundering in government institutions and public limited liability companies, the decay, deterioration, very low salary levels, lack of motivation, poor leadership and management styles exhibited by Managers of governed companies point to fact that governed companies do not perform well.

On the basis of the afore mentioned, I set myself to find out the risk appetite of Ghanaian entrepreneurs, whether they are biased in their investment decision making, and whether Owner managers perform better than hired CEOs.
1.3. Methodology

The study relied on both conceptual and empirical approach. By conceptual approach, theories and principles pertaining to the study were examined. The empirical approach took a form of establishing factual evidence base on figures sought from respondents by the use of questionnaire. Primary and secondary data were used extensively for the study. Under the Primary data, the study employed structured questionnaire design consisting of both open and close-ended questions in a clear and unambiguous statement.

1.3.1. Data Collection

Primary data for the study was collected by questionnaires and interviews. The questionnaires were administered by hand delivery to the chosen sample of Owner-managed companies, companies in the “Ghana Club 100” listed companies’ management staff who have responded to the initial survey and were willing to contribute to the study. This enabled the participants (respondents) to answer at their leisure time and hence increased item response rate.

I surveyed 30 companies consisting of 20 owner managed and 10 non-owner managed companies in the “Ghana Club 100” and also interviewed Twenty (20) Owner-Managers, 40 management staff were interviewed, and 60 non managers interviewed from owner managed companies. Another 20 owner managers from both public and private sectors of small, medium and large size category were also interviewed.

In addition I also made analysis of the financial and annual reports and the adjoining appendices to critically assess their key management and investment decisions and benefits thereof to stakeholders. Interviews were carried out alongside the questionnaire administration. The interviews were designed to gain a more in-depth picture of the research areas; what is happening in those organizations, explore leadership development in their own organizations and more broadly in Ghana.

I had also made an extensive literature review on Entrepreneurs in Ghana and elsewhere, I reviewed official documents of the Ghana Stock Exchange as well as documents from the license dealing members such as Databank, Gold Coast Securities, Institute of Statistical, Social and Economic Research (ISSER) Centre for Policy Analysis (CEPA), Ghana Export Promotion Centre, Ghana Investment Promotion Centre, Private Enterprises Foundation, Ministry of Trade and Industry.
Analysis of Companies Surveyed and people interviewed

Table 1.1

<table>
<thead>
<tr>
<th>Respondents/Companies</th>
<th>No of Respondents</th>
<th>Type of Data collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Managed companies</td>
<td>20</td>
<td>Questionnaires/Interviews</td>
</tr>
<tr>
<td>Non Owner Managed companies</td>
<td>10</td>
<td>Interviews</td>
</tr>
<tr>
<td>Owner Managers</td>
<td>20</td>
<td>Questionnaires/Interviews</td>
</tr>
<tr>
<td>Managers from private &amp; public</td>
<td>20</td>
<td>Interviews</td>
</tr>
<tr>
<td>Management staff</td>
<td>40</td>
<td>Questionnaires/Interviews</td>
</tr>
<tr>
<td>Non-Management staff</td>
<td>60</td>
<td>Questionnaires/Interviews</td>
</tr>
<tr>
<td>Public/ Public sector employees</td>
<td>30</td>
<td>Interviews</td>
</tr>
</tbody>
</table>

1.3.2 Techniques for data analysis

Both quantitative and qualitative measurements were employed in analyzing the data collected for the study. The quantitative analysis involved the use of descriptive statistics such as means and standard deviations as well as percentages to measure the growth in performance indicators (profitability, capital expenditure, return on investment etc.,)

The qualitative analysis focused mostly on information derived from the interviews and questionnaire administration which were the opinion of entrepreneurs, industry players, employees, and other market participants on what they perceive to be the growth, development and performance of selected Owner-managed companies and whether owner managers are biased in their investment decisions.

1.4 Significance of the research.

The study has provided information on how Ghanaian entrepreneurs make their investment decisions, risk bearing propensity and the outcome of such decision. Analysis of the investment decisions of owner-manager led firms has contributed to the understanding of why and how owner-managed firms achieve a higher performance.

It is hoped that the outcome of this study would serve as a source of reference to students studying entrepreneurship in the country’s universities as well as prospective entrepreneurs.

The study also revealed the kind of business risk that Ghanaian investor face and how they avert or manage such risks. It was abundantly clear from the study what differentiates Owner-managed firms from successor-CEO firms.
In a nutshell, the study has to a very large extent provided succinct information on Ghanaian Owner-managers’ Managerial characteristics, leadership style, risk tolerance, risk bearing capabilities, corporate behavior and performance.

1.5 Limitations of the Study
This study has a few limitations. The analysis and investigation of the investment decisions of Owner-managers and their performance call for consideration of several factors. Such factors include the political stability of the country, the inflation and other micro and macro economic factors as well as government policies governing companies.

The time allocated to undertake the study was relatively limited and hence restrict the coverage of other related areas which I would have loved to cover. It was difficult scheduling appointment for the interviews with the twenty Owner Managers due to their busy schedule. However, the choice to studying only companies in Ghana Club 100 has yielded a reliable evidence of the performance. To alleviate those constraints I adopted proactive measures to obtain a high response rate, besides I also did a lot of literature review ahead of time.

1.6 Thesis outline
Chapter one is the introduction to this study and sets the framework for other chapters. In chapter 2, theories and main concepts were defined and discussed. Empirical results are displayed and discussed in chapter 3. This chapter presents the results and analysis of both primary and secondary data and linkages drawn with literature review and the hypotheses. Chapter 4 concludes the work with conclusions drawn from the study and recommendation made.
Chapter Two

Literature Review.

2.0 Introduction

This research examines the Ghanaian Entrepreneurs’ investment behavior, investment choices, and decisions as reflected in their performance indicators. Entrepreneurial investment involves application of personal or external resources by the founder to the company and in this regard I shall explore several aspects of investment choices and entry decision, financial commitment and management.

Success in business, to a certain degree, requires owners and managers to take calculated risks. The most successful businesses are usually managed by people who know when to push and when to pull back, when to buy when to sell, when to stand firm and when to compromise. The successful company is managed by people who understand what risk in business is, and how this risk should be managed and mitigated.

2.1 Risk and Uncertainty

Risk is an undeniable reality of doing business today, whether domestically or globally. As Frank Knight, put it ‘Uncertainty is not measurable but risk is’ [Risk Uncertainty and Profit, 1921] Holton (2004) argued that there are two ingredients that are needed for risk to exist. The first is uncertainty about the potential outcomes from an experiment and the other is that the outcomes have to matter in terms of providing utility.

Risk can broadly be defined as the probability or the threat of damage, liability, loss or other adverse occurrences either caused by external or internal factors and which may be neutralized by taking precautionary measure. Therefore, risk is; the probability of an accident x the consequence in loss of money/deaths. In other words, risk in finance can be defined in terms of variability of actual returns on an investment around expected return, even when those returns represent positive outcomes.

In the context of finance, risk can be defined as the probability that an actual return on an investment will be lower than the expected return.
Some writers make distinction between decisions taken under uncertainty and decisions taken under risk, though both assume that outcomes are non-deterministic. A risky decision would be one in which it was probabilities cannot be known at all. The use of the term “risk and uncertainty” follows the views of Newville and Stafford (1971) and regards the distinction purely as artificial.

2.1.1 Risk Aversion: In finance, risk aversion means the reluctance of an investor to accept an investment with an uncertain return and rather settle for the investment with certain return even if the return is lower. In other words, a risk averse person is someone who given the choice between two investments with same expected returns would always choose the less risky investment. Risk averse persons normally put their money or investments in fixed dividend yielding investments such as treasury bills, bonds, preference shares, fixed deposit accounts.

2.2 Overconfidence

Entrepreneurs are confident of their success in their chosen business opportunities. Over confidence is a cognitive bias that manifests through excessive positive self-perceptions; an individual can be overconfident with respect to his abilities, knowledge, and accuracy of predictions [Hayward et al., 2006]. Overconfident individuals hold unjustifiably high views of their personal beliefs and abilities [Grinblant and Keloharju, 2006] which can lead to excessive positive expectations about their endeavors.

Studies have shown that desire for achievement and overconfidence are associated with several economic choices and greater riskiness of product introduction by managers [Simon and Housghton, 2003] greater cash flow sensitivity of corporate investments by CEOs [Malmendier and Tate, 2005] and more frequent trading activity by individuals [Grinblant and Keloharju, 2006].

In the words of Shane and Venkataraman [200] entrepreneurship involves discovery and exploitation: an individual could decide to enter the discovery process by pursuing startup activity in order to explore entrepreneurial opportunities. When he creates an operating business from the startup activity, he has begun the exploitation process and can be characterized as an operational entrepreneur. Schumpeter [1934] suggested that entrepreneurs must perceive the values of resources differently from others. It is their perception of a value difference that leads them to believe that an entrepreneurial opportunity exists.
in the first place and the confident individuals tend to perceive themselves as able to extract greater value from entrepreneurial opportunities.

Individuals will pursue startup activity if they perceive the value of the opportunity to be above the threshold, however, this threshold depends on the opportunity cost. In general, an overconfident individual will perceive a given opportunity as more valuable than individuals who is not confident

Extant research on financial investment in new ventures tends to focus on venture scale [Cooper, Wu and Dunkelberg, 1989] and liquidity constraints of the entrepreneur. McCarthy, Schoorman and Cooper [1993] studied the relationship between overconfidence and the level of investment in new firms, finding that confidence was a strong predictor of additional capital investment. Others have shown that managers of established firms who have positive expectations biases believed that outsiders undervalue their firm’s securities [Forbes, 2004]

2.3 Performance Measurement and Criteria for measurement
A central area in management accounting is the measurement of how well or badly a business is performing. This general theme can be looked at in several directions:

a. It is necessary to measure the performance of the whole business, sectors within the business, functions within the business and business projects.

b. Business performance may be measured in relative or absolute terms.
Managers and analysts of every organization will have to develop their own set of performance measures to help them gain competitive advantage. The set of measures they adopt will be affected by the interaction of three contingent variables: the competitive environment they face, their chosen strategy, eg. Cost leadership or product differentiation, the type of business they are operating.
The performance dimensions that are used also fall into distinct categories. Financial performance and competitiveness are set to measure the results of the organization’s strategy. Innovation, quality measurements, resources utilization and flexibility are measures of factors which determine competitive success and will vary between companies.
Many of the theoretical models used for the decision-making assume an objective of profit maximization. Whilst this is a useful starting point, such an objective is only one of the objectives pursued by organizations. Organizations are responsible for employee relations and have corporate social responsibilities all of which incur cost and therefore, reduce profit. Many of these responsibility areas are now being considered as critical success factors.
Critical success factors are defined as the limited number of areas in which if results are satisfactory will ensure successful competitive performance for the business. They are the vital areas where ‘things must go right’ for the business to flourish. For example, one of the critical success factors to run the mail order service is speedy delivery.

They were developed by John Rockart, at the Sloan School of Management at MIT, as an attempt to identify the real information needs of management and chief executives. Rockart claims that there are four sources for the critical success factors: the industry that the business is in, the company itself and its situations within the industry, the environment [the economy, political factors and consumer trends in the company’s catchments area], and temporal organizational factors which are areas of company activity that are unusually causing concern because they are unacceptable and need attention. Example of success will include development of new products, market success, and support field sales representatives, quality product.

Criteria for Performance Management: Business performance measurement is a multi-faceted thing. It takes into account both short and long term and qualitative and quantitative factors and one may have to find several different measures in order to develop a full impression of performance in a given situation. The most traditional measures of business performance are:

**Measure of Profitability**

i. Return on Capital Employed [ROCE] or Return on Investment [ROI] this is calculated by dividing Operating Profit through by the book value of fixed assets.

\[
ROCE = \frac{\text{Earnings before Interest and Tax}}{\text{Capital Employed}} \times 100
\]

However, there are few observations about this ratio: ROCE tends to rise as the book value of equipment diminishes through depreciation. ROCE also tends to move with the firm’s equipment replacement cycle. That is when new equipment is acquired; ROCE falls and as the equipment ages the ROCE rises.

ii. Gross Profit Margin: this ratio measures the profitability of the company’s products and is calculated as: Gross Profit divided by Net Sales. A higher margin indicates that probably the company is producing at a lower cost therefore, making higher profit for which management must be commended.

iii. Net Profit Margin: Is an indicator of how efficient management has been in controlling cost. The ratio is calculated as:

\[
\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Net Sales}}
\]
Higher margins indicate that management has been able to efficiently control cost therefore, has been able to report higher profit.

iv. Return on Assets: This ratio measures the productivity of the assets used in the generation of the income. It is calculated as:

\[
\text{Return on Assets} = \frac{\text{Operating Income}}{\text{Average Total Asset}}
\]

Non-Financial Measures

Table 2.1 Non Financial Measurement criteria

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitiveness</td>
<td>• Sales growth by products or service&lt;br&gt;• Measures of customer base&lt;br&gt;• Relative market share and position</td>
</tr>
<tr>
<td>Activity</td>
<td>• Sales Units&lt;br&gt;• Labour/Machine Hours</td>
</tr>
<tr>
<td>Productivity</td>
<td>• Efficiency measures of resources planned against consumed&lt;br&gt;• Measurements of resources available against those used&lt;br&gt;• Productivity measurements such as production per person or per Hour</td>
</tr>
<tr>
<td>Quality of Service</td>
<td>• Quality measures in every unit&lt;br&gt;• Number of customer complaints received&lt;br&gt;• Rejection as per percentage of production or sales</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>• Speed of response to customer needs&lt;br&gt;• Number of Customer visits to the factory or work place&lt;br&gt;• Percentage of on-time Delivery</td>
</tr>
<tr>
<td>Quality of Working Life</td>
<td>• Days absence&lt;br&gt;• Labour Turnover&lt;br&gt;• Overtime&lt;br&gt;• Measures of Job satisfaction</td>
</tr>
<tr>
<td>Innovation</td>
<td>• Proportion of new products and services to old ones&lt;br&gt;• New product or service sales level&lt;br&gt;• Percentage of sales from new products</td>
</tr>
</tbody>
</table>

Source: Tom Peters, Management efficiency

Balance Scorecard

The need to codify an approach to performance measurement led to the development of ‘the Balance Scorecard’. The term was used by two academic accountants, Kaplan and Norton in seminal 1992 article in the Harvard Business Review titled ‘The Balanced Scorecard-Measures what Drives Performance. The Balance scorecard is essentially a management tool that links strategy with performance evaluation through use of mix of financial and non-financial performance indicators. The general thrust that emerges from this is that performance is measured using indicators that report on both what has happened in the
immediate past and what is likely to happen in the future. At the core of the Balance Scorecard is the idea that performance has to be measured from four different perspectives:

1. A customer perspective [How do customers view the business]
2. An internal perspective [What skills and processes must we excel at?]
3. A learning and growth perspective [How can we improve and increase value?]
4. A financial perspective [How do shareholders view the business?]

The idea is that the business develops a comprehensive framework for translating a company’s strategic objectives emerging from the answers to the four questions asked above into a coherent set of goals and performance measures.

“Performance measures have one purpose: to induce the parts to do what is good for the whole” Eliyahu Goldratt, from The Goal [1993]

2.4 Entrepreneurship

There is no accepted definition of entrepreneur or what entrepreneur does (Churchill and Lewis, 1986). The term has been applied to founders of new businesses, or persons who started businesses (Gartner, 1985) in this view anyone who inherits or buys an existing enterprise or manages a turnaround as an employee is by this definition not an entrepreneur. Schumpeter, (1934) others reserve the term to apply to only creative activities of innovators whilst Garfield, (1986) called those who develop strategy to satisfy a need as entrepreneurs.

The function that is specific to entrepreneurs is the ability to take the factors of production-land, labour and capital and use them to produce new products or services. The entrepreneur perceives opportunities that other business executives do not see or do not care about. Some of them use information that is generally available to produce something new. “Basically, the entrepreneur sees a need and then brings together the manpower, materials and capital required to satisfy that need”

Entrepreneurs like most people are complex, and no one theory can explain all of their behavior. Perhaps the first and certainly the most important theory of entrepreneurship’s psychological roots was put forward in the early 1960s by David McClelland, who found that people who pursue entrepreneur-like careers such as salesmanship were high in need-achievement, the psychological need to achieve.

People with high need-achievement like to take risks, but only reasonable ones and such risks stimulate them to greater efforts. Moreover, he found that certain societies tended to produce a larger percentage of
people with high need-achievement. Other researchers have studied the entrepreneur’s motives and goals, which seem to include wealth, power, prestige, security, self-esteem and service to society.

In the mid 1980s Thomas Begley and David P. Boyd studied the Psychological literature on entrepreneurship in an effort to distinguish between entrepreneurs and people who manage existing small businesses, ultimately identifying five dimensions.

- **Need-achievement**: Entrepreneurs are high in McClelland’s concept of need-achievement
- **Locus of control**: the idea that individuals—not luck or fate—control their own lives. Entrepreneurs and managers both like to think they are pulling their own strings
- **Tolerance for risk**: Entrepreneurs who are willing to take moderate risks seem to earn higher return on assets than entrepreneurs who either take no risks or take extravagant risks.
- **Tolerance for ambiguity**: To some extent, every manager needs this since many decisions must be made with incomplete or unclear information. But the entrepreneurs face more ambiguity, since they may be doing certain things for the first time ever and because they are risking their livelihood.
- **Type A behavior**: This refers to the drive to get more done in less time, and if required to do so, despite the objections of others. Both founders and managers of small businesses tend to have much higher rates of type ‘A’ behavior than the other business executives.

Clearly, the entrepreneur needs *self-confidence, drive, optimism and courage* to launch and operate a business, beyond the safety of a steady paycheck. Sometimes entrepreneurs decide to launch a new venture because they cannot ignore their dream, their vision, and they are willing to risk security for financial gain. In other cases, they are pushed by circumstances beyond their control, such as corporate cutbacks, frustrated by limited opportunities for advancement, the need to coordinate personal and professional goals. Faced with these circumstances, many individuals find the courage and confidence to take control of their professional fate.

**Distinctive Competence**: Attitudes do not in themselves make an entrepreneur, as Karl Vesper observes, when Steve Wozniak and Steve Jobs were creating Apple Computer Incorporated in the mid-1970s, many other individuals might have wanted to be entrepreneurs even more than they did. Besides the desire, Wozniak and Jobs had a profitable business idea “just the right product suited to a big market that others were not prepared to serve”.

The two friends also had the electronics and marketing skills to exploit their idea, as well as the modesty to reach out to executives who have the necessary skills and experience they lacked.
To date there has been little research into why so many people want to start up businesses but so few are able to do so despite the reasonably high attendance at entrepreneurial seminars. There probably two reasons,

1. There is certainly no one-to-one correspondence between attendees and reasonably profitable ideas.
2. Many entrepreneurial aspirants lack what some analysts call distinctive competence.

Of course, Wozniak and Jobs had the right idea at the right time, but their “distinctive competence” included an insightful analysis of the market and the managerial ability to outperform their competitors.

There is no evidence of an ideal entrepreneurial personality. Great entrepreneurs can be outgoing or reserved, analytical or intuitive, charismatic or boring, good with details or terrible, or dictators. Successful entrepreneurs share common attitudes and behaviors:

- They work hard and are driven by an intense commitment, determination and perseverance.
- They see the cup as half full, rather than half empty
- They thrive on competitive desire to excel and win
- They are dissatisfied with the status quo and seek opportunities to improve almost any situation they encounter
- They use failure as tool for learning and eschew perfection in favor of effectiveness
- They believe that they can personally make enormous difference in the final outcome of their ventures and their lives

Successful entrepreneurs possess not only creative and innovative flair, but also solid general management skills, business know-how and sufficient contacts.

Entrepreneurship involves combining to initiate changes in production where management involves combining to produce. Management therefore refers to the ongoing coordination of the factors of production process which can be visualized as a continual combining of the factors of production. But entrepreneurship is a discontinuous phenomenon, appearing to initiate changes in the production process and then disappearing until it reappears to initiate another change.

Entrepreneurship is above all about change. “Entrepreneurs see change as the norm and as healthy. Usually, they do not bring about the change themselves (that is they are usually not inventors) but the entrepreneur always search for the change, respond to it and exploits it as an opportunity”
2.5 Schools of thought on entrepreneurship

There are schools of thought which view the notion of entrepreneurship from fundamentally different perspectives. The term has been used to define a wide range of activities such as creation, founding, adapting, and managing a venture.

Research activities on the subject had fallen into six schools of thought, each with its own underlying set of beliefs. Each of these schools can be categorized according to their interests in studying personal characteristics, opportunities, management, or the need for adapting an existing business venture. Different entrepreneurial situations of start-up, growth and maturity of businesses may require different attitudes, behaviors, approach or skills. The behavior and skills of the different schools of thought are described below.

2.5.1 The “Great Person” School of Thought of Entrepreneurship

Are entrepreneurs born or are made? Can one teach another or learn to be an entrepreneur or does the individual come into this world carrying the genes or the inborn natural capacity to perform these activities? The “Great Person” School of thought usually presents vivid pictures of business elite who are successful, or are wealthy. To be considered in this category the individual must be inspirational, be able to present ideas, concepts and beliefs that others find interesting, intriguing or stimulating. This suggests that they are endowed with certain traits or qualities that differentiate them from others. This school of thought identifies the intuitive ability of the “Great people” to recognize an opportunity and make the appropriate decision. They imply that without this “inborn” faculty for intuition the individual will be like all other mortals. Lee Iacocca (1984) described this as a feel for the problem and a decisive ability to make decisions when others are still looking for facts.

The “Great person” is also described as having strong drives for independence and success, with high level of vigor, persistence and self esteem. As a result much attention is paid to such traits as energy, perseverance, vision, single-mindedness, or such abilities as being inspirational or motivational. Early leadership researchers attempting to describe the “great person” by identifying the inborn traits came to a similar conclusion and also added that traits will not totally describe the elements of leadership and that many situational elements influence who will be successful leader and who will not (Yukl, 1981)

2.5.2 The Psychological characteristics School of thought of Entrepreneurship

It is widely thought that one’s needs, drives, attitudes, beliefs and values are primary determinants of behavior. The psychological school of thought focuses on personality factors and believes that
entrepreneurs have unique values and attitudes toward work and life in general. The researchers have identified three personality characteristics as:

i. Personal values such as honesty, duty, responsibility and ethical behavior: According to this school of thought, it is socially desirable for entrepreneurs to be honest and upright, have a sense of responsibility and duty to others and be ethical, incorruptible, dependable and truthful. This school also believed that entrepreneurs cannot be developed or trained in classroom setting. They contend that entrepreneur’s ability relates to the personality or style of behavior that develops over time primarily through relationship with parents, mentors and teachers early in life. They believed that values and ideas fostered in one’s family, school, church, community and even culture stay with the individual and guide her for a lifetime. These values are learnt and internalized and reflect the process of socialization into a culture as personal values are basic to the way an individual behave and will be expressed regardless of the situation.

ii. Risk-taking propensity: According to Stuart Mill (1984) risk-bearing is the key factor that distinguishes an entrepreneur from a manager. Some writers suggest that the entrepreneur’s primary function involves risk measurement and risk taking. This school asserts that entrepreneurs prefer to take moderate risk in situations where they have some degree of control or skill in realizing profit. They do not like situations which involve extreme risk or uncertainty (McClelland, 1965)

iii. The need for achievement The Protestant ethic posits that some cultures achieve more that others because of values of their people. The development of capitalism and entrepreneur drive are largely due to cultural values that are dominant in certain countries. Protestant values encourage the need for achievement since a person’s life is to be judged by his or her accomplishments (McClelland, 1965). Hull, Bossley and Udell, (1980) they believed that entrepreneurs have a distinctly higher need for achievement, however, the need for achievement, isolated from other variables is a weak predictor of individual’s tendency to start a business.

In summary, the psychological school of entrepreneurship believed that certain individual values and needs are the necessary preconditions for entrepreneurship, and since these values are learnt early in life and well established before adulthood, entrepreneurial characteristics are hard to inculcate in universities and schools. Cunningham and Lischeron (1991) “great entrepreneurs acquire early in life the need for
achievement, locus of control, desire for risk-taking, and high degree of tolerance for ambiguity and uncertainty.

2.5.3 The classical School of Entrepreneurship

Cunningham and Lischeron, (1991) innovation, creativity or discovery are the key factors underlying the classical body of thought and research. Entrepreneurship, in this view, refers to creating an opportunity; the opportunity seeking style of management that sparks innovation.

2.5.4 The Management School of Entrepreneurship

The management school suggests that an entrepreneur is a person who organizes or manages a business undertaking, assuming the risk for the sake of making profit. Mill (1984) in describing entrepreneur noted that in addition to risk-taking, the functions of an entrepreneur include supervision, control, and providing direction to the firm.

Some textbooks on entrepreneurship deal with the functions that relate to start-up: strategizing, developing business plan, getting started and managing, development and growth. Other writers define the transition of moving from entrepreneur to professional management as strategy of coordination, which includes the manner in which responsibilities are delegated and the degree of formality which those tasks are controlled.

This management school deals with the technical aspects of management and seems to be based on the belief that entrepreneurs can be developed or trained in the classroom. Since many entrepreneur ventures fail each year, a significant proportion of these failures might be traced to poor managing and decision making as well as financing difficulties and marketing weaknesses. According to this school of thought entrepreneurship is a series of learnt activities which focuses on the central functions of managing a firm.

The management school is directed at improving person’s management capability through developing his or her rational, analytic, cause-and-effect orientation. According to this school of thought entrepreneurs can be taught; the main aim is to identify specific functions involved and provide training to existing and potential entrepreneurs which is hoped will reduce business failures.

2.5.5 The leadership School of Entrepreneurs

There are two main streams of writings concerning entrepreneurial leadership, the first stream of development has been grouped within the “great person” school and describes the writings that suggest that certain traits and personal characteristics are important for success. The “great person” school follows early leadership research that suggests that traits such as adaptability to situations, cooperativeness,
energy and willingness to take responsibility are important aspects of success (Stogdill, 1974; Bass, 1981).

The most pervasive stream of the leadership school was concerned with how a leader gets tasks accomplished and responds to needs of people. More recently, there have been suggestions that leaders should adjust their leadership style based on the situation prevailing in the organization (Fielder, 1996). Kao, (1989) the role can be a focal point for change and inculcating values, and it can involve the skill of empowering people, preserving organizational intimacy, and developing a human resource system. This school described a leader as a “social architect” (Bennis and Nanus, 1985), or as one that is primarily an expert in the promotion and protection of values (Peters and Waterman, (1982). Certain writers make the distinction between leading and exerting managerial control over people, but the entrepreneur is embedded in a complex social network that can inhibit or enhance venture development. The network can provide ideas, access to needed resources, the commitment and assistance to carry out task and the skill of involved employees. It has been proposed that more effective leaders are those who can create a vision, develop commitment to that vision and institutionalize it. (Bennis and Nanus, 1985)

Cunningham and Lischeron, (1991) this school implies that leaders must be effective in developing and mentoring people. The leader is an experienced mentor by whom the protégé is taught, the critical trade secrets.

2.5.6 The intrapreneurship School of Entrepreneurship

The intrapreneurship school evolved in response to the lack of innovativeness and competitiveness within an organization. Intrapreneurs to the limited extent that they possess discretionary freedom of action are able to act as entrepreneurs and implement their ideas without themselves becoming owners. Alertness to opportunities is one dimension of intrapreneurial activity. Such strategic behaviors provide the means for extending the organization’s activities and discovering opportunities (Bird, 1988).

The intrapreneurial school generally assumes that encouraging people to work as entrepreneurs in semi-autonomous units can achieve innovation in existing organizations. However, there are indications that large corporations have been unsuccessful in creating Intrapreneurial climate as many managers involved in the intrapreneurial ventures often leave the company, sometimes in frustration to start their own entrepreneurial ventures. Their departure may indicate that entrepreneurial forces might be at odds with normal managerial activities or that conventional organizations have not been able to use the intrapreneurship model to their best advantage. The success of the concept seems to depend on the abilities of operational level participants to exploit entrepreneurial opportunities and whether or not managers in the overall corporate structure see the need to exploit these opportunities. This school of
thought requires individuals to work together in teams much more than entrepreneurs do. In this sense intrapreneurship as a “team” requires the ability to use people effectively in groups where tasks require different inputs from team members.

2.6 Theories on Entrepreneurship as an Economic Function.
Theories on entrepreneurship as an economic function are mainly characterized by looking at the role of the entrepreneur in the economy at an aggregate level rather than the level of the firm. Richard Cantillon (1755) was the first person to recognize the crucial role of the entrepreneur in economic theory. “The farmer is an entrepreneur who promises to pay the landlord for his farmland a fixed sum of money without assurance for the profit he will derive from the enterprise”

The entrepreneur is motivated to engage in entrepreneurial activities by gaining a potential profit. He or she buys the product at a known price and sells at an uncertain price and thus risks losing money because of uncertainty with sales price; uncertainty is an inherent element in the market.

The economist Jean Baptiste (1800) defined entrepreneur as “the entrepreneur shifts economic resources out of an area lower and into an area of higher productivity and greater yield. Drucker (1995) broadened the understanding of entrepreneurship by including “the concept bringing together the factors of production. Frank Knight (1921) described the most important characteristics of the social organization by introducing uncertainty. In the first place goods are produced for the market on the basis of an entirely impersonal prediction of wants; not for the sake of satisfaction of the wants of the producers themselves. The producer takes the responsibility for forecasting the consumers’ wants. In the second place the work of forecasting and at the same time a large part of technological direction and control of production are still further concentrated upon a very narrow class of producers, and we meet with a new economic functionary, the entrepreneur.

Schumpeter added the concept of innovation to the theory of entrepreneurship; he made the distinction between two separate systems of economic activities: a static and a changing environment. The static describes the static circular capitalist system and thus the typical situation for the capitalist. The entrepreneur is an important agent in the changing system. For Schumpeter, the entrepreneur is the bearer of the mechanism for change. Changes can occur both from inside and outside the economy. Changes, development, or entrepreneurship is defined “by carrying out of new combinations which can be called ‘enterprise’ and the individual whose function is to carry them out is called ‘entrepreneur (Schumpeter, 1934)
He listed five different kinds of innovation or ways to act as an entrepreneur:

a. the introduction of a new good or quality of a good
b. the introduction of a new method of production
c. the opening of a new market
d. the utilization of some new sources of supply for raw materials or intermediate goods
e. the carrying out of some new organizational form of industry.

For Schumpeter, the ability to identify new opportunities in the market is paramount entrepreneurial activity which creates disequilibrium in the economy.

Casson (1982) has developed a theory of the entrepreneur from an economic perspective in which he argued that economic theory is the only one of the social sciences which does not have an established theory of the entrepreneur. He made two theoretical reconstructions; the first concerns an intuitive objection to the neoclassical economics and its translation of the invisible hand into an assumption of perfectly competitive equilibrium. He defined entrepreneur as ‘someone who specializes in making judgmental decisions about the coordination of scarce resources. As a support for his definition he established five arguments to explain.

1. Entrepreneurship appears as a personal quality that enables certain individuals make decisions with far reaching consequences.
2. the entrepreneur has better, or at least more relevant information than other people
3. it is assumed that the entrepreneurs are motivated by self interest
4. The entrepreneur believes that he or she is right, whilst everyone else is wrong. Thus the essence of entrepreneurship is being different; being different because one has a different perception of situation
5. The entrepreneur often has to create an institution to make markets between him and others.

This line of argument by Casson builds on a link between potential entrepreneurial profit and wage level. He argues the number of entrepreneurs depends on the number of profit opportunities; profit opportunities are reached through judgmental economic decisions of the entrepreneurial opportunities, which will be compared with current wage levels. This means that one will expect a higher number of entrepreneurs in the case of high-perceived entrepreneurial profit opportunities and in cases where the individual potential entrepreneur expects profit to exceed the current expenditure level.
As a conclusion to Casson’s contribution it can be argued that the economic motive is not sufficient to explain entrepreneurship though it is an important factor. The phenomenon “entrepreneurship” cannot be reduced to the economic aspects if a sufficient understanding and explanation is the aim.

2.7 The Entrepreneurial Process and Sources of Business Ideas

The Entrepreneurial Process
The process involves the entrepreneur finding, evaluating, and developing an opportunity by overcoming the strong forces that resist the creation of something new. Hisrich and Peters (2002) discern distinct phases of the entrepreneurial process as;

- identifying and evaluating the opportunity
- developing a business plan
- determining the resources required, and
- managing the resultant enterprise

Sources of New Business Ideas
According to Amar Bhide (1992) new ventures are usually started to solve problems the founders have grappled with personally as customers or employees. The following are a few of the sources;

- Work experience: Again Amar Bhide estimated as many as 71% of new businesses started are based on replicated or modified ideas encountered through previous employment.

- Casual observation: Often ideas for new product or service result from chance observation of daily living situations. This commonly occurs when people travel and observe product or services being provided that are not yet in the person’s local market area

- Deliberate Search: A new business idea may also emanate from the prospective entrepreneurs purposeful exploration to find a new idea. This can be done by references to, magazines, newsletters, trade publications, inventors’ shows, research institutions and Universities.

2.8. Evaluating Business Ideas
Since is quite likely that entrepreneurs may identify a number of ideas worthy of further investigation, Zimmerer and Scarborough (2006) advised entrepreneurs to focus on “value added” concept, not the
“Great Idea.” They proposed the following four-staged process for screening ideas in search of opportunities.

- Determine the magnitude of the opportunity
- Estimate the key success factors of time, money and risk
- Conduct a detailed demand analysis
- Estimate the initial total cost of the new venture

a) Determine the magnitude of the opportunity
The evaluation of an opportunity must always begin with basic questions relating to the magnitude of the opportunity, basically adequate demand for the product or service. The entrepreneur should answer crucial questions such as: how different is the new products from the existing ones if the idea materializes, how will the new product create value for the end user, what will be the likely demand for the product, what will be the market share, what is the level of profitability?

b) Estimate the key success factors: time, money and risk
If there is adequate demand for the product there is still the need for further investigation of the creation of the new venture. Three key questions relating to time, money and risk should be asked:
Time: What is the “window of opportunity” What new product development activities have competitors undertaken? How long will it take for the idea to move through product development to a “market-ready” product? How long is the window of opportunity?

Money: How much will the product development cost? How much will it take to create and maintain a business that will support the new product? How will it cost to produce economic product quantity for the market?

Risk: Three kinds of risk must be taken into account. First is the competitive risk, the likelihood that competitors will develop or are developing a similar or even better product. The second is the technical risk, whether is technically feasible to convert idea into product can the company keep up with technological change? And lastly, is the financial risk- whether there will be sufficient capital to sustain the venture until revenue reaches satisfactory levels.

c) Conduct a detailed demand analysis
The purpose of conducting detailed analysis on demand is to ensure that the product can be produced in adequate quantity, acceptable quality and at competitive cost.
On his part, Amar Bhide, a Harvard professor of entrepreneurship is of the opinion that too much analysis can be harmful especially to the entrepreneur because by the time an opportunity is fully investigated, it may no longer exist. Also analysis can delay entry until it is too late or kill ideas by identifying numerous problems. Yet the Harvard professor advances three steps as critical elements of winning entrepreneurial approaches of evaluating ideas:

- Screening opportunities quickly to weed out unpromising ventures
- Analyzing ideas parsimoniously. Focusing on few important issues.
- Integrating action and analysis. Not waiting for all the answers and being ready to change course.

To conserve time and money, successful entrepreneurs minimize the resources they devote to reaching their ideas. The entrepreneur should only do as much planning and analysis as seems useful and then make objective calls when necessary. Characteristically entrepreneurs have to integrate action and analysis by handling analytical tasks in stages, plugging holes quickly. They often blur the line between research and selling.

From the beginning entrepreneurs don’t just seek opinions and information; they also look for commitment from other people and in that regard they treat everyone they talk to as a potential customer, investor, employee or supplier or at least a possible source of leads in future. In what is termed “smart arrogance” entrepreneur’s willingness to act on fuzzy plans and inconclusive data is often sustained by an almost arrogant self-confidence. The arrogance must stand the test of adversity though entrepreneurs must have great confidence in their talents and ideas to persevere as market demand dwindles or business runs out of cash.

### 2.9 Small Business Growth Cycle and Small Business Failure

One primary approach to conceptualizing growth is the “stage” models related to the idea of an Organizational Life Cycle (OLC). Such models utilize a biological metaphor that suggests that organizations are born, grow and matures. The concept of OLC prescribes that internal structure and systems become more prevalent and elaborate as size increases. Churchill used OLC model to delineate the growth of small businesses into six stages:

- Conception
- Survival
- Profitability and stability
- Profitability and growth
- Take-off
- Maturity

Conception: at the conception stage, the business is just getting started. The main problems it faces are attracting customers and delivering the products or services required. Companies at this stage are struggling for existence as many a time customers or adequate production capabilities do not materialize before funds run out.

Survival: Firms that stay in business beyond stage one have demonstrated that they are viable. The major goal is survival and to this end there is likely to be a limited formal planning. Many companies remain at this stage for a very long time and are typically restricted by growth opportunities in overcrowded markets. Those companies that become profitable move on to the next stage and new challenges.

Profitability and stability: At this stage, the owner of the firm has recognized that they require further management skills to sustain profits and quickly put one in place. Due to the market size and the niche that many small firms operate in, many of them stay for a very long period in the stability phase, provided the firm can adapt to external environmental changes. If it cannot adapt to the changes, it will either fail or reverse to the survival stage.

Profitability and Growth: The firm at this stage needs to promptly identify opportunities, put in place strategic plans, and requires adequate resources to implement the strategies. Stage four is often the first attempt to expand beyond the firm’s immediate trade area. If the company is successful, it moves to the next stage. If not, it may shift to the third stage; otherwise, it may slide back to stage two or be sold.

Take-off: In the take-off stage the key problems are how rapidly to grow and how to finance the growth. The main issues here are how to effectively and efficiently handle the growth, proper operational and strategic planning. Very often firms that move successfully through the first four stages fail to succeed at stage five because of their inability to the challenges enumerated above. Unsuccessful efforts at this stage will lead to a company folding up or reverting to one of the former stages.

Maturity: At this stage the company needs to consolidate and control the financial gains resulting from the rapid growth, but must attempt to retain the enthusiasm responsible for the success. In the mature stage, a firm will have to establish sound management and clear systems to control the business. The challenge however, is to remain competitive by not stifling creativity and innovation within planning systems which fail to recognize changing environmental trends.

It can be discerned from the discourse that there is a clear relationship between the levels of management expertise, business systems, team development, individual skills and the successful growth of the small firm.
Small Business Failure

Moran and Sutton (1999) cites US statistics that suggests that 84% of businesses that survive the first year still fail within the five years because the founders have not mastered visioning and lack the leadership qualities to implement such visions. Murphy (1995) defined failure as “the condition of the firm when it is unable to meet its financial obligations to its creditors in full”. It is deemed to be legally bankrupt and is usually forced into insolvency liquidation.

The academic study of business failure has made a number of different frameworks available to analyze the subject. Miller (1990) has suggested that organizational success and failure are two sides of the same coin. That is the strengths and successes of outstanding companies lead them towards dogma, ritual and excess, overspecialization and overconfidence. What he calls the Icarus Paradox- that the ability of an organization to succeed contains the seed of failure as inappropriate strategies are pursued.

According to Elliot (1999), Hall also surveyed owners of failed business, and their perceptions of primary causes of failure and came up will the following:

Internal Operational issues

- Under-capitalization
- Poor management of debt
- Inaccurate costing and estimation
- Poor management accounting

External Strategic Issues

- Lack of demand
- Lack of credit facilities
- High interest rate
- High rate of inflation
- Keen competition

Personal Issues

- Disagreement with strategic partners
- Poor human relations skills

Technological Issues

- Inferior products
- Obsolete equipment
- Fast changing technology
2.10 Background information of “Ghana Club 100”

The Ghana Investment Promotion Centre (GIPC) is the government agency re-established under the GIPC Act 1994 (Act 478) mandated to encourage, promote and facilitate investment in all sectors of the Ghanaian economy with exception of mining, petroleum, free zone activities and privatization of Government entities.

Consequently, the centre launched the Ghana Club 100 (GC 100) in 1998 to recognize the best performing companies in Ghana to encourage other companies to achieve higher standard. GC 100 focuses on the private sector, for companies with government shareholdings, the government’s shares must be below 50%.

Objectives of the GC 100 Program

According to GIPC’s 2009 GC 100 program launch, the objectives of the GC 100 program are:

- Encourage and promote Entrepreneurship
- To serve as a basis for evaluating the corporate and financial performance of Ghanaian enterprises
- Reward innovation and celebrate star-ups
- To encourage greater participation from different but strategic sectors of the economy
- To encourage good corporate governance particularly transparency, disclosure and accountability of Ghanaian enterprises.

2.11 The Award Winning Criteria.

Over the years the criteria for selection of award winners had changed, and 2009 is no exception. This year several changes had be made to bring the eligibility criteria in line with the stated objectives.

Ranking was done for top 10 enterprises in 10 sectors (100 enterprises), the overall winner of each of those will vie for the Ghana’s most respected Business award, and other category winners may or may not be in the GC 100 list.

The Matrix will only account for 65% of score:

Table 2.2 GC ‘100’ Award Winning Matrix

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Parameter</th>
<th>Weight age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>Absolute Turn over</td>
<td>15%</td>
</tr>
<tr>
<td>Growth</td>
<td>% growth in turn over</td>
<td>30%</td>
</tr>
<tr>
<td>Profitability</td>
<td>Total Return on equity</td>
<td>20%</td>
</tr>
</tbody>
</table>

The balance of 35% will be based on peer review done via questionnaire that will seek to ascertain some of the softer and strategic elements:-

-  Peer review on performance, management. Strategic plans
-  Companies to be in good standing with statutory authorities such as IRS, VAT, SSNIT, Registrar General’s Dept.
-  GC 100 Enterprises to file most recent three years audited accounts
Chapter Three

Data Analysis and Discussion

3.0 Introduction

In this chapter summary of statistical analysis conducted on data collected for the research are reported. Frequency tables and charts as well as other relevant statistical output are generated to illustrate statements and observations in the analysis. This section also links the literature review and the findings and makes inferences and present findings of the research.

A long history of entrepreneurship literature has asserted that a critical economic role of the entrepreneur is risk-bearing. One consequence of that perspective is that the theoretical and practitioner literature has assumed that entrepreneurs are risk-seeking. To date however, the empirical literature has consistently found that entrepreneurs’ risk profiles cannot be separated from that of salary earners or those in paid employment.

What appears to be the contributing factor between the disparity theory and facts on the ground can be explained by the dimensionality of uncertainty.

3.1 Research Findings and Analysis

Testing of Hypothesis A

“Ghanaian Entrepreneurs are traditionally risk averse towards investment opportunities but are confident about their capabilities”

My interview with the 20 entrepreneurs gave the indication that apart from certain businesses having some specific risk pertaining to the sector the investor is operating in, every entrepreneur faces some common risks, and that regard one cannot afford to say because of risk he or she will not venture into business.

Q. what motivated you to form your own company?

Sixty percent of Owner Managers who responded to this question said they established their own companies as a result of economic circumstances, another 30 % said they did so as their long cherished desire to found their own company, whilst about 10% said they started as a hobby and later transformed into a full blown business venture. The above responses are presented in graph 1 below.
Graph 1: What motivates Owner Managers to form their own companies?

- Economic: 60%
- Desire: 30%
- Hobby: 10%

Source: Author’s analysis of data collected from Owner-Managers

Q How long has the vision to form a business been on the drawing board?
Seventy-five percent said their vision to form their own company had been on the drawing board for more than ten years, 10% said between 5 and 9 years, 10% said between 1 and 4 years only 5% said less than one year.

The response to the follow up question which sought to find out the reasons for the duration produced the following responses: 75% of the 75% who said their dream delayed for more than 10 years said they feared the business might not succeed, whilst the other 25% in the same response group said they lacked management and technical expertise in the sector, lack of capital and other logistical support. Fifty (50%) percent of the respondents who said they delayed for more than 5 years said they dreaded how new companies failed in the country and their attendant heavy losses that they left on the investors. The remaining 50% in this group ascribed their delay to either lack of capital or fear of being perceived as rich and therefore open for persecution; a target for harassment for financial assistance. Some even referred to the revolution days when the Military leaders seized businesses and either imprisoned or killed the owners having considered them as rich and wicked without regard for the poor and probably became rich because they looted from the government by one way or the other.

Those entrepreneurs who had been able to start their ventures within a year after they had conceived their business ideas said they couldn’t wait. They gave several reasons among which were; fear of another person coming up with the same venture, economic pressures on them which push them to start...
something, they started as a hobby, as a means of self actualization, they had the knowledge and expertise they had acquired from their previous employment, either in a formal employment or family business. It is evident from the above results that fear for business failure contributed about 60% and 40% was due to other reasons combined.

Q. At the time you conceived the vision to form your own company how sure was you about your returns?
To this question, respondents were asked to choose from, a percentage range of (a) more than 75% sure (b) between 50 and 75% sure (c) less than 50% sure.
More than 75% sure 4 persons
Between 50 and 75% sure 4 persons
Less than 50% sure 12 persons
Total entrepreneurs surveyed 20
What is clear in the above data is that twelve out of the twenty entrepreneurs which represents 60% of the respondents were not very sure of the profitability of their investments, yet they still went ahead to invest.

Though respondents were asked to give their own reasons, I have analyzed and classified the responses as reported here.
The respondents who indicated that they were in the 50 to more than 75% group gave the following reasons:
1. they had the inner feeling that they will make it by making good use of their talents, skills and expertise
2. they had observed a business trend either in the country or internationally from the continent, the west African sub-region and the developed world which gave the assurance that it will work
3. they perceived high market demand due to lack of competitors

The less than 50% sure group, have the following as their answer:
1. they were not sure of demand for their goods
2. unfavorable macro economic conditions (high inflation, high interest rates, lack of credit facilities)
3. The past political conditions in the country where successful businessmen were perceived as nation looters and their businesses seized and in some cases imprisoned or killed.
4. poor facilities for marketing and distribution of goods and services
5. lack of raw materials, skilled labour
6. lack of credit, insurance facilities
Interestingly, whilst the very sure group saw their personal qualities, skills and expertise as strength the “not sure” group did not mention anything about their personality and in fact listed more problems or reasons than the “very sure” group.

Q. Did you do any formal “investment analysis” before starting your business? The respondents were asked to either say “Yes” or “No”
Only 5% (one person) of the Owner Managers did a formal investment analysis (investment appraisal) or business plan by an expert. Even this was to satisfy a banking requirement for loan to start the business. The rest did not.

Q. List in descending order according to the degree of severity 5 challenges confronting your business. These challenges rank fore most among others and I have listed according to the degree of frequency in the various listings.
1. Market demand
2. Macroeconomic conditions: depreciation of the cedi, inflation, high interest rates
3. Unreliable source of energy
4. Lack of raw materials
5. Unavailability of land for sitting of the company.

Q. How do you deal with your identified risk?
The respondents were asked to chose from: a. transfer, b. treat, tolerate, c. terminate
The CEO’s risk awareness, risk appetite or ‘tolerance’ level will determine how he or she will deal with the risk. None of the CEOs interviewed wanted to tolerate risk. Risk tolerance means to accept that the risk might occur but do not put in place any system to manage it. Four (4) respondents representing 20% said they ‘transferred’ the risk. To transfer the risk means to pass on the risk elsewhere by taking insurance cover, taking fixed priced contract or order, outsourcing the activity.
Eight (8) respondents, representing 40% said they ‘terminate’ the risk. To terminate risk means to decide against the activity altogether, but in the context of initial investment in project it would mean identifying the point at which it would be better to ‘bail out’ rather than proceed with the project. That is when the Net Present Value [NPV] of the revised future cash flows is negative.
Eight (8) respondents representing 40% said they ‘treat’ the risk. To treat risk means to put in place measures to either control the likelihood or the consequence of the event occurring.
In my opinion, the CEOs who terminated risk are outright ‘risk averse’ in the sense and meaning of the word. Those who transferred the risk do not have appetite for risk, likewise the CEOs who treat the risk. This is because they fear the risk would occur for that matter they had taken steps to mitigate the effect. By inference 100% of the CEOs interviewed are risk averse. Graph 2 below illustrates the above responses.

**Graph 2 How CEOs deal with identified risks**

Source: Author’s analysis of data collected from CEOs

Q Do you have more than one product? (Diversification)
Only 5% of the CEOs interviewed deal in single product, the rest deal in multiple products an indication that they are spreading their risk. I have identified four major ways they have diversified their risks
1. A good number of them have portfolio of different ongoing projects
2. Those of them who deal in single product have built a wide range of customer base to reduce reliance on a narrow customer base.
3. Some of them have gone international whilst another set have located some key parts of the business in different countries

![Graph showing how CEOs deal with identified risks: Tolerate 0%, Transfer 20%, Terminate 40%, Treat 40%](image-url)
4. Those of them who have identified source of raw material as a potential risk had either substituted the kind of materials they use or looked for another source of supply.

Q. Would you like to work for another company as a manager?

Hundred percent of the respondents did not want to work for another company. What this response tells us is that they are happy doing what they are doing and would not go back to employment. Reasons given were, they have now learnt how to manage their own company and would like to see it grow, they want to be their own employers, and they earn more money than what they earned when they were in employment. They also alluded to the joy of seeing their ideas work. In fact this question was asked purposely to find out if they had regretted delving into their various business ventures and the result above was amazing.

Following from the responses enumerated above; in my view Ghanaian entrepreneurs’ risk aversion is confirmed but this is due to the fact that they basically face two types of uncertainty which consequently made them risk averse. These are:

1. market demand uncertainty; stemming from competition, trade liberalization and other factors
2. Entrepreneurial ability uncertainty; as result of lack of requisite Management/leadership, technical operational and financial management skills.

In my opinion Ghanaian entrepreneurs display a significant amount of risk aversion to demand uncertainty but at the same time are very confident about their capabilities, in other words, they are “risk seeking” despite their ability uncertainty. I hereby refer to the results of the entrepreneurial risk taking propensity of Ghanaian entrepreneurs where 60% were not sure of their returns but all the same ventured their respective businesses without any business analysis they jumped into the business etc., Accordingly, whilst they are risk-averse in the classic sense of preferring a “certain return” to an uncertain investment with commensurate expected value, their over-confidence predisposes them to bear economic risk under a given set of conditions themselves in.

To conduct the empirical test, I tried to assess both market demand certainty and entrepreneurs’ ability uncertainty by interviewing twenty owner-manager of companies in the in the Ghana club 100. Consequently, I examined whether Ghanaian entrepreneurs are biased in their investment decision making and how successful they are in those decision makings.

According to the Managers interviewed, Ghanaian entrepreneurs’ market demand uncertainty can be traced to:
- competition: (substitutes, superior quality imported good, low priced goods
- Characteristics affecting consumer behavior (cultural, social, personal, psychological)
- Low income levels of consumers
- Poor or lack of marketing and storage facilities
- High cost of production: labour cost; though labour itself is cheap the frequent industrial strikes have made it to be costly whenever they go on strike, high cost of raw materials as a result of the depreciation of the cedi (worsening exchange rates), and inflation.
- Lack of investment in marketing research: marketing research will lead to gathering and distributing research intelligence information about actors and forces in the marketing environment needed for planning and aiding exchange. Finding prospective buyers and developing and spreading persuasive communications about an offer.
- Entrepreneurs are not taking full advantage of the information technology available in marketing their products. Even those who have being doing so are facing the challenges of internet fraud, not many clients have access to the internet or use it for business. Another limitation is that not many Ghanaians have credit cards so buying and selling on the net is not well patronized.

Judging from the point of view of the principles of enlightened marketing which holds that a company’s marketing systems should be;

1. consumer oriented
2. consumer value based
3. innovative
4. have a sense of mission
5. societal base

The CEOs confirmed that they did not view and organize their marketing activities from the consumers’ point of view and for that matter did not match up to the above standards.

According to the principle of consumer value based marketing companies should put most of their resources into customer value-building marketing investments. But the CEOs said they find doing that expensive and thereby reducing their profits, therefore, resorted to some kind of marketing strategies which are one-shot sales promotion, cosmetic packaging changes, direct response advertising which raised sales in the short term but added less value than actual improvements in the products quality and features would have been.

Though the CEOs were of the view that they were implementing consumer oriented marketing strategies, a thorough investigation proved otherwise. They should work hard to sense, serve, and satisfy the needs
of the defined group of customers. Instead of finding out what the consumers need, how, when and where they want the good they ignored that and therefore went ahead to produce according to their desire and tried to find market for them.

An enlightened company makes marketing decisions by considering consumers’ wants and interests, the company’s requirements, and society’s long-run interests. In this regard the CEOs should see the society’s problems as opportunities. A societal oriented entrepreneur wants to design products that are not only pleasing but also beneficial and by so doing they will win customers from competitors and then keep and grow them by delivering greater value. But before it can satisfy consumers, the company must first understand the consumers’ needs and wants. Thus, a sound marketing requires a careful customer analysis.

In my contact with many of the CEOs interviewed it came to my notice that they pursued the whole market place. They did not realize that they cannot profitably serve all consumers in the market place. There are too many different kinds of consumers with different kinds of needs and most companies are in a better position to serve some segments better than others. Thus each company must divide up the total market, choose the best segment, and design strategies for profitably serving the chosen segment. This process involves market segmentation, market targeting, differentiation, and market positioning.

Quite apart from the afore mentioned pitfalls, the CEOs interviewed had as a result of their inability to sell their products resorted to various means of marketing which do not yield much. According to the principle of innovative marketing, “companies which seek real growth must continuously pursue real product and marketing improvement otherwise the company will lose customers to the company that has found a better way.”

What aggravated the market demand uncertainty of the CEOs interviewed is the lack of effective and efficient marketing strategy. They seem to be implementing reactionary marketing plans which do not work for the long-term and therefore could not sustain the initial rises in sales soon after their implementation. As a good marketer one has to determine his strength and weaknesses and thereby develop appropriate strategies. Since they did not do that their actions were misplaced. Through marketing research the company would be able to figure out the best marketing communication strategy, the target market to serve, where to develop their marketing niche, right marketing mix to use.

The CEOs are aware of the four marketing mix strategies but failed to apply them to their advantage since they did not do the marketing research or customer analysis to know the customer’s need.
Almost all of the companies surveyed had over relied on the use of price to increase their sales and market share but failed. In doing so they used price discounts, quantity discount, souvenirs, credit sales etc. Whilst doing that they failed to improve the quality of their products, did not offer variety of brands, packaging was poor and they did not offer after sales service to customers.

The entrepreneurs believed the low prices and the various allowances will win them the needed market share so they did very little in advertising and distribution of the products. In most cases the adverts did not effectively communicate the usefulness of the products. Some of them went on to explain that there are many advertising medium in the country now than before so to advertise in all the radio and TV stations and the newspaper is too expensive.

**Entrepreneurs’ ability uncertainty**

Entrepreneurs’ ability uncertainty refers to the entrepreneurs’ management and leadership qualities, experience, expertise, drive, insight, potentials, skills and all innate qualities they have but are unsure if they can use them to their advantage to succeed in their dream business. This was evident in the interviews conduct with the owner managers in the Ghana club 100. It can be inferred that there are many more potentially Ghana club 100 companies out there which had not started though they have what it takes to make it.

To conduct the empirical test I asked probing questions about the manager’s management, and leadership qualities.

Q. Have you ever been in any top management position of the category of you current entrepreneurial endeavor?

This question is very important because as an owner- manager, the CEO must be able to perform all such functions as defined in management as ‘the attainment of organizational goals in an effective and efficient manner through planning, organizing, staffing, directing and controlling.

Interestingly, eighteen (18) of the managers interviewed representing 90% of the Owner-Managers survey had not ever worked in any top management position before establishing their own companies and only 10% had had a feel of top management decision making. This is indicative of lack of management, planning, implementation and control expertise which are necessary requirements for an effective and efficient management of an organization.

They explained that they found the solution in hiring competent professionals to make-up for their short fall.
Q. What management or leadership skills do you have that is beneficial to your chosen field?

Both leadership and management are concerned with providing direction for the organization, but management focuses on establishing detailed plans and schedules for achieving specific results, then allocating resources to accomplish the plan. Leadership on the other hand calls for creating a compelling vision of the future and developing farsighted strategies for producing the changes needed to achieve that vision.

Though a person may not work in management position but may have the potential for management, so I followed up with this question to know if they have management and leadership skills that are of any benefit to them. They were asked to select from a range of qualities and list according to the degree of importance starting from the most important quality, and the response are stated follows.

1. Development and implementation of Strategies,
2. Analytical thinking and problem solving technique
3. Good management of all resources including material, information and human resources
4. Ability to motivate other staff through good leadership styles
5. Good communication and interpersonal skills

Q. Do you trust others to do things for you effectively and efficiently as you desire? [Delegation]

Seventy-five percent of the respondents (15 CEOs) said they find it difficult delegating sensitive and core functions because they think nobody can do it better than they do. They have even gone ahead to say they tried few times but the results were not to their satisfaction. This is a clear demonstrations of “I can do it myself; nobody can do it better than I do”. The problem with this kind of management style is that the company is over relying on one individual and when he is not there the business will collapse because they have not developed the capacity. This kind of result is indicative of the CEOs believe in themselves as the supermen, I know it all, a threat of over confidence. The remaining 25% are able to delegate without fear of not getting the right results.

From the evidence available through this study, it is clear that the socio-economic conditions in Ghana have had two dimensional effects on entrepreneurs’ ability to enter into private venture. One is a “rational options effect” and the second is “over confidence effect”

The old theoretical view of risk seeking nature of entrepreneurs was reconfirmed, quite apart from that it has been established that there is a high degree of ability uncertainty but the entrepreneurs are overconfident they will overcome the odds. This overconfidence was derived from several sources.
1. the economic conditions
2. the desire to dare and make a name
3. inner feeling

What is clear in these findings is that because of the above conditions, even risk averse entrepreneurs tend to disregard their perceived risks and therefore appear to be risk neutral. However, a more proactive view shows that under certain circumstances others have exhibited greater risk tolerance with respect to ability uncertainty and as such do not view the business situation as risky, instead they believe that through skill, strategic planning and implementation, and information they can succeed.

**Qualities of Owner-managers**

Among the questions distributed to the management and non-management employees were questions to find out the managerial and leadership qualities of the owner managers. The results are analyzed below.

- **Leadership roles and qualities**

To probe more to know the leadership qualities and how well the Owner Managers are doing employees were asked to complete questionnaires. In all 100 questionnaires were distributed to twenty Owner-managed companies; 5 each to every company, distributed to 2 management staff and 3 to the other ranks. Using the following definitions of levels of performance, they were asked to indicate in their perception how they evaluate their chief executive’s work performance.

- **Excellent**: Performance is clearly outstanding, performance is exceptional on continuous basis.
- **Good**: Performance generally meets or exceeds standard or expectations, Attains all or nearly all of position objectives.
- **Satisfactory**: Performance is adequate, it meets standards or expectations.
- **Needs Improvement**: Fails to meet one or a few job expectations
- **Unacceptable**: Performance is below acceptable levels, Fails to meet most expectations

**Leadership and Managerial Qualities**

I wish to start this paragraph with a quote “The quality of the leader determines the quality of the organization. A leader who lacks intelligence, virtue and experience cannot hope for success. In any conflict the circumstances affect the outcome. Good leaders can succeed in adverse conditions. Bad leaders can lose in favorable conditions. Therefore, good leaders constantly strive to perfect themselves, lest their shortcomings mar their endeavors. When all other factors are equal, it is the character of the

Q. Functions as a self-starter, setting high personal standards and pursuing goals with a high level of personal drive and energy?

Great achievers are self-starter, courageous, enthusiastic, and passionate about their vision, have drive, motivated, seek achievement, have energy and tenacity and are frequently seen to have ambition and initiative to achieve their goals.

By this question I sought to find out if the Managers are able to initiate actions and carry them through and the responses are as enumerated below as depicted in graph 1 and the explanations.

Sixty (60) respondents representing 60% said their CEO is ‘excellent’ out of the 60 respondents 25 were management staff and 35 were other ranks. Forty respondents said their CEOs were ‘good’. This result tells me that the CEOs were good at starting and accomplishing their goals and objectives.

Graph 3 Manager’s ability to function as self starters

Source: Author`s analysis of research data collected

Respondent’s perception about the Manager

Manager’s ability to function as a personal starter

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Good</th>
<th>Satisfactory</th>
<th>Needs Improvement</th>
<th>Unacceptable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
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<td>10</td>
<td>10</td>
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<td>100</td>
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<td>Others</td>
<td>30</td>
<td>15</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>75</td>
</tr>
</tbody>
</table>

Source: Author’s analysis of research data collected
CEOs ability to provide effective leadership and direction to all staff

About fifty-five percent (55 respondents) of the respondents said the CEOs are ‘excellent’ 20% (20 respondents) said ‘good’ 15% (15 respondents) said ‘satisfactory’ and 10% said ‘need improvement’ These responses give a very good account of the CEOs ability to lead and direct. In fact if the CEO cannot provide leadership and give the direction of the way the company should go, then the company cannot go anywhere. What is important here is that 97.5% (35 out of 40) of management respondents appreciated their CEO’s leadership. This group normally is educated, have good knowledge of good management and leadership qualities and skill and very critical about the management and leadership styles of their CEO, for this group to rate their CEOs that high is a good account of the leadership qualities of the Owner-Managers.

Graph 4: Managers’ ability to lead and direct

Source: Author`s analysis of research data collected

In the same vein the 92% (55 out of 60) of the ‘other staff’ group said their CEOs were able to provide good leadership and direction.

Q. Maintains a work style which is open to constructive suggestions?
Wisdom they say does not reside in the head of one individual therefore, a leader who accepts divergent views stand the chance of having better information for decision making. It is in this light I asked the respondents this question to find out if their CEOs accept constructive criticisms.
Seventy-five percent (75%) gave good account of their CEOs that is ‘excellent’ 35%, ‘good’ 20% and ‘satisfactory’ 20%. Twenty-five percent are not appreciative of their CEOs’ tolerance level to constructive criticisms. What is also clear is that there are CEOs who want to show that they are in control for that matter would resist every suggestion for acceptance of contrary is a demonstration of weakness and lack of control. The greatest opportunity for synergy occurs when people have different viewpoints, because the differences present new opportunities. The essence of synergy is to value and respect the differences and take advantage of them to build on the strengths and compensate for weaknesses.

Q. Demonstrates the leadership, initiative and persistence needed to accomplish goals and objectives? These are the qualities needed to start a project, implement, monitor and evaluate the outcomes and take corrective measures when results are not as expected. In graph 6 below, 47% responded ‘excellent, 30% responded ‘good’ and 23% responded ‘satisfactory’.

**Graph 6**
Q. Does the CEO show willingness to try new approaches or methods?

The advent of improvement in science and technology processes, procedure and methods of doing things are fast changing for the better so the manager who is able to cope with the changing trend will be among the progressive group of companies. It is in this light I sought to find out how well CEOs are doing in adapting to new methods.

In all 82 respondents representing 82% had indicated that their CEOs are willing to use new methods. That is 37.5% of the management staff said ‘excellent’ 37.5% ‘good’ 17.5% ‘satisfactory’ and 7.5% ‘need improvement’. On the part of ‘other staff group’ the percentages were 25, 26.7 and 23.3 respectively for ‘excellent’, ‘good’ and ‘satisfactory’.

**Graph 7**
The reason for which the 18% of the CEOs are not doing well in this area was that they fear the change may result in reduction in output, reduction in product quality therefore sales and ultimately profit. The other reason is the high cost that is associated with the change and they may not have the capital to do that. Another reason could be lack of capacity to accommodate the change.

Q. Does the CEO analyze situations to determine basic problems, rather than symptoms, and to develop realistic alternative solutions?

Among the responsibilities of a CEO is the ability to create an organizational culture that is needed to carry out the mission, strategic directions and organizational goals and to use creative, innovative problem-solving strategies for adapting to uncertainties and complexities.

No respondent had indicated either ‘need improvement’ or unacceptable, the CEOs scored 51% on ‘excellent’ 33% ‘good’ and 16% on satisfactory.

**Graph 8**

![Manager's ability to diagnose problems and provide solutions](image)

Source: Author’s analysis of research data collected

Q. Establishes clear vision and direction for the organization?

Vision exists only in the imagination, it is a picture of a world that cannot be observed or verified in advance. Visions that work help organizations to achieve bold changes. It is about actions that challenge people to make important changes towards a better future. Though changes can be frightening a clear sense of direction helps people to face the difficulties and uncertainties boldly.

A leader actively promotes changes, communicates vision, provides a clear sense of direction, and energizes and inspires employees.
Responses to this question have not been surprising, for the best person to create vision and direction for an organization is the CEO let alone the Owner CEO. The respondents scored 51% for ‘excellent’, 33% for ‘good’ and 16% ‘satisfactory’. This is an indication that the CEOs know what they are about and are able to carry their staff along.

Q. How do you assess the CEO’s ability to make sound and timely decisions?
Manager’s ability to make good decisions and on time is very paramount to the success of the company. A total of 20% of the respondents said their CEOs are excellent in making timely decisions whilst 33% said they are good at making timely decisions and scored 29% for satisfactory in timely decision making. Surprisingly, 10% and 8% said they need improvement and are unacceptable in timely decision making.

Q. Monitors current budget and operational data to assure continuous success of the organization. It is important to monitor implementation and results and thereby take corrective measures.

Table 3:1 Owner Managers’ ability to monitor budget and results

<table>
<thead>
<tr>
<th>Perception</th>
<th>Total Res.</th>
<th>Mgt Staff</th>
<th>Non Mgt</th>
<th>% of Mgt</th>
<th>% of Non</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>20</td>
<td>8</td>
<td>12</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Good</td>
<td>27</td>
<td>12</td>
<td>15</td>
<td>30</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>25</td>
<td>15</td>
<td>10</td>
<td>37.5</td>
<td>16.5</td>
<td>25</td>
</tr>
<tr>
<td>Needs Imp.</td>
<td>18</td>
<td>5</td>
<td>13</td>
<td>12.5</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>Unacceptable</td>
<td>10</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>16.5</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
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<td>60</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s analysis of research data collected

My concern to the responses in the table above has to do with the 28% response which indicated that CEOs do not monitor their budgets and results of their operations. This means they are not able to tell if they are meeting their performance standards or not and they are risking abrupt collapse of their companies.

Great, effective and efficient leaders and CEOs are intelligent, knowledgeable, have high cognitive ability, have high sense of judgment and are decisive. In this regard I explored the CEOs’ intelligence, level of judgment, problem solving ability, analytical skills, critical thinking, and ability to conceptualize a project and execute it.
Q. Is the CEO a prudent steward of physical and financial resources in month-month operations?
As an Owner-manager, the CEO has the singular most important responsibility to ensure that assets and resources are secured and used judiciously in running the business. Only 10% of the CEOs were excellent, 15% good and 20% were satisfactory in managing the companies’ resources. This response is not good enough.

Graph 9

Q. Ensures that facilities and equipment are suitable for the company’s immediate and long term goals?
In today’s fast changing world, companies need to keep up with the pace at which technology is changing for almost everything is now driven by information communication technology. I realized from the responses that only 45% of the CEOs are doing some kind of work in this area and 55% are doing virtually nothing. No wonder, the Owner-managed companies in the GC 100 were not able to retain their customer therefore, had very little market share for their products. It was also evident in the 3 year average of ROE as Owner managed companies recorded 25% growth whiles the governed companies had 35% growth over the same period.

Q. Assures that the company operates in accordance with applicable standards, codes, laws and regulations?
The purpose of this question was to find out if management takes good corporate governance issues seriously as non adherence to the rules and regulations pose a serious threat to the going concern of the company as the company can face sanctions including finds or in very serious situations be closed by the
law enforcement agencies. Quite apart from that if the non compliance is about quality standards this can lead to consumers boycotting the product.

As indicated in the table below, only 2 respondents said their CEOs are ‘excellent’,

### Table 3:2 Managers practice good corporate governance

<table>
<thead>
<tr>
<th>Perception</th>
<th>Total Res.</th>
<th>Mgt Staff</th>
<th>Others</th>
<th>% of Mgt</th>
<th>% of other</th>
<th>% sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>3</td>
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</tr>
<tr>
<td>Good</td>
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<td>Satisfactory</td>
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<tr>
<td>Needs Imp.</td>
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<td>40</td>
<td>60</td>
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</tbody>
</table>

13 responded ‘good’ 47 responded ‘satisfactory’ 25 said ‘need improvement’ and 13 said unacceptable. In total 20 management staff representing 50% of management respondents thought their CEOs are on average doing well and the other half thinks otherwise. It is worth nothing that management staff are more knowledgeable in these matters than the non management staff. It is this group that attends meetings, makes decisions and reports on these corporate matters and for that matter knows better.

The non management staff is more aware of operational and quality standards and for that matter may respond in that regard appropriately. They have given 3% ‘excellent’ 20% ‘good’ 30% ‘satisfactory’. The performance of the CEOs in this regard was due to their perception that compliance with those rules and standard are additional responsibilities which waste time, cost money and thereby reduce their profit.

Q. Anticipates trends and opportunities affecting the company’s operations and develops appropriate and timely responses?

It is very important to have the capability to anticipate trends and opportunities available to the company and the threats so that the company can take the necessary steps to seize the opportunities and prevent or mitigate the risks. As the saying goes ‘if you can see it then you can have it’. Forty respondents representing 40% of the respondents said their CEOs are ‘good’, 24 respondents (24%) said ‘satisfactory’ another 24 respondents (24%) said ‘need improvement’ and 12 respondents (12%) said ‘unacceptable’. In my judgment 64% of the respondents saying the CEOs are good or satisfactory is a very good account about the CEOs. As can be seen in the table below, 12 respondents said the performance of the CEOs in
this regard is unacceptable and out of the 12 were 2 management staff whiles 10 are non-management staff.

### Table 3.3 Analyze Trend and Develops responses

<table>
<thead>
<tr>
<th>Perception</th>
<th>Total Res.</th>
<th>Mgt Staff</th>
<th>Non Mgt</th>
<th>% of Mgt</th>
<th>%NonMgt</th>
<th>% sample</th>
</tr>
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<tr>
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<tr>
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<td>Total</td>
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<td>60</td>
<td>100</td>
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</tr>
</tbody>
</table>

Source: Author’s analysis of research data collected

Q. Works with board of trustees to create an optimal governance environment?

It can be seen from the graph below that the CEOs are not doing well in creation good environment for good corporate governance. As many as 35 management staff respondents said ‘No’ representing 87%, in the same vein 48 non-management staff (80%) said ‘No’ Not working with boards to create the optimal environment for corporate governance poses a potential threat to the respective companies because that suggests that

**Graph 10**
Good corporate governance principles are being over looked and the company can run into operational, legal and other related troubles which could cause the very existence of the company.

Q. Assesses the company’s financial condition, providing complete reports on regular basis?
Finance is the life blood of every company and the ability of the CEO to regularly monitor the financial performance of the company against the budget is very important to the success of the company. In the table below, the results are not very good in this regard; forty-seven (47) respondents (47%) had said they are doing well and 53 respondents said they are not doing well.

Further investigations revealed that, though the financial reports are regularly prepared by the finance managers, the CEOs are not able to understand the financial reports themselves and therefore, cannot make any meaningful assessment of the reports. However, when necessary they rely on their financial managers for explanation but because most of the CEOs have phobia for figures for that matter accounting and finance they find it difficult appreciating the meaning of financial reports let alone using it as management tool for decision making.
**Hypothesis 2: Owner managers are bias in their investment decisions.**

Bias in investment has been defined as occurring when individuals overestimate the accuracy of their predictions, over-evaluate their ability to learn about a project or have positive biases about their future prospects [Simon and Houghton, 2003]. Overconfidence in this light is excessive confidence in relation to abilities, knowledge and beliefs. Overconfidence is cognitive bias that manifests through excessive positive self-perceptions resulting in holding unjustifiable high views about investment outcomes.

This hypothesis seeks to examine the correlation between biased investment decisions and actual outcomes. In this research I studied Owner-managers’ investment choices, entry decisions, how they commit their financial and other resources and investment risk. In entrepreneurship, success is very much dependent on the abilities, knowledge and vision of the founder than in governed companies where many expects contribute to the company’s success.

Since the owners are the cash rollers they have strong emotional attachment to their investments and pursue their vision with passion so much so that they tend to lose sight of critical investment procedures, processes and logic such as risk assessment, business plan, investment appraisal, observation of rules and regulations etc., The reasons for this kind of situation is not far fetch; this research has shown that the Owner-managers surveyed displayed high perceptual biases, placing their odds of success much higher than Managers of similar businesses. Besides I discovered that most of the managers are ignorant, arrogant, proud, and have blatant disregard for risk, authority and regulations.

Only one out of the twenty Owner managers did investment appraisal before setting up his company. The managers do not care about what procedures or economic and investment results say about their businesses, all they know is to ‘put the seed in the soil’ for surely the rains will come and the sun will shine and harvest is assured.

In finding out the risk appetite of the Owner managers, it came to light that 40% of the respondents interviewed terminated risk (decided against the investment) and as many as 60% either tolerated or ignored the risk. These owners only observe marketing and economic trends in their own sense of judgment, perception, instinct and intuition and make decisions instead of the normal formalized rule of thumb.

One characteristic of these managers is that they have the feeling that “they know it all and better than any other else”.

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The study has found that the biases were more in uncertain environments than stable conditions; uncertain environment tend to exacerbate overconfidence and biased decision making is exacerbated by uncertainty. The owner managers exacerbate overconfidence-risk relationship, as they fail to follow formal procedures that mediate the relationship between potentially biased managerial perceptions and investment actions which resulted in lower perception of investment risks and got themselves in riskier ventures.

The study has also revealed that the investor biases accounted for several unmerited economic choices most of which resulted in heavy losses. For example, eight of the owner managed companies had at least three products which they introduced failed within two years.

**Owner-Managed companies perform better than others (Hypothesis 3)**

It is widely held view in Ghana that hired corporation Managers have high appetite and discretion for corporate plundering therefore, has generated debate on improving good corporate governance and linking of performance to the stakeholders interest. The primary aim of good corporate governance is the alignment of shareholders’ interest with the interest of management who run the company.

Under this heading, I shall consider specific aspects of performance evaluation and in particular I will consider performance evaluation in Owner Managed companies vise avis Governed companies and the behavioral issues (including leadership or management style) in business performance measurement and how they may affect the performance of companies. In doing so I shall be guided by four cardinal questions; a. what has happened?  b. why has it happened c. Is it going to continue? d. what is the organization doing about it?

**Financial performance**

A central area in management accounting is the measurement of how well or how badly a business is performing. This general theme can be extended to cover:

- The measurement of performance of the businesses, sectors within businesses, functions within businesses and business projects.

Business performance measurement is a multi-faceted act and takes into account both “short and long term” and “quantitative and qualitative factors” and may be measured in both relative and absolute terms. The parameters I shall use under this heading are:

- **Profitability**
  - ROE
  - Net Profit
- Turnover
- Current ratios

Positions of Owner Managed companies in the GC 100 [Turnover]

Table 3.4

<table>
<thead>
<tr>
<th>Company code</th>
<th>Overall Rank 2008</th>
<th>Rank on Turnover 2008</th>
<th>3 yr Cpd gwth rate. 05-08 [%]</th>
<th>Rank on gwth 05-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA KC</td>
<td>4</td>
<td>30</td>
<td>46</td>
<td>16</td>
</tr>
<tr>
<td>BB FS</td>
<td>5</td>
<td>26</td>
<td>42</td>
<td>22</td>
</tr>
<tr>
<td>CC AL</td>
<td>11</td>
<td>63</td>
<td>86</td>
<td>4</td>
</tr>
<tr>
<td>DD HF</td>
<td>17</td>
<td>31</td>
<td>53</td>
<td>12</td>
</tr>
<tr>
<td>EE TC</td>
<td>25</td>
<td>53</td>
<td>43</td>
<td>20</td>
</tr>
<tr>
<td>GG KB</td>
<td>33</td>
<td>43</td>
<td>23</td>
<td>64</td>
</tr>
<tr>
<td>HH HT</td>
<td>34</td>
<td>74</td>
<td>37</td>
<td>30</td>
</tr>
<tr>
<td>II UG</td>
<td>37</td>
<td>48</td>
<td>72</td>
<td>6</td>
</tr>
<tr>
<td>JJ SA</td>
<td>45</td>
<td>62</td>
<td>34</td>
<td>34</td>
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<tr>
<td>KK CP</td>
<td>47</td>
<td>49</td>
<td>105</td>
<td>3</td>
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<tr>
<td>LL CG</td>
<td>51</td>
<td>87</td>
<td>63</td>
<td>9</td>
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<tr>
<td>MM KH</td>
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<td>92</td>
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<tr>
<td>NN ML</td>
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<tr>
<td>OO KL</td>
<td>70</td>
<td>51</td>
<td>23</td>
<td>63</td>
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<tr>
<td>PP TC</td>
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<td>81</td>
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<tr>
<td>QQ AD</td>
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<td>57</td>
<td>14</td>
<td>83</td>
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<tr>
<td>RR FA</td>
<td>91</td>
<td>19</td>
<td>7</td>
<td>94</td>
</tr>
<tr>
<td>SS DA</td>
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<td>91</td>
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<td>88</td>
</tr>
<tr>
<td>UU AF</td>
<td>99</td>
<td>71</td>
<td>3</td>
<td>96</td>
</tr>
</tbody>
</table>

Source: Ghana Club 100 Magazine Vol. 9 July 2009. GIPC

Only 10 owner managed companies were ranked above 50 in overall ranking, of which the best 5 performers were ranked 4th, 5th, 11th, 17th and 25th. In terms of turnover, only 9 Owner managed companies were ranked among the first 50 companies in 2008. Analysis of the Income statements of the
20 companies surveyed revealed that their operating margin\(^1\) is very low ranging between 9.5% and 25.4% whilst Governed companies had it between 13.3% and 35%. By comparing margins across the two sectors shows the relative efficiency of the respective spectrum of management since the differences in margin could result from strategy, management’s approach to business. The ratio has worsen further for Net profit margin\(^2\) as Owner managers have to pay large sums of money in interest for loans and credit purchases they made but Managed companies have little debt financing. Net profit margin for Owner managed companies range between 4.5% to 20.7% and 10.8% to 28.5% for managed companies.

**Positions of Owner Managed companies in the GC 100 [Profitability]**

**Table 3.5**

<table>
<thead>
<tr>
<th>Company code</th>
<th>Rank on ROE</th>
<th>ROE 2008 %</th>
<th>ROE 2007 %</th>
<th>ROE 2006 %</th>
<th>3-yr Avg ROE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA KC</td>
<td>3</td>
<td>50</td>
<td>103</td>
<td>83</td>
<td>79</td>
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<td>BB FS</td>
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<td>CC AL</td>
<td>28</td>
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<td>12</td>
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<td>34</td>
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<tr>
<td>DD HF</td>
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<td>11</td>
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<td>EE TC</td>
<td>46</td>
<td>31</td>
<td>23</td>
<td>24</td>
<td>26</td>
</tr>
<tr>
<td>GG KB</td>
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<tr>
<td>HH HT</td>
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<td>30</td>
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<tr>
<td>II UG</td>
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<td>10</td>
<td>11</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>JJ SA</td>
<td>55</td>
<td>36</td>
<td>21</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>KK CP</td>
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<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>LL CG</td>
<td>70</td>
<td>19</td>
<td>21</td>
<td>9</td>
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<tr>
<td>MM KH</td>
<td>11</td>
<td>85</td>
<td>20</td>
<td>31</td>
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<tr>
<td>NN ML</td>
<td>87</td>
<td>11</td>
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<td>9</td>
<td>11</td>
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<tr>
<td>OO KL</td>
<td>65</td>
<td>16</td>
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<tr>
<td>PP TC</td>
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<td>8</td>
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<tr>
<td>QQ AD</td>
<td>60</td>
<td>21</td>
<td>21</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>RR FA</td>
<td>98</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

---

\(^1\) Operating margin show how much a company earns before interest and taxes from each cedi of sales and is calculated as Operating Income divided by Total sales.

\(^2\) Is the fraction of each cedi available to the equity shareholders after payment of interests and taxes. Net income divided by Total Sales
<table>
<thead>
<tr>
<th>SS DA</th>
<th>61</th>
<th>14</th>
<th>4</th>
<th>44</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>TT FR</td>
<td>81</td>
<td>8</td>
<td>14</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>UU AF</td>
<td>75</td>
<td>11</td>
<td>9</td>
<td>22</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Ghana Club 100 Magazine Vol. 9 July 2009. GIPC

Again in the year 2008, only 7 [representing14%] Owner managed companies were ranked among the first 50 on the basis of return on equity [ROE]. Percentage growth over 3 year was very low averaging 25% for the period 2006 to 2008.

**Sector Analysis**

There are 49 companies in the financial services sector of which 6 are Owner managed companies. The best owner managed company in the 2008 GC 100 was ranked 2\textsuperscript{nd}, the next was ranked 6\textsuperscript{th}, the rest were ranked 23\textsuperscript{rd}, 45\textsuperscript{th}, 46\textsuperscript{th} and 48\textsuperscript{th}. One cannot say they have done very well as this sector has seen tremendous competition in the last three years.

The manufacturing sector has 16 companies in the GC 100 and only 5 are Owner managed companies. The owner managed companies were ranked 1\textsuperscript{st}, 3\textsuperscript{rd}, 11\textsuperscript{th} 13\textsuperscript{th} and 15\textsuperscript{th}; this is an average performance.

The services sector also has 13 companies out of which 5 are Owner managed. They were ranked 3\textsuperscript{rd}, 5\textsuperscript{th}, 7\textsuperscript{th}, 8\textsuperscript{th} and 10\textsuperscript{th}.

**Current Ratios**

On average, Owner managed companies have poor current ratio\textsuperscript{4} as they have more short term debts than current assets; the figure ranges between 1.3:1 to 1.8:1 as against globally accepted ratio of 2:1. This result shows that they are over trading and risk the possibility of eminent collapse if the trend should continue; the governed companies had their current ratio around 1.5:1 to 2:1 a better performance than the Owner managed companies.

**Debt Ratio**

Debt equity ratio\textsuperscript{5} measures the long-term credit risk of the companies surveyed and indicates the companies’ leverage, in other words, the extent to which the companies relied on external sources of funding to run their businesses. Examination and analysis of this ratio shows that the companies are over

\textsuperscript{3} Net Income divided by Book Value of Equity =ROE
\textsuperscript{4} Is a measure of short-term debt paying ability, calculated as Current Assets divided by current liabilities
\textsuperscript{5} Calculated as Total Debt divided by Total Equity
relying on external financing therefore, resulting in poor debt equity ratio, high interest payment which partly accounts for the poor ROE.

Measurement of Non-Financial Performance Measure
Tom Peters in his book *Thriving on Chaos*, stated that “our fixation with financial measurement leads us to downplay or ignore less tangible non-financial measures, such as product quality, customer satisfaction, order lead time, factory flexibility, the time it takes to launch a new product and the accumulation of skills by labour over time”

Another interesting observation was made the famous management writer, Peter Drucker, who argued that the objectives set by the organization should be supported by appropriate measures which could be used to continually monitor the organization’s performance against objectives.

Since Drucker’s work there had been many more authors who had identified a range of performance areas which organizations have to control and measure. These are;

- Profitability, Cost control, Competitiveness, Product leadership, Capacity utilization, Productivity,
- Quality of service, Quality of work life, Delivery performance, Innovation and Flexibility

Since I have already measured profitability under financial measurement I will not consider profitability and cost. My effort shall now be concentrated on the rest above.

In doing so I used “GC 100” surveys, interviews conducted, and the annual reports of the companies surveyed.

Capacity Utilization/Productivity
Capacity utilization is the extent to which the companies I surveyed actually use their installed productive capacity. Thus, it refers to the relationship between the actual output produced with the installed equipment and the potential output which could be produced with it, if capacity was fully used. [The ratio of output to potential output]

Out of the 20 owner-managed companies surveyed, 11 [55%] are operating between 50 and 61 percent of their full capacity whilst the remaining 9 [45%] are operating between 20 and 45% of their full capacity. The reasons for this result were diverse and numerous but I will list just a few according to the degree of importance.

- Limited market demand
- Lack of capital, and credit
- Inefficient, lazy and unskilled labour
- Difficulty of getting raw materials regularly at reasonable price and on time
My investigations revealed that the owner-managed companies do not invest enough in marketing research; they do not plough back profit and do not have the credibility to raise capital from financial institutions. Because they do not have good remuneration packages and good working conditions they are not able to attract quality and committed staff.

Results of the 20 governed companies surveyed were not much different from the owner-managed companies. Here, 15 [75\%] of the companies operate between 51 and 60 percent of their full capacity whilst 5 [25\%] operate between 40 and 49 percent.

In their case the reasons for the level of capacity utilization vary a little.

a. Difficulty of getting raw materials regularly at reasonable price and on time
b. Limited market demand
c. Insufficient, unreliable electricity power

In this instance the governed companies operate at higher capacity than the Owner-managed companies due to the following reasons:

i. The governed companies have vibrant board of governors who seriously monitor the activities of management and take proactive actions to correct short fall. This is because there reappointment or otherwise is closely linked to the performance of the company.

ii. Management staff signed performance contract which is used to evaluate them at the end of every year and non performing staff are reprimanded, demoted or have appointment terminated. More so, their remuneration depends on their performance [end of year bonuses, etc..]

iii. Governed companies hired competent, experienced and committed staff who are eager to achieve results

iv. The governed companies have well structured motivational schemes in place which makes staff to strive for results

**Innovation/New ideas introduced: Proportion of new products to new products, product improvement.**

For the twenty Owner managed companies surveyed, they have between 2 and 8 products or services on sale but governed companies have 2 to 18 products on sale. This gives an indication that the governed companies are more innovative and diversified.

It also came to light that the governed companies have well established monitoring and evaluation schemes in place that under take regular customer surveys that enables the companies to review their
product quality, labels, instructions and directions for usage. In fact there has been a well coordinated effort between the companies and the Ghana Standards Board, Food and Drugs Board and other ancillary regulatory bodies to ensure strict compliance with established rules and procedures. The owner managed companies on the other hand had fallen short of expectation.

Customer Satisfaction: Client turnover or retention, customer satisfaction survey
To conduct this survey I had face-to-face interviews with customers and the general public particularly individuals who patronize good and services offered by the Owner managed companies and the Governed companies been surveyed. To get the right responses from the respondents I interviewed the consumers just after the purchase of the good because the experience will be fresh in their minds.

Customer Satisfaction questions
How satisfied or dissatisfied are you with the quality of the good you purchased?
Table 3.7 Customer Satisfaction Responses

<table>
<thead>
<tr>
<th>Responses</th>
<th>Total</th>
<th>Owner Manage</th>
<th>Governed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Satisfied</td>
<td>10%</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>61%</td>
<td>22%</td>
<td>39%</td>
</tr>
<tr>
<td>Neutral</td>
<td>12%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>10%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Very Satisfied</td>
<td>7%</td>
<td>4%</td>
<td>3%</td>
</tr>
</tbody>
</table>

The above responses show that consumers interviewed preferred the governed companies’ products to Owner managed companies in terms of quality. This is because these companies have invested a lot in research quality control and product development and also employ efficient production technologies in manufacture and distribution of their products.

How satisfied or dissatisfied are you with the price of the good you purchased?
Table 3.8 Customer satisfaction in terms of price

<table>
<thead>
<tr>
<th>Responses</th>
<th>Total</th>
<th>Owner Manage</th>
<th>Governed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Satisfied</td>
<td>20%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>62%</td>
<td>22%</td>
<td>40%</td>
</tr>
<tr>
<td>Neutral</td>
<td>5%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>10%</td>
<td>7%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Very Dissatisfied | 3% | 3% | 0

About 52% of the respondents interviewed, were satisfied with products bought from Governed companies whilst only 30% were satisfied with products from Owner managed companies. Governed companies buy their raw materials in larger quantities therefore have stronger bargaining power and enjoy large discount. Besides they have high quality production technologies which enables them produce at low per unit cost and also reduce wastage thereby sell at lower cost.

The product purchased is good value for money. a] Strongly Agree b] agree c] Neutral d] Disagree e] Strongly disagree

Respondents who bought Governed companies products agreed that they had good value for money. That is 52% of customers who patronized Owner managed companies products said they had good value for money. This was made possible by the investments they made in research and technology which enables them produce at highly efficient level.

**Customer loyalty/retention questions**

Will you buy from this company again? a] Yes b] No

Governed companies had 94% customer retention rate as against 53% for Owner managed companies.

Ninety-one percent [91%] of customers of governed companies will recommend their products to others whilst 51% of customers of Owner managed customers will do so. This is a reflection of the responses to the customer satisfaction and retention question posed above.
Chapter Four

Summary, Conclusion and Recommendations

This chapter summarizes the whole research work and draws linkages conclusion and makes recommendations.

4.1 Summary and Conclusion

Finally, we have to answer the research questions posed:

a. Are Ghanaian Entrepreneurs traditionally risk averse towards investment opportunities but are confident about their capabilities?

b. Are Owner-Managers biased in their investment decisions?

c. Do Owner-Managed companies perform better than Governed companies?

This study examines how overconfidence affects entrepreneurial investment decisions and expected returns. In doing so, I measured confidence, risk tolerance and personal capabilities of the Managers surveyed by responses to self-perception questions grounded in psychology.

The old theoretical view of risk seeking nature of entrepreneurs was reconfirmed, quite apart from that it has been established that there is a high degree of ability uncertainty but the entrepreneurs are overconfident they will overcome the odds because they perceived their abilities and knowledge highly.

The study observed that overconfidence/bias affects some Owner managers’ investment decisions especially, investment decisions relating to initial entry and introduction of new products. The entry result is consistent with the literature that has found that entrepreneurs tend to be confident and more confident than managers of establish companies.

I extended the understanding of overconfidence in entrepreneurship by testing two separate decisions involved in the founding of a business: the decision to begin a startup activity and the decision to begin business operation and found that overconfidence influences the two decisions.

The owner managers’ bias was not found to influence how much financial or human capital the founder has to invest in the business. The managers’ biases were found to have paid much attention to their expected returns and how to pursue the investment opportunities. I did not find that the Owner managers
had preference for high risk investments. It was predicted that the biased Owner managers would overestimate their returns to their investments relative to other investment options and potential risks.

What is clear in this research is that because of the economic conditions, even risk averse entrepreneurs tend to disregard their perceived risks and therefore appear to be risk neutral. However, a more proactive view shows that under certain circumstances others have exhibited greater risk tolerance with respect to ability uncertainty and as such do not view the business situation as risky, instead they believed that through skill, strategic planning and implementation, and information they can succeed. Ghanaian Entrepreneurs are risk averse with respect to demanded uncertainty, but risk seeking with respect to their ability.

The results of this research as to whether Owner managed companies perform better than Governed companies are rather interesting. This research has shown that Governed companies have better capacity utilization than Owner managed entities. It has also revealed that Governed companies are more innovative, have better product success rate than Owner managed companies. The governed companies also have higher client retention and customer satisfaction rate than Owner managed companies.

Results from all the interviews, questionnaires and analysis made from the accounts and notes to the accounts of Owner managed companies show that Owner managed companies do not perform better than Governed companies, therefore hypothesis 3 is refuted.

4.2 Recommendations

From the literature review and the research finding, it is obvious that the Ghanaian economy is not stable and predictable like the advance countries such as the United States of America, the United Kingdom, the European Countries and other emerging economies of Asia.

In this regard managers for that matter, Owner-Managers must adopt a strategic process that they can quickly adapt to suit their businesses and the changing marketing opportunities so that they can survive and continue to be in good business. That is they must be proactive and not being reactive to such dynamic events. What is important is that there is some amount of certainty that the right action is initiated and all short comings are solved later. Managers must see the settings within which they operate as transient and not to be limited by them so that they are able to maneuver and go beyond the seemingly
rigid structures, this is because in dynamic market environments you cannot afford to be limited by such structures and situations.

Business owners in the Ghanaian Economy must learn to diversify their businesses by adding new segments to the already existing one, split the business in to smaller units for efficient management and for ability to survive any shock or short comings. It is in the wisdoms of “if small unit goes bad is better than the whole lot”. By so doing management must concentrate their efforts and corporate resources on the very business lines that are yielding good returns. This does not necessarily mean that they automatically abandon the less lucrative ones; they must keep an eye on them till it became obvious that they are bad. This recommendation is coming from the fact that many of the Owner-managed companies have very small range of products, their product qualities are inferior they have small market share hence very low profits which also manifested in the 2008 GC 100 ranking.

Porter complimented this position in another way in his definition for strategy. He defined strategy as “creating fit among a company’s activities” Which according to him depends on doing things well and forming the right balance among them. According to Porter, companies have to identify new ways to compete or must discover better ways to compete in the old ways. He goes on to say that innovation is as a result of several insights that were gathered, not the big breakthrough. In pursuing these innovations companies come face to face with challenges and criticism, but to prevail the company must persist and improve upon their innovations.

For in dynamic business environments such as the current phenomenon of globalization and the rapid improvement in science and technology, managers who desire to survive must focus their attention on the emerging business opportunities and allow strategies to evolve rather than formulating strategies first and try to let the strategy grow the business. They must also devote much attention to the right kind of infrastructure as businesses thrive on sound facilities. They must invest in right proportion in research and development since this will help the business to see what is good and bad, where to invest and where not, what to invest in and what not, the kind of labour the company needs etc., As we saw from the research findings, many Owner-managed company did not invest much in infrastructure, research and development which tends out to affect their product quality and consequently profitability.

They are also to know the corporation’s income, and undertake risk analysis to be aware of the risk that the company is exposed to (business risk). This is in the light of the recent collapse of businesses in the US.
Owner managers must learn to be more creative by thinking outside the box, overcome traditional mental sets and develop new paradigms. As leaders and managers of their own companies, they should create the enabling atmosphere for employees to contribute their quota to organizational development through creativity. This can be done by systematically collecting fresh ideas, brainstorming on issues, maintaining an enthusiastic attitude, seeking expert advice, proper job matching and freedom to innovate including pursuing absurd ideas without penalty for having gone wrong.

Another strong advice to these managers is that they must provide the kind of strategic leadership required to provide the direction and inspiration necessary to sustain their companies and ensure competitive fit between the company and its environment. Strategic planning is the managerial process of developing and maintaining a viable fit between the organization’s objective and resources and its changing market opportunities. The aim of strategic planning is to shape and reshape the company’s businesses and products so that they combine to produce satisfactory profits and growth.

The Owner managers must pay attention to good corporate governance practices, invest more in research, recruit competent staff and take appropriate steps to motivate them so that they can die a little more.

4.3 Recommendations for Further Studies

This study surveyed only twenty owner-managed companies in the “Ghana club 100” and it is my hope that the scope of this study could be expanded to cover Owner managed companies which are not listed in the “Ghana club 100” to see if the conclusions drawn could be confirmed or not. This is against the background of the fact that there are many more owner managed companies which are doing well but did not seek to be listed among the “Ghana Club 100”
Appendices

Questionnaire

Q. 1. What motivated you to form your own company?
Q. 2. How long has the vision to form a business been on the drawing board?

Q.3. Have you ever been in any top management position of the category of you current entrepreneurial endeavor? a. Yes b. No

Q.4. What management or leadership skill do you have that is beneficial to your chosen field?

Q.5. At the time you conceived the vision to form your own company how sure were you about your returns? a] More than 75% sure b] Between 50-75% c] Less than 50% sure

Q.6. Reason for your answer.

Q.7. How many businesses are you aware of having failed in this sector?

Q.8. Did you have an alternative business in mind? a. Yes b. No

Q.9. Did you do any formal “investment analysis” a. Yes b. No

Q.10. What is your returns growth path?
   • Return in investment
   • Return on Capital employed
   • Profit after tax
   • Net Profit
   • Gross Profit

Q.11. List in descending order according to the degree of severity 5 challenges confronting your business


Q.14. List in descending order according to the degree of severity 10 challenges confronting your business sector.


Q.16. Why?

(Entrepreneurs ability uncertainty)

Q.22. Would you like to work for another company as a manager? a. Yes b. No

Q.23. Why?
Q.24. Are you a self starter, setting high personal standards and pursuing goals with a high level of personal drive and energy?  a] Yes b] No

Q.25. Do you trust others to do things for you effectively and efficiently as you desire?  a. Yes  b. No

- Leadership roles in relation to Business risk

To probe more to know the leadership qualities and how well the owners Managers are doing employees were asked to complete questions. Using the following definitions of levels of performance, they were asked to indicate in their perception how they evaluate their chief executive’s work performance.

**Excellent:** Performance is clearly outstanding, performance is exceptional on continuous basis.

**Good:** Performance generally meets or exceeds standard or expectations, Attains all or nearly all of position objectives.

**Satisfactory:** Performance is adequate, it meets standards or expectations.

**Needs Improvement:** Fails to meet one or a few job expectations

**Unacceptable:** Performance is below acceptable levels, Fails to meet most expectations

Leadership and Managerial Qualities

Q. 26. Does the CEO function as a self-starter, setting high personal standards and pursuing goals with a high level of personal drive and energy?  a] Yes  b] No

Q.27. Functions as an effective member of a work group, gaining the respect and cooperation of others.  
   a. Yes  b. No

Q.28. Provides effective leadership and direction to all staff?  a. Yes  b. No

Q.29. Performs functions within the scope of responsibility and refers unrelated matters appropriately.  
   a. Yes  b. No

Q.30. Maintain a work style which is open to constructive suggestions?  a. Yes  b. No  
   a. Yes  b. No

Q.31. Demonstrates the leadership, initiative and persistence needed to accomplish goals and objectives?  
   a. Yes  b. No

Q.32. Have you ever been in any top management position of the category of your current entrepreneurship Endeavour?  a. Yes  b. No

Q.33. Assign tasks to personnel capable of carrying them through?  a. Yes  b. No

Q.34. Show a willingness to try new approaches or methods?  a. Yes  b. No

Q.35. Analyzes programs, practices, policies, procedures and personnel effectively?  a. Yes  b. No

Q.36. Does the CEO analyze situations to determine basic problems, rather than symptoms, and to develop realistic alternative solutions?  a. Yes  b. No

Q.37. Establishes clear vision and direction for the organization?  a. Yes  b. No
Q.38 Does the CEO create an organizational culture that is needed to carry out the mission, strategic directions and organizational goals? a. Yes b. No

Q.39 Uses creative, innovative problem-solving strategies for adapting to uncertainties and complexities.

Q.40 Monitors current budget and operational data to assure continuous success of the organization? a. Yes b. No

Q.41 Does the CEO make sound and timely decisions? a. Yes b. No

Knowledge and Skill

Q.42 Does your CEO demonstrate thorough knowledge and understanding of the company’s management and operations? a. Yes b. No

Q.43 Is he/she a prudent steward of physical and financial resources in month-month operations? a. Yes b. No

Q.44 Does your CEO ensure that facilities and equipment are suitable for the company’s immediate and long term goals?

Q.45 Does he/she ensure that the company’s quality assurance plan is reviewed and revised as necessary on an annual basis.

Q.46 Does he/she ensure that the company operates in accordance with applicable standards, codes, laws and regulations.

Q.47 Anticipates trends and opportunities affecting the company’s operations and develops an appropriate and timely response.

Q.48 Does he/she work with board of trustees to create an optimal governance environment? a. Yes b. No

Q.49 Does the CEO assess the company’s financial condition and provides complete reports on regular basis? a. Yes b. No

Q.50 Appraise the results of programs and services and reports findings on regular basis to board of trustees? a. Yes b. No

Q.51 Does he develop long-range investment strategies for implementation? a. Yes b. No

Strengths and Development needs

Based on your responses above,

- What are the CEO’s major strengths (list 2 or 3)
- What are the areas that need further development (list 2 or 3)
References


Reuben, A. Rebecca, and Eileen Fischer, 1999, Understanding the Consequences of Founders' Experience, *Journal of Small Business Management*, 37, 30{45}


