

**UNIVERSITY OF GHANA  
COLLEGE OF HUMANITIES**

**PERSONALITY CHARACTERISTICS OF ENTREPRENEURS AND THE  
GROWTH OF SMEs IN GHANA**



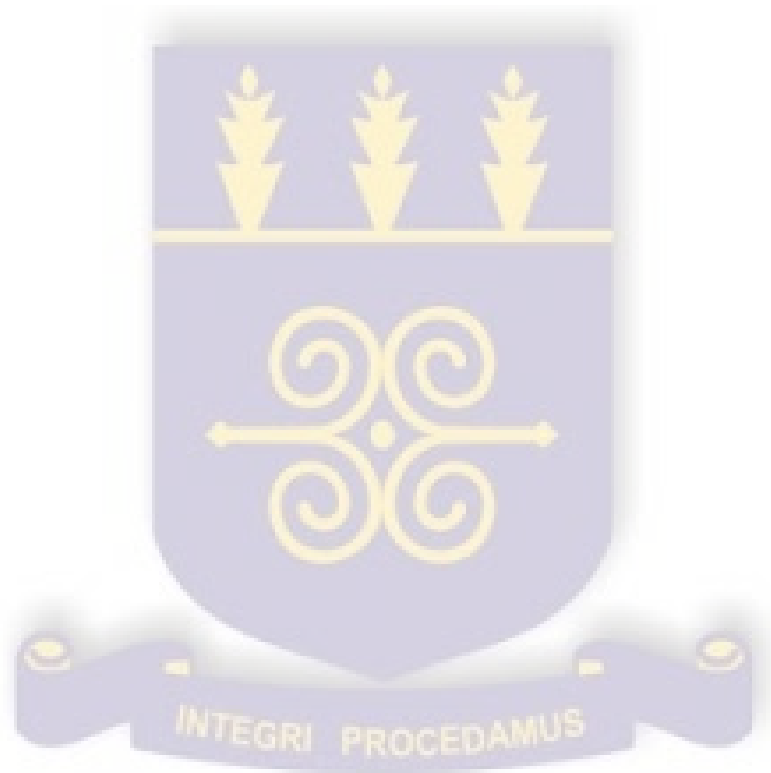
**THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA,  
LEGON IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE  
AWARD OF MPhil MARKETING DEGREE.**

**JUNE 2015**

## DECLARATION

I do hereby declare that this work is the result of my own research. To the best of my knowledge it has not been presented by anyone for any academic award in this or any other university. All references used in this work have been fully acknowledged.

I am therefore solely responsible for any short comings.



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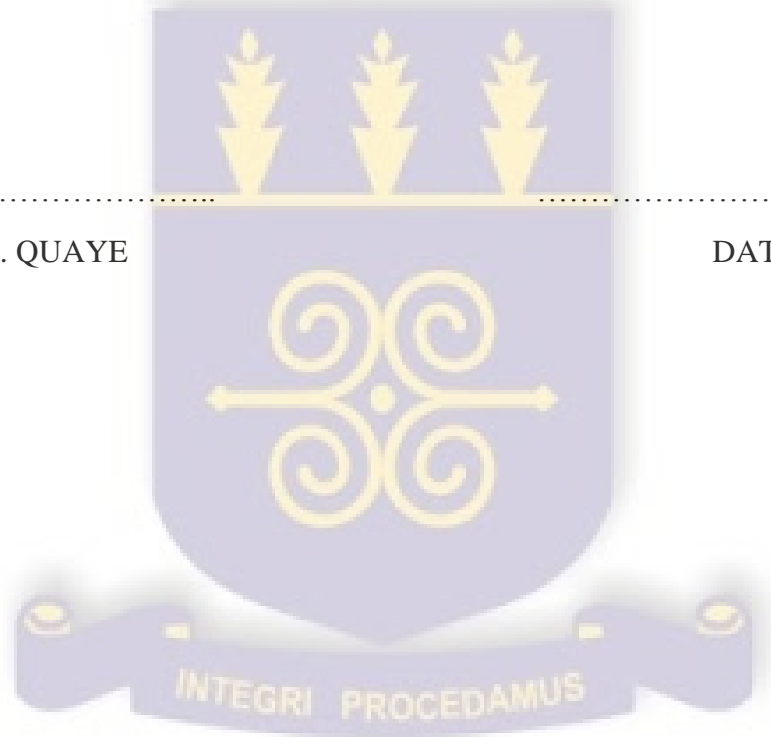
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## CERTIFICATION

I hereby certify that this thesis was supervised in accordance with the procedures laid down by the university.

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## DEDICATION

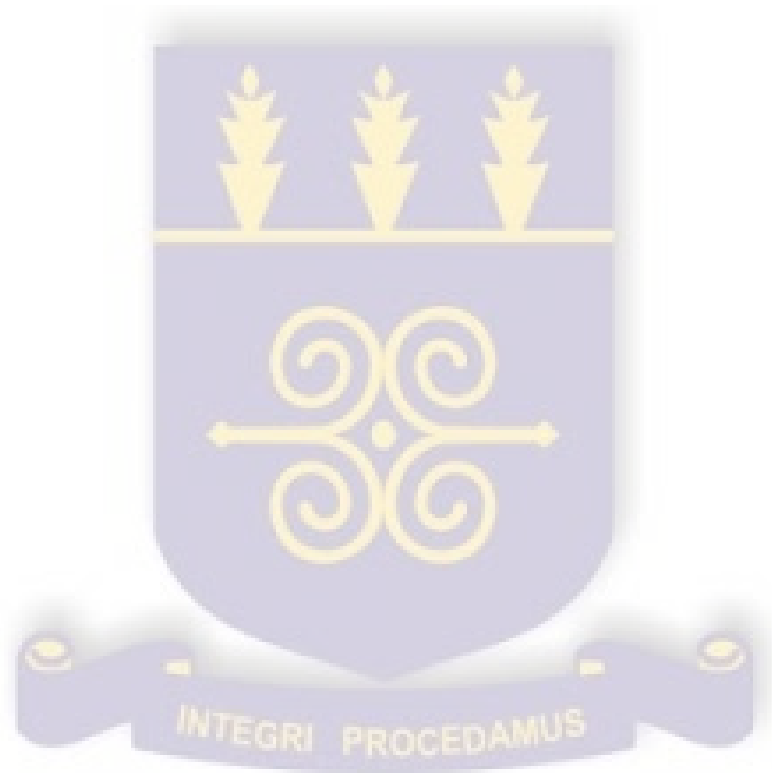
I dedicate this thesis to my parents, wife and two kids.



## ACKNOWLEDGEMENT

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## TABLE OF CONTENTS

Declaration.....	i
Certification.....	ii
Dedication.....	iii
Acknowledgements.....	iv
Table of Contents.....	v
List of Tables.....	ix
List of Figures.....	x
List of Abbreviations.....	xi
Abstract.....	xiii

### CHAPTER ONE: INTRODUCTION

1.0 Background of the study.....	1
1.1 Statement of problem .....	3
1.2 Research Objectives .....	5
1.3 Research Questions .....	5
1.4 Purpose of the Research .....	5
1.5 Significance of the Research.....	6
1.6 Scope / Limitation of the Research.....	6
1.7 Organization of the Study.....	6
1.8 Conclusion .....	7

### CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction.....	9
2.1 Defining SME.....	9
2.2 Importance of SMEs.....	10
2.3 Concept of SMEs Growth.....	11
2.4 Forms of SMEs Growth.....	13
2.5 Characteristics of Growing Firms.....	13
2.5.1 Founder Characteristics .....	14

2.5.2	Firm Attribute .....	14
2.5.3	Business Practices.....	15
2.5.4	Human Resource Management Practices.....	15
2.6	Importance of SME Growth .....	15
2.7	Indicators of Firm Growth .....	16
2.8	Defining an Entrepreneur.....	18
2.9	Entrepreneurship Schools of Thought.....	20
2.9.1	The Schumpeterian School of Thought .....	20
2.9.2	The Kirznerian School of Thought .....	21
2.9.3	The Psychological School of Thought .....	22
2.9.4	The Great Person School of Thought .....	22
2.10	Working Definition of an Entrepreneur.....	23
2.11	The Importance of an Entrepreneur.....	23
2.12	Personality Characteristics of Entrepreneurs .....	24
2.12.1	Need for Achievement .....	25
2.12.2	Risk-Taking .....	26
2.12.3	Self-Efficacy.....	29
2.12.4	Locus of Control.....	30
2.12.5	Innovativeness.....	31
2.12.6	Proactiveness.....	33
2.13	Development of Hypotheses.....	34
2.14	Conceptual Framework.....	35
2.15	Conclusion.....	35

### **CHAPTER THREE: CONTEXT OF THE STUDY**

3.0	Introduction.....	38
3.1	The Country.....	38
3.2	The Economy of Ghana.....	39
3.3	Culture.....	40
3.4	An Overview of SME Sector in Ghana.....	41
3.4.1	Development of SMEs in Ghana.....	43
3.5	A Brief Overview of the Study Area.....	45

3.6	Conclusion.....	46
-----	-----------------	----

**CHAPTER FOUR: RESEARCH METHODOLOGY**

4.0	Introduction.....	47
4.1	Research Design.....	47
4.2	Area of the Study.....	48
4.3	Sampling Procedure.....	48
4.4	Sample Size.....	49
4.5	Unit of Analysis.....	51
4.6	Data Collection.....	51
4.7	Measurement of Research Constructs.....	51
4.8	Reliability and Validity.....	52
4.9	Data Analysis.....	53
4.9.1	Descriptive Statistics.....	53
4.9.2	Factor Analysis.....	54
4.9.3	Regression Analysis.....	54
4.10	Ethical Issues.....	54
4.11	Conclusion.....	55

**CHAPTER FIVE: ANALYSIS AND DISCUSSION OF FINDINGS**

5.0	Introduction.....	56
5.1	Descriptive Statistics.....	56
5.1.1	Firm Age.....	56
5.1.2	Number of Founders.....	57
5.1.3	Firm Activity.....	57
5.1.4	Firm Legal Status.....	58
5.1.5	Sales Over the Last Five Years.....	58
5.1.6	Percentage Increase in Sales Over the Last Five Years.....	59
5.2	Factor Analysis.....	59
5.3	Testing Hypotheses.....	63
5.4	Discussion of Findings.....	65

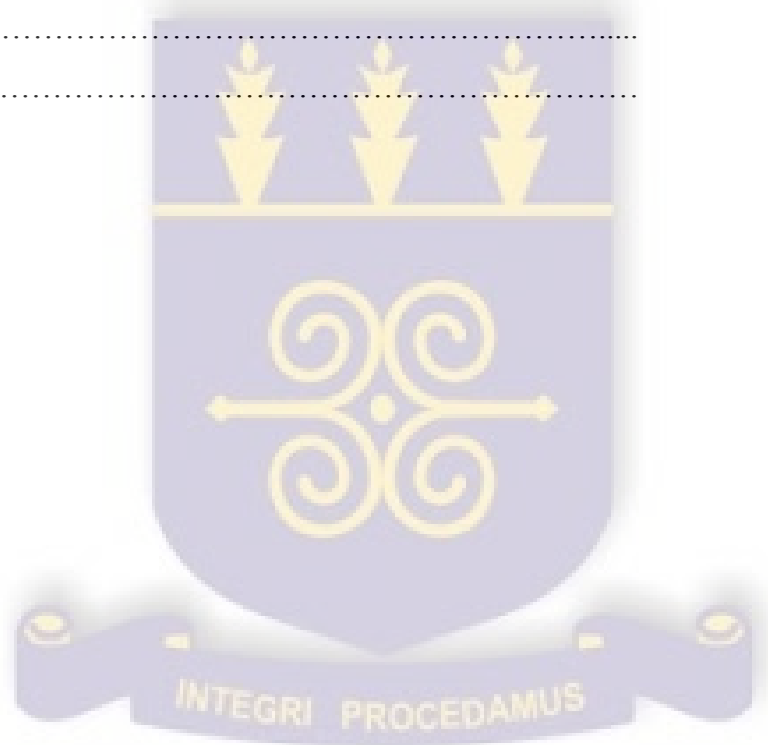


5.5 Conclusion..... 69

**CHAPTER SIX: SUMMARY, CONCLUSION, RECOMMENDATION**

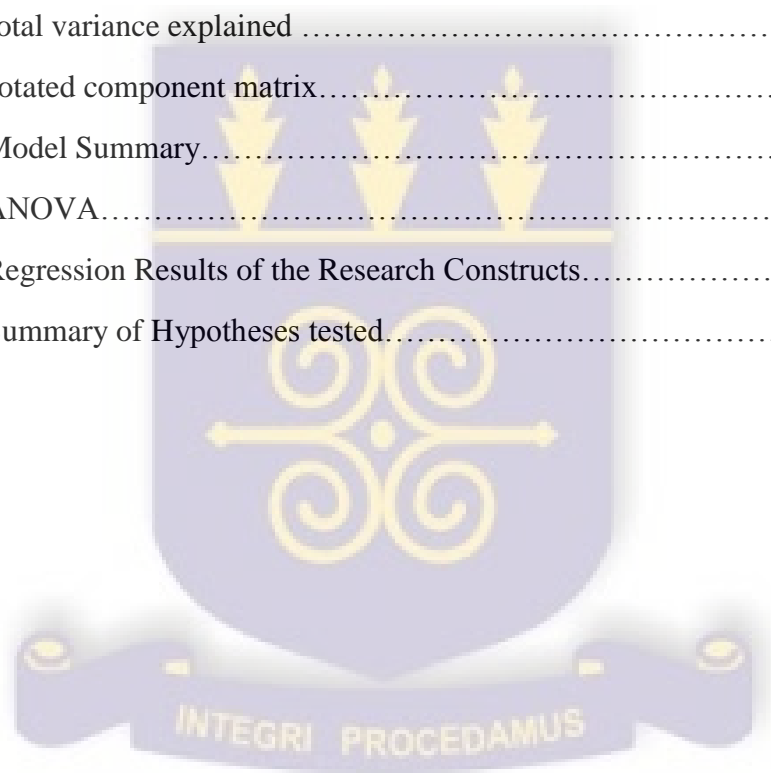
**AND FUTURE RESEARCH**

6.0 Introduction..... 70  
6.1 Summary..... 70  
6.2 Conclusions..... 72  
6.3 Recommendations..... 72  
6.4 Limitations and Future Research..... 73  
References..... 75  
Appendices..... 99



## LIST OF TABLES

Table1	Age of firm.....	56
Table2	Number of founders.....	57
Table3	Firm activity .....	57
Table4	Firm legal status.....	58
Table5	Sales over the last five years.....	58
Table6	Percentage increase in sales over the last five years.....	59
Table7	KMO and Bartlett’s test.....	60
Table8	Total variance explained .....	61
Table9	Rotated component matrix.....	62
Table10	Model Summary.....	63
Table 11	ANOVA.....	63
Table 12	Regression Results of the Research Constructs.....	64
Table13	Summary of Hypotheses tested.....	65



## LIST OF FIGURES

Figure1	Conceptual framework.....	35
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## LIST OF ABBREVIATIONS

SME	Small and Medium-Sized Enterprise
GDP	Gross Domestic Product
NBSSI	National Board for Small Scale Industries
GRATIS	Ghana Appropriate Technology Industrial Service
GSS	Ghana Statistical Service
ERP	Economic Recovery Program
ITTU	Technology Transfer Unit
FINSAP	Financial Sector Adjustment Program
PAMSCAD	Program of Action to Mitigate the Social Cost of Adjustment
FUSMED	Fund for Small and Medium Enterprise Development
GTZ	Deutsche Gesellschaft Fuer Technische Zusammenarbeit
REP	Rural Enterprise Project
BASCs	Business Advisory Centres
RTFs	Rural Technology Facilities
NAQ	Need for Achievement Questionnaire
PCA	Principal Component Analysis
KMO	Kaiser-Meyer-Olkin
SPSS	Statistical Package for Social Science
GoG	Government of Ghana

IMF	International Monetary Fund
PHC	Population and Housing Census
PWC	Price Waterhouse Coopers
GEDC	Ghana Enterprise Development Commission
WEO	World Economic Outlook

## ABSTRACT

Why some entrepreneurs are more successful in business than others remains an influential question in small firm growth research. A common view held by most researchers is that firm growth is influenced by factors relating to the entrepreneur, specific firm characteristics and the business environment. Based on the concept of human capital and psychological theories, this study sought to test the influence of the personality characteristics of entrepreneurs on the growth of SMEs in Ghana. The main objectives of this study were; to identify the personality characteristics of entrepreneurs, determine the relationship between the personality characteristics of entrepreneurs and the growth of SMEs and to identify the personality characteristics of entrepreneurs that predict SMEs growth in Ghana. Consequently, the study adopted the personality characteristics of entrepreneurs proposed by Rauch and Frese (need for achievement, internal locus of control, self-efficacy, proactiveness and innovativeness), it was hypothesised that each of these personality characteristics of entrepreneurs positively influences the growth of SMEs. The study used a cross-sectional design and data was collected through the survey method. The approach was quantitative and purposive sampling was used to select 384 owner-managers of SMEs within the cities of Accra and Tema for the survey. Statistical techniques such as descriptive statistics, factor analysis and regression analysis were used to analyse the data. One –sample t-test was used to test the hypothesis. The study used sales as a measure of growth and was measured over a five year period. It was found that proactiveness, risk-taking and self-efficacy of entrepreneurs predict SMEs sales growth in Ghana. On the other hand, innovativeness, need for achievement and internal locus of control do not predict SMEs sales growth. To increase sales therefore, SMEs owner-managers must be proactiveness, take risk and be self-efficacious.

**Key words:** personality characteristics; entrepreneur; SMEs growth; need for achievement; internal locus of control; innovativeness; proactiveness; self-efficacy; risk-taking.

## **CHAPTER ONE**

### **INTRODUCTION**

This thesis outlines and report findings from a study determining the relationship between the personality characteristics of entrepreneurs and the growth of SMEs in Ghana. The objective of this chapter, therefore, is to provide the background to the study, the problem statement and the objectives of the study, the significance of the study, scope/limitation of the study and an outline of the entire thesis.

#### **1.0 BACKGROUND TO THE STUDY**

Small and Medium- Sized Enterprises (SMEs) are generally regarded as drivers of economic development (Nieman et al., 2003). As a result, a major issue that has taken centre stage in global economic policies, particularly in Africa has been how to accelerate economic growth through the development of SMEs (Robson et al., 2009).

SMEs have been the means through which developed countries have achieved rapid industrialization and accelerated economic growth (Harris & Gibson, 2006; Sauser, 2005). For example, SMEs constitute 99.8% of all enterprises in the European Union and 95% in most developed countries, and employ over 60% of available workforce (European Commission, 2010; Schmiemann, 2008).

Consequently, the relative economic prosperity of developed economies emanating from successful SMEs has perpetuated the economic gap between developed and developing countries (Harris & Gibson, 2006). In view of this, the focus of developing countries is now on SMEs as a means to create jobs (Acs, et al., 2008; Kang & Heshmati, 2008) and reduce poverty (Harson & Shaw, 2001; Philips & Bhatia-Panthaki, 2007).



However, despite several policies and programs geared towards developing SMEs in Africa with Ghana not an exception, most SMEs do not grow while majority fail within the early stages of their development (Lee & Mukoyama, 2015; Silver, 2015). Though failure is intrinsic to the entrepreneurial process, stakeholders usually detest its inevitability, and as a result, interests in understanding the factors that influence the growth of SMEs continue to grow (Storey, 2003).

Researchers on small-firm growth believe that SME growth is affected by factors ranging from the environment to the characteristics of the entrepreneur (Zhang & Bruning, 2011). Indeed, while it is acknowledged that firm growth is influenced by several factors, a substantial determinant of the growth of SMEs is the human capital of the entrepreneur (Jones et al., 2008).

Entrepreneurs bring a unique set of human capital to their firms, which forms a significant part of the resource endowment of the business (Zhang & Bruning, 2011). As a result, the business becomes an extension of the entrepreneur as an individual (Hambrick & Humphrey, 2015). These human capitals include, but not limited to the personality characteristics of entrepreneurs (Zhang & Bruning, 2011).

The Personality characteristics of entrepreneurs are their psychological dispositions, which demonstrate a stable and inherent strength of how they manage their business (Ciavarella et al., 2004). Naturally, environmental factors and firm characteristics have a significant impact on small-firm growth, but the personality characteristics of the entrepreneur are of paramount importance. For instance, how strongly does the entrepreneur believe in him/herself and the success of the firm? How persistent is the entrepreneur when setbacks follow one after the other? How decisive can the entrepreneur be in changing threats to business opportunities? (Driesen & Zwart, 2010), these are just few situations the entrepreneur must contend with and there is no doubt, not everyone can cope in these situations.

The key to understanding SMEs growth, therefore, is the individual, the initiating force, the person who sees the opportunity and takes up the challenge (Carland & Carland, 2015). However, there is a deep-rooted scepticism in extant literature on the presence and the strength of the relationship between the personality characteristics of entrepreneurs and the growth of SMEs. While some narrative reviews conclude that there is no positive relationship between these concepts (Lee-Ross, 2015; Watson et al., 2003) and have criticized the use of personality characteristics of entrepreneurs approach to study small-firm growth. Other scholars (Kim-Yin et al., 2015; Zhao & Seibert, 2006) have found contrary results and consequently, believe that, to understand the enigma of SME growth, there is the need for further studies to circumscribe the personality characteristics of entrepreneurs that contribute to this growth.

## **1.1 RESEARCH PROBLEM**

Why do some SMEs grow while others do not? Why do some even fail completely? These are some of the most intriguing questions as far as entrepreneurship is concerned, especially so when most of these SMEs have similar characteristics and operate in the same environment. Studies addressing these questions have investigated a wide variety of factors that influence firm growth (Adis & Mkiewicz, 2006; Barringer et al., 2005; Baum et al., 2001; Baum & Loke, 2004; Kim-Yin et al., 2015 Lee & Shang, 2001; Lim et al., 2008; Storey & Perks, 2015; Wiklund et al., 2009). These factors range from the personality characteristics of the entrepreneur to environmental factors.

Indeed, while some academic scholars have criticized the personality characteristics (traits) approach, and argue that the individual should not be over-emphasized as a focal point of academic studies (Mueller & Volery, 2012; Dzathor & Mosley, 2013), there abound several recent empirical studies on the personality characteristics of entrepreneurs and SMEs growth, especially in developed countries (Collings, et al., 2004; Delma, 2000; Kibia & Sikalieh, 2010;

Kirby, 2003; Krauss et al., 2005; Kuratko & Hodgetts, 2001; Rauch & Frese, 2007; Shane, 2007; Zhao et al., 2010). The fundamental argument of these previous studies demonstrates the indispensable role the personality characteristics of the entrepreneur play in the growth of SMEs, although a number of studies have also reported contrary results (Cooper et al., 1992; Cromie & Birley, 1992; Lee-Ross, 2015; Koh 1996; Watson et al., 2003).

Kuratko and Hodgetts (2001) posit that, the effectiveness of a program aimed at developing SMEs depends, first, on an in-depth understanding of the personality characteristics of the entrepreneur. Indeed, SMEs depend on the entrepreneur for their survival and growth (Frese, 2000). Without the entrepreneur, not much happens; it is the entrepreneur who takes strategic decisions of the firm (Frese, 2000). Hence, a large proportion of the difference in the performance among SMEs can be explained by the individual entrepreneur (Hall, 1995; Shane, 2007).

However, most academic research on SME growth in Ghana seems to regard SME growth as being significantly affected by external factors and firm characteristics (Abor & Quartey, 2010; Abor & Biekpe, 2006; Akorsu & Agyapong, 2012; Kayanula & Quartey, 2000; Mahmoud, 2011). Specifically, these studies have focused on examining the role of government (Kim, 2012), financial institutions (Anane et al., 2013), policy environment (Kayanula & Quartey, 2000), political and socio-cultural environment (Kheni et al., 2007), technological infrastructure (Frimpong, 2007) and market orientation (Mahmoud, 2011).

Consequently, research into the contribution of entrepreneurs to the growth of SMEs seems to be non-existent in Ghana. In fact, while some of the factors addressed in these previous studies have improved over the years, the performance of the SMEs sector has not been impressive (Kheni et al., 2007). There is therefore, the need to study the growth of SMEs from a different

perspective. Hence, this research seeks to investigate the relationship between the personality characteristics of entrepreneurs and the growth of SMEs in Ghana.

## **1.2 RESEARCH OBJECTIVES**

This research seeks to achieve the following specific objectives

- To identify the personality characteristics of entrepreneurs
- To determine the relationship between the personality characteristics of entrepreneurs and the growth of SMEs in Ghana.
- To identify the personality characteristics of entrepreneurs that predict the growth of SMEs in Ghana.

## **1.3 RESEARCH QUESTIONS**

This research seeks to answer the following research questions

- What are the personality characteristics of entrepreneurs?
- What is the relationship between the personality characteristics of entrepreneurs and the growth of SMEs in Ghana?
- What personality characteristics of entrepreneurs predict the growth of SMEs in Ghana?

## **1.4 PURPOSE OF THE RESEARCH**

The purpose of this research is to test key personality characteristics of entrepreneurs that may explain the growth of SMEs in the Ghanaian context.

## **1.5 SIGNIFICANCE OF THE RESEARCH**

- This research contributes to current literature by investigating the growth of SMEs in Ghana from a different perspective.
- It will throw more light on the personality characteristics of the entrepreneur that predict the growth of SMEs in Ghana. With this appropriate knowledge, policy makers will be able to design comprehensive policies to develop the SME sector to serve as a source of employment creation and economic development.
- The findings will help entrepreneurs to identify the personality characteristics of entrepreneurs that influence the growth of small firms. This will enable them to add those characteristics they lack through partnering or learning.

## **1.6 SCOPE / LIMITATION OF THE RESEARCH**

This research focused on SMEs in the services, trade and agricultural sectors in Ghana, with five or more employees and having an initial capital base of US\$5000 (Quaye & Acheampong, 2013). Owner-managers were the main source from which data was collected.

A major limitation of this research was that a non-probability sampling was used and so there was a limit to the extent to which the research findings could be generalized to the entire population of SMEs in Ghana. To overcome this limitation, the study was conducted in Accra and Tema because these two cities have the highest population of SMEs in Ghana (Mahmoud, 2011).

## **1.7 ORGANIZATION OF THE STUDY**

This study is composed of six chapters:

Chapter One comprises the research background, the research problem, the purpose of the study, objectives, significance of the research, scope / limitation of the study and the chapter outline.

Chapter Two focuses on a review of relevant literature on the personality characteristics of entrepreneurs and the conceptual framework.

Chapter Three contains the context of the study, which provides a detail description of the setting of the research.

Chapter Four dwells on the methodological approach to the study, which describes the study population, sample size, data collection instrument and method;

Chapter Five will deal with the presentation and discussion of the findings.

Chapter Six presents the summary, conclusions and recommendations for future studies.

## **1.8 CONCLUSION**

The importance of SMEs to the economic development of nations all over the world cannot be underestimated, as a result, several programmes, policies and enormous resources are been channelled to the development of these SMEs, particularly in Africa.-

However, majority of these SMEs fail within the early stages of their development, as such are unable to engineer the kind of growth these countries anticipate. Consequently, the interests of both policy makers and researchers in understanding the factors that affect the growth of small-firms continue to grow.

Indeed, while it is acknowledged that small-firm growth is affected by environmental factors, firm characteristics and factors relating to the characteristics of the entrepreneur, a substantial

determinant of SME growth is the human capital of the owner-manager. The human capital of owner-managers include their personality characteristics, which forms a significant part of the resource endowment of the business, hence the business becomes an extension of the owner-manager as an individual. The personality characteristics of owner-managers are their psychological dispositions, and it shows a stable and inherent strength of how they manage their business.

Environmental factors and firm or industry characteristics have an impact on small-firm growth, but the personality characteristic of the owner-manager is of paramount importance. For example, how strongly does the entrepreneur believe in him or herself and the success of the business? How persistent is the entrepreneur when setbacks follow one after the other? How decisive can the entrepreneur be in changing threats to business opportunities? No doubt not everyone can cope in these situations.

The key to understanding SMEs growth therefore, is the individual, the initiating force, the person who sees the opportunity and takes up the challenge. However, studies that seek to investigate small-firm growth in Ghana seem to concentrate on environmental factors and firm characteristics. This study therefore looks at the relationship between the personality characteristics of owner-managers and the growth of SMEs in Ghana vis-a-vis the deep rooted scepticism in extant literature regarding the presence and the strength of the relationship between these concepts.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

The objective of this chapter is to build a theoretical foundation for this study. It begins with a definition of SMEs and their importance to national economies. The concept of SMEs growth, characteristics of growing firms and indicators of firm growth are discussed. The chapter also presents the definition and importance of an entrepreneur, as well as the personality characteristics of entrepreneurs considered in this study. The chapter ends with the development of hypotheses and the presentation of the conceptual framework for the study.

#### **2.1 DEFINING SME**

There is no definitive definition of Small and Medium–Size Enterprise (Abor & Quartey, 2010). Kayanula and Quartey (2000) contend that this situation exists because businesses vary in their levels of capitalization, sales and employment. Different criteria have been used by different countries to define SMEs. However, the most common criterion employed is the number of employees and fixed assets.

The Ghana Statistical Service (GSS) therefore, defines firms with less than 10 employees as small-scale enterprises and those with 10 employees and above as medium and large-size enterprises (Kayanula & Quartey, 2000). The National Board of Small Scale Industries (NBSSI) however, uses both the number of employees and the fixed asset criteria and considers an enterprise with not more than 9 employees and plant and machinery (excluding land, building, vehicles) not exceeding 100 Thousand Ghanaian Cedis as small scale (Kayanula & Quartey, 2000). The Ghana Enterprise Development Commission, on the other hand, uses a 100 thousand Ghanaian Cedis ceiling definition for plant and machinery (Kayanula & Quartey, 2000). Furthermore, Quaye and Acheampong (2013) defined mall enterprise as a business



activity in the formal sector, which is not micro and has more than five employees with initial capital base exceeding US\$5,000. A major challenge is that, the process of valuing fixed assets, and the persistent depreciation of exchange rate often make such definitions outdated (Kayanula & Quartey, 2000).

Also, Osei et al. (1993), Steel and Webster (1991) defined SMEs in Ghana using an upper limit of 30 employees. Osei et al. (1993) however, categorised small-scale enterprises into three groups. These are: micro-with less than 6 employees; very small-employing 6 to 9 people and small-with between 10 and 29 employees.

## **2.2 IMPORTANCE OF SMEs**

SMEs have over the years played significant role in the economic development of Ghana. This is particularly affirmed, as institutions of higher learning as well as policy makers are beginning to recognise the fact that large and multi-national companies cannot provide all the needed jobs. Ghana's informal sector contribution to employment is estimated at 70 per cent of the total labour force (Fredua, 2007). SMEs help create the bulk of the jobs, thereby contributing to national revenue by way of taxes (Abor & Quartey, 2010; Keskin, 2006), they contribute about 75 per cent to Ghana's GDP and account for 92 per cent of all businesses in Ghana (Abor & Quartey, 2010).

Furthermore, SMEs help conserve foreign exchange, increase export through the non – traditional commodities export (Aryeetey, 2001; Kayanula & Quartey, 2000). They improve the efficiency of domestic markets and make productive use of scarce resources (Aryeetey & Ahene, 2005). Also, SMEs act as a source of skills creation and a cradle of entrepreneurship. They utilize financial resources which are otherwise dormant (family savings) and have a lower cost per job created. They have a wider geographic spread and higher capacity to absorb labour (Buame, 2004).

### 2.3 CONCEPT OF SMEs GROWTH

According to Ronninko and Autio (2012), growth denotes a change in size from a particular period of time to another. In the case of firm growth, the term growth can mean a change in sales, profit, employees or a change in the size of assets (Chen et al., 2013). Dobbs and Hamilton (2007) assert that there is no single theory, which can explain firm growth and as a result, various theories have been developed to explain portions of SMEs growth. The differences among these theories lie in the fundamental assumptions they make about the growth process (Dobbs & Hamilton, 2007).

For example, O'Farrel and Hitchens (1988), in a literature review identified four major theoretical approaches used to explain small-firm growth. These were: the static equilibrium theory, the stochastic model, strategic management approach and the stages model. Dobbs and Hamilton (2007) further classified the various approaches to explaining SMEs growth into six categories: stochastic, descriptive, evolutionary, resource-based, learning and deterministic. Each of these approaches has its own logical concepts and underlying assumptions. However, a lot of them share the same principles. For instance, the most frequently stated approach is the stages model, which assumes that a firm goes through various stages in its life cycle. (Galbraith et al., 2013; Mueller & Volery, 2012). Accordingly, several types of the stages model have been proposed by various researchers based on their perception of the number of stages a firm will pass through in its life cycle. Notable among them are: the three-stage model (Smith et al., 1985), the four-stage model (Quinn et al., 2014) and the five-stage model (Mueller & Volery, 2012; Galbraith et al., 2013). The fundamental assumption of these multi-stage models is that an organization is likely to progress systematically through certain stages of development (birth, start-up, survival, growth and maturity) (Masurel & Van Montfort, 2006).

However, the use of these theories to explain firm growth has been challenged by other researchers (Ardichvil et al., 2003; Davidson & Wiklund, 2000; Delmar & Wiklund, 2008). These authors argue that none of these theories was developed specifically for analyzing firm growth. They further contend that the theories do not show how and when growth should be studied.

In view of the inability of existing theories to explain firm growth (Davidson & Wiklund, 2000), researchers have turned to other approaches to explain the concept (Seth & Thomas, 1994). A common approach is the focus on identifying a number of variables relating to the entrepreneur, the firm, industry and the environment that may explain firm growth (Dobbs & Hamilton, 2007)

Consequently, several studies have tried to develop and test various factors that may influence the growth of SMEs. Nason and Wiklund (2015) suggested a model of SMEs growth, in which they argued that actual growth is a function of need, ability and opportunity. Their findings indicate that, need; ability and opportunity can explain the differences in the growth rate among small firms. Similarly, Storey and Perks (2015) made a significant contribution to this area by describing the various factors that are likely to influence SMEs growth. They identified three fundamental factors that can influence the growth of SMEs, these are: the characteristics of the entrepreneur, specific characteristics of the firm and type of strategic orientation for growth. Furthermore, Hall (1995) identified seven determinants of SMEs growth. These include the personal characteristics of the owner, availability of outside assistance, motivation, strategic management, marketing policy, financial management and market characteristics. This study accordingly, seeks to test the relationship between the personality characteristics of owner-managers and the growth of SMEs in the Ghanaian context.

## **2.4 FORMS OF SME GROWTH**

Generally, there are two major forms of SMEs growth: organic growth and growth through acquisitions (Chen et al., 2013). Organic growth occurs when an SME achieves growth from within the firm whilst growth through acquisition occurs when another SME or a larger company buys out an existing SME. An SME can achieve either of these forms of growth or a combination of both (Delmar et al., 2003). These two forms of growth have varying explanations as well as implications for an economy as a whole.

For instance, from the economic perspective, only organic growth creates new jobs in the short to medium term whilst growth through acquisition transfers current employment from one company to another (Davidson & Wiklund, 2006). Firms that grow organically are able to show a smoother growth path over time than those that grow through acquisition (Chen et al., 2013). According to Davidson and Wiklund (2006), smaller firms usually exhibit organic growth whilst growth through acquisition is more likely to be found in well-established, larger and much older firms. Although these different types of growth are very crucial when studying firm growth, Delmar et al. (2014) argue that, since entrepreneurs are concerned with creating value through the combination of resources, organic growth is of utmost interest in studying SMEs growth.

## **2.5 CHARACTERISTICS OF GROWING FIRMS**

Growing firms are very significant stimulus to national economies (Feesser & Willard, 1990). According to Barringer et al. (2005), growth is often an indication of market acceptance and firm success. Growing firms lead the production of innovative products and services (Barringer et al., 2005).

However, growth is generally difficult to achieve and sustain, as such the growth rate of most firms often stalls due to the demands of the growth process (Barringer et al., 2005). According to Rahman et al. (2014), only one out of seven firms generates sustained profitable growth. Nonetheless, Delloite et al. (1996) posit that growth is a top strategic priority for most small firms. They further contend that growth is, however, not a random or chance event but is associated with specific characteristics. Barringer et al. (2005) classified the characteristics of growing firms into four categories: founder characteristics, firm attributes, business practices and human resources management practices.

### **2.5.1 FOUNDER CHARACTERISTICS**

The founder or founders of a firm place an enduring impression on their businesses and that influence the culture and behaviour of their firms (Mullins, 1996). Besides, investors usually assess the potential of a firm by evaluating the attributes of its founder (s) (Barringer et al., 2005). Similarly, one of the most significant criteria used by venture capitalists in deciding whether to fund a firm is the entrepreneur's or team of entrepreneurs' ability to successfully manage the venture. As a result, Barringer et al. (2005) contend that firm growth is characterized by individual difference variables such as relevant industry experience of the founder(s), higher education of the entrepreneur or team of entrepreneurs, entrepreneurial experience, broad social and professional network, and size of founding team.

### **2.5.2 FIRM ATTRIBUTES**

According to Barringer et al. (2005), certain firm characteristics communicate that a firm is serious about growth and intends to make growth an ongoing priority. Accordingly, firm growth is characterized by, growth-oriented vision and mission (Furlan et al., 2014; Nejad & Zarei, 2015), commitment to growth (Nsubili et al., 2014), Participation in inter-organizational relationships (Barringer & Harrison, 2000; Braggs, 1999), Planning (Duchesneau & Gartner,

1990), Geographic location (Cooper & Folta, 2000) and high buyer concentration (De-Villiers et al., 2014).

### **2.5.3 BUSINESS PRACTICES**

Along with firm attributes, there are very important business practices that are typical characteristics of firm growth (Barringer et al., 2005). These business practices include creating unique value for customers (Nejad & Zerei, 2015), Product superiority (Harrison & Taylor, 1997; Lee & Osteryoung, 2015) and Innovation (Chakrabarti, 1990).

### **2.5.4 HUMAN RESOURCE MANAGEMENT PRACTICES**

A firm's employees are a very important resource in the achievement and maintenance of growth (Barringer et al., 2005). As a result, the following human resource management practices are typical characteristics of firm growth: selective hiring (Trendsetter Barometer, 2000), Performance-based incentives (Rich, 1999), Stock option plans and employee stock ownership plans (Barringer et al., 2005).

## **2.6 IMPORTANCE OF SME GROWTH**

Firm growth is closely associated with survival; as such firms that experience sustained growth usually have a higher probability of surviving in the market (Pagano & Schivardi, 2003).

Furthermore, firm growth has an impact on employment. A positive growth rate may indicate a net creation of new jobs, while a negative growth rate may imply a net destruction of existing jobs. Job creation or destruction is very much associated with the ability of existing firms and new entrants to grow. Indeed the existence or otherwise of employment has obvious consequence on government budgets (Pagano & Schivardi, 2003).

Another importance of firm growth is its effect on economic growth. Backward and forward linkages will increase with sustained profitable firm growth whilst the opposite will be the case

with negative growth rates. Generally, an increase in firm growth may increase its demand towards other sectors, thus producing an increase in the economic activity of a region. This dynamism in the economy can lead to major growth (Wiklund & Shepherd, 2003).

Additionally, firm growth is a way to introduce innovation and is an indication of technological change. For instance, if a firm wants to grow and survive in a competitive industry, it needs to incorporate new technologies in order to be more efficient. In this sense, growth is a challenge a firm must meet by introducing innovation (Pagano & Schivardi, 2003).

Finally, the evolution of the size of existing and new entrants determines market concentration. If small firms grow at a high rate, market competitiveness will increase. Conversely, increases in the size of large firms will affect market concentration. The regulation of market concentration to avoid the creation of monopolies and oligopolies has been one of the main interests of governments. The analysis of firm growth may therefore help to clarify the concentration of firms in a market. (Wiklund & Shepherd, 2003)

## **2.7 INDICATORS OF FIRM GROWTH**

Davidson and Wiklund (2013) posit that firm growth can be measured in several ways, and the most frequently used indicators include sales, employment, assets, market share, physical output, and profit. However, there is no consensus on the best indicator of growth (Davidson & Wiklund, 2013); as a result, researchers' use indicators with which it is easy to obtain data (Davidson & Wiklund, 2013). Besides, most researchers do not explain why they choose certain indicators over others (Simon, 2012; Malin et al., 2013).

In respect of this confusion regarding the most appropriate indicator(s), Malin et al. (2013), Jansen (2009) believe that sales growth is the most widely used growth indicator followed by the number of employees, then profit and assets. This assertion is further supported by

Achtenhagen et al. (2010) in a literature review. They concluded that sales growth is the most appropriate indicator of SMEs growth. Practically, increase in sales is a pre-determinant of growth in other indicators (Jansen, 2009). Thus, the growth process by its nature points to sales as an obvious choice (Davidson & Wiklund, 2013).

In fact, it is argued that if a single indicator has to be used in different industries, then, sales should be the most appropriate choice (Davidson & Wiklund, 2013; Jansen, 2009; Malin et al., 2013). However, sales as an indicator of growth have obvious drawbacks. It is sensitive to the general economic conditions such as inflation and currency exchange rate (Delmar et al., 2014). Besides, it is not always the case that sales lead the growth process. For instance, in high-technology start-ups, it is possible that assets and employment will grow before any sales occur (Delmar et al., 2014).

Employment is considered the next best indicator of firm growth and may be preferable if the concentration of interest is on the managerial implication of growth (Simon, 2012). Similarly, if a firm is viewed as a bundle of resources, then a growth analysis must focus on the accumulation of resources such as employees (Delmar et al., 2014). Furthermore, when the rationale behind the study is job creation, then, using employment as a growth indicator seems a natural choice (Dafna, 2013).

Major drawbacks of employment as a growth indicator are that, it is affected by labour productivity increases, machine-for-man substitution, degree of integration and other make-or-buy decisions. A firm can grow considerably in output and assets without any growth in employment (Delmar et al., 2014).

Market share and physical output are not popular growth indicators in the literature; they have been used in few studies to compare firms with similar product range (Delmar et al., 2014; Jansen, 2009). In view of the fact that both sales and employment have inherent drawbacks,



other researchers have suggested the use of multiple indicators (Delmar et al., 2014; Shepherd & Wiklund, 2009). However, it is not clear in literature which multiple indicators are the best in a particular study. As a result, some scholars suggest that researchers endeavour to use growth indicators that suit their research objectives and the type of SMEs under study (Achtenhagen et al., 2010; Davidson et al., 2007).

In line with this suggestion, this study used sales as an indicator of SMEs growth for the following reasons. First, sales measure is widely used in empirical growth studies (Davidson & Wiklund, 2013). Secondly, sales figures are relatively easily accessible and most entrepreneurs are comfortable providing such data (Delmar et al., 2014). Finally, some indicators have some obvious disadvantages that limit their use outside of very special situations. For instance, indicators such as market share and physical output can only be used to compare firms with similar product lines and operate in the same industry (Davidsson & Wiklund, 2013). Total asset value is highly related to the capital intensity of the industry and sensitive to changes over time (Delmar et al., 2014). While profit is an important indicator of firm growth, it is not easily accessible.

## **2.8 DEFINING AN ENTREPRENEUR**

The significant role of the entrepreneur in economic development cannot be overemphasized. This is reflected in the increasing interest by both policy makers and researchers in local entrepreneurs to engineer economic growth and national development (Buame, 2012). In spite of all these interests, a precise, universally accepted definition of the entrepreneur is yet to emerge (Amit et al., 2003; Kibia & Sikalieh, 2010). The lack of a consensual definition of an entrepreneur has made the identification of the entrepreneur difficult and sometimes controversial (Kibia & Sikalieh, 2010).

The word entrepreneur was borrowed from a French word ‘entreprendre,’ which means to undertake (Alain, 2007). Richard Cantillon is believed to be the first economist to recognize the role of the entrepreneur (Kirby, 2003). He defined the entrepreneur as a risk taker, observing that, the entrepreneur is a person who buys at a certain price and sells at an uncertain price, and bears the risk caused by price fluctuations on the market, with the difference being the profit or loss (Bridge et al., 2009). According to Cantillon, the role of the entrepreneur lies in the creation of entrepreneurial income through operating under conditions of uncertainty (Kirby, 2003).

Furthermore, Knight (2012) built on Cantillon’s idea and made a distinction between insurable and uninsurable risk (uncertainty). He contended that recurring events whose relative frequency is known from experience is termed insurable risk, while uninsurable risk (uncertainty) relates to events whose probability of occurring can only be subjectively estimated (Alain, 2007). Apparently, earlier attempts to define an entrepreneur viewed uncertainty as the fundamental element and starting point. Other scholars have also approached the definition of the concept differently. For example, Metzler (2013) emphasized the role of innovation and described the entrepreneur as a person who implements change within markets through new combinations (Carrasco & Perez, 2008). Harper (2003) also believes that the entrepreneur is someone who sees profit opportunities and takes steps to fill currently unsatisfied needs. For Harper (2003), the duty of the entrepreneur is to bring about the kind of adjustment needed to move economic markets towards the equilibrium state.

Besides, several theories and approaches to defining entrepreneurship and ultimately the entrepreneur have also evolved (Kuratko & Hodgetts, 2001). Most of these perspectives have tried to demonstrate what entrepreneurs do and what functions and processes are fundamental (Kuratko & Hodgetts, 2001). Some also ascribe certain personality characteristics (traits) to people engaged in entrepreneurial activities and differentiate them from the general population

(Roininen & Ylinenpää, 2009). Prominent among these approaches are the schools of thought approach (Kuratko & Hodgetts, 2001; Roininen & Ylinenpää, 2009).

## **2.9 ENTREPRENEURSHIP SCHOOLS OF THOUGHT**

Several important schools of thought have been used to describe the entrepreneur and ultimately identify who an entrepreneur is. These schools of thought include the Schumpeterian and the Kirznerian schools of thought (Roininen & Ylinenpää, 2009), the psychological, great person, classical, management, leadership and intrapreneurship schools of thought (Henry et al., 2015). Other researchers have proposed the usefulness of other approaches to understanding the entrepreneur and notable among these approaches are, Lachman's approach (Chiles et al., 2007), the indicative or functional approach (Weber et al., 2014) and situational approach (Siegel & Renko, 2012).

However, for the purpose of this study, the Schumpeterian and the Kirznerian schools of thought (Roininen & Ylinenpää, 2009) as well as the psychological and the great person schools of thought (Henry et al., 2015) were discussed.

### **2.9.1 THE SCHUMPETERIAN SCHOOL OF THOUGHT**

The Schumpeterian school of thought views the entrepreneur from the creative destruction or 'creative imitation' perspective (Chiles et al., 2007). In effect, Schumpeter claims that entrepreneurs have special skills that enable them to participate in the process of innovation (Metzler, 2013). Along this line, Chiles et al. (2007) contends that the dominant necessary characteristic of the entrepreneur is that, they are gap-fillers. They possess the ability to perceive where the market fails and develop new goods, services or processes that market demand but, which are not currently being supplied. Chiles et al. (2007) assert that entrepreneurs have a unique potential to connect different markets and make up for market

failures and deficiencies. Galindo (2013) posits that, leadership in innovative production is fundamental to entrepreneurship. Therefore, the leader (entrepreneur) makes a margin through the combination of various inputs into new innovations in order to satisfy unfulfilled market demand, while bearing the risk of failure.

### **2.9.2 THE KIRZNERIAN SCHOOL OF THOUGHT**

The Kirznerian school of thought believes that entrepreneurship is spontaneous (Harper, 2003). This school of thought thinks that the necessary characteristic of the entrepreneur is alertness on discovering new possibilities (Harper, 2003). Thus, the entrepreneur seizes the imbalances or opportunities on the market and beneficially exploits those (Roininen & Ylinenpää, 2009). Moreover, Harper (2003) maintains that discovering entrepreneurial opportunities hinges, to some extent, on the distribution of information in society, where the possession of some unique information enables people to see different opportunities.

The two schools of thought discussed above highlight some important behavioural characteristics of entrepreneurs. The Schumpeterian school of thought believes that the entrepreneur possesses the ability to perceive market failures (proactive) and then develop new goods, services, or processes to fill that gap (innovation) while bearing the risk of failure. With the Kirznerian school of thought, the necessary characteristic of the entrepreneur is alertness on discovering the possibilities (proactive), seizes the imbalances or the opportunities on the market (innovation) and beneficially exploit those (risk taking). These three indicators (innovativeness, proactiveness and risk-taking) have been identified as forming the core of entrepreneurship (Covin & Slevin, 1989).

Similarly, Miller (1983) summarizes the characteristics of the entrepreneurial firm (entrepreneur) as one that engages in product or process innovation, undertake somewhat risky ventures and first (proactive) to come up with innovation in order to beat the competition. Upon

this premise, several studies (Avlonitis & Salavou, 2007; Krause et al., 2005; Poon et al., 2006) have confirmed that risk-taking, proactiveness, and innovation are key dimensions of entrepreneurial orientation, but generally, entrepreneurial orientation refers to top management's strategy regarding these constructs (Poon et al., 2006). It is a firm –level behavioural process of entrepreneurship.

However, with most SMEs, the behaviour of the firm and the owner-manager (entrepreneur) are virtually the same (Poon et al., 2006). Accordingly, the personality characteristics of the owner-manager more often influences the type of business that is created and how it is managed (Juhas, 2010). Consequently, Rauch and Frese (2007) have also been explicit in presenting risk-taking propensity, proactiveness and innovativeness as some important personality characteristics of entrepreneurs.

### **2.9.3 THE PSYCHOLOGICAL SCHOOL OF THOUGHT**

The psychological school of thought suggests that the behaviour of people is more often than not dictated by their values despite variations in situations (Henry et al., 2015). This school of thought that is based on personality factors believes that entrepreneurs have unique values and attitude towards work and life. These, along with some dominant needs ginger the individual to behave in a certain way (Kirby, 2003).

### **2.9.4 THE GREAT PERSON SCHOOL OF THOUGHT**

The great person school of thought seeks to determine whether entrepreneurs are born or made, whether one can teach another or learn to be an entrepreneur or whether the individual comes into this world carrying the genes or the inborn natural capacity to perform entrepreneurial activities (Henry et al., 2015). This school of thought believes that the entrepreneur should be able to present ideas, concepts and beliefs that others find interesting, intriguing and

stimulating. This suggests that entrepreneurs are endowed with certain characteristics that make them unique from others (Henry et al., 2015; Kirby, 2003).

The discussions above indicate that, the psychological and the great person schools of thought view entrepreneurs as people with unique personality characteristics. In line with these schools of thought, several researchers have identified various characteristics of entrepreneurs that distinguish them from the general population. These characteristics of entrepreneurs include, need for achievement (Wahibur & Forbis, 2015), internal locus of control (Altmann & Arambasich, 2012), innovativeness, proactiveness, risk-taking propensity (Rauch & Frese, 2007), self-efficacy (Sherer et al., 1982), tolerance of ambiguity (Sagioglou & Forstmann, 2013), autonomy and independence (Dyer et al., 2014).

## **2.10 WORKING DEFINITION OF AN ENTREPRENEUR**

For the purpose of this research, an entrepreneur is a person or group of persons who identify an opportunity and exploit it by organizing resources to convert the opportunity into marketable products or services for the benefit of society, assumes the risk of the competitive marketplace and realizes the reward for these efforts.

## **2.11 IMPORTANCE OF AN ENTREPRENEUR**

Entrepreneurs play a pivotal role in modern economies, because, they are the prime creators or the makers of firms. These firms are responsible for practically all economic activity outside of government. These activities include pricing, contracting, utilizing indigenous resources, providing jobs, organizing production and marketing goods and services (Schramm, 2006).

Furthermore, entrepreneurs are responsible for a greater part of technological innovation in products and production processes, thereby driving economic transformation and international trade. They are also fundamental to economic equilibrium because they set the economy in

motion. In economic equilibrium, firms create markets, which in turn determine prices, allocate goods, and determine the structure of transactions (Baumol et al., 2007).

## **2.12 PERSONALITY CHARACTERISTICS OF ENTREPRENEURS**

Personality characteristics of entrepreneurs are their psychological disposition, which demonstrate a stable and inherent strength of how they manage their business. It is used interchangeably with personality traits of entrepreneurs in this study.

Empirically, studies on personality traits of entrepreneurs have sought to associate various psychological characteristics with entrepreneurs and then used these characteristics to predict firm growth or performance (Chu, 2000).

However, in discussing the personality characteristics of entrepreneurs and their relationship with firm growth and performance, Rauch and Frese (2007) assert that personality characteristics of entrepreneurs that are more likely to predict firm growth or performance are those that match the personality with work characteristics. Moreover, entrepreneurship literature has made significant strides to define the parameters or roles of entrepreneurs (Rauch & Frese, 2007).

For example, entrepreneurs have to identify and exploit imbalances in the market, make swift decisions under uncertainty in a resource constrained environment, work harder than the general population as well as possess a wide variety of skills, knowledge and abilities (Sarasvathy, 2001; Shane, 2007). Accordingly, Rauch and Frese (2007) identified the need for achievement, risk-taking, proactive personality, self-efficacy, internal locus of control and innovativeness as the specific personality characteristics of entrepreneurs that match work characteristics or entrepreneurial roles. This study, therefore, adopts the personality characteristics of entrepreneurs proposed by Rauch and Frese (2007).

### **2.12.1 NEED FOR ACHIEVEMENT**

A most widely discussed personality characteristic (trait) in the literature is the need for achievement (Wahibur & Forbis, 2015). Need for achievement is an intrinsic feeling of personal accomplishment (Wahibur & Forbis, 2015). Kirby (2003), Shane (2007) posits that, people with a high need for achievement strive to solve problems for themselves. They set targets and do everything possible to accomplish them through their own efforts.

According to Wahibur and Forbis (2015), individuals rated high in need for achievement often find their way to entrepreneurship and perform extremely better than people low in the same characteristic. Similarly, Chell (2008) contends that people with a high need for achievement spend time considering how to perform a particular task or how to meet a particular target they have set for themselves. Wahibur and Forbis (2015) conducted a study to test the relationship between the personality characteristics of entrepreneurs, strategy and the growth of SMEs and found that growing firms showed a much stronger intention to grow than failing firms.

Individuals who strongly intend to achieve spend time thinking about doing things better, they take responsibility for their own actions, take initiative and persistently want feedback about their level of performance (Kirby 2003; Shane, 2007). Other researchers have also found a positive relationship between need for achievement and venture growth. For example, Johnson (1990) contributed significantly to this area by reviewing other works on the need for achievement construct. He found considerable differences in the sample of entrepreneurs studied and the lack of consistency in the measurement of need for achievement. Nevertheless, he found a positive relationship between need for achievement and venture growth.

Similarly, Lee and Tsang (2001) conducted a study on the effect of personality characteristics of entrepreneurs on venture growth among Chinese entrepreneurs in Singapore, and found that the need for achievement had a significant and positive effect on the growth of SMEs. This is



further supported by a meta-analysis conducted by Rauch and Frese (2007); they found that the need for achievement is significantly correlated with both the choice of an entrepreneurial career and with entrepreneurial performance. Hisrich and Veland (2015) conducted a study on Albania, Macedonia and Kosovo women entrepreneurs without comparing them to non-entrepreneurs and found that, all groups of women were motivated by achievement.

However, studies that find a positive relationship between need for achievement and venture growth have received heavy criticisms. For example, Poon et al. (2006) contend that there is no clear direct relationship between need for achievement and venture growth. They argue that the need for achievement is a weak predictor of entrepreneurial performance. They further concluded that the Thematic Apperception Test (TAT) used to measure need for achievement in most of the studies lacked predictive ability and consistency. On the other hand, in a meta-analysis conducted by Collins et al. (2004), the authors found that one of the most researched validated scales used to measure the need for achievement is that developed by Steers and Braustein (1976).

### **2.12.2 RISK –TAKING**

Risk-taking is believed to be the earliest defined personality characteristic of entrepreneurs proposed by Cantillon (Kirby, 2003). In fact, the connection of risk and uncertainty with entrepreneurship emerged in the 17<sup>th</sup> century, with the entrepreneur described as a person who entered into contractual agreement with others to perform a specific task and bears the risk of losses. Several researchers hold out that risk-taking is a fundamental element of entrepreneurship (Bouchard & Basso, 2011; Buame et al., 2013; Covin & Slevin, 1989; Franko, 2013; Galindo, 2013).

Risk-taking involves the deliberate intention to commit a large amount of resources to a project with a high cost of failure (Covin & Slevin, 1989). Similarly, Forlani and Mullins (2000)

explain entrepreneurial risk-taking as ‘uncertainty and potential losses associated with outcomes, which may follow from a given set of behaviours.’

Risk-taking propensity is the perceived probability that an individual will forego a safe alternative with predictable outcomes in favour of a more attractive choice with a more uncertain reward (Forlani & Mullins, 2000). It is a psychological orientation of individuals to show varying degrees of risk-taking or risk avoidance (Papadakis, et al., 1998). Stewart et al. (2003) explained risk-taking propensity as ‘individual’s willingness to take a risk in uncertain decision-making scenarios’.

Strategically, a risk can be described as venturing into the unknown, committing relatively large amount of resources into a project or borrowing heavily (Juhas et al., 2010). According to Lumpkin (2002), the level of risk depends on a firm’s stage of development. Risk-taking could be at the individual level (Thomson, 2015) or firm level (Juhas et al., 2010). Risk could also be at managerial level, which involves decisions regarding uncertain outcomes. It could be organizational, which relates to decisions regarding unstable income streams (Gomez-Mejia & Wiseman, 2011). Similarly, Sanchez-Marin and Danvila-Del (2014) classified entrepreneurial risk into financial, social, career and psychic risks. A risk taker, therefore, is a person who undertakes a business venture with an unpredictable or unknown outcome (Chell, 2008).

The connection of risk-taking propensity of entrepreneurs and firm growth has been approached from three theoretical perspectives in extant literature. The first one is premised on the idea that entrepreneurs take more risk than managers, although the task of both managers and entrepreneurs involve risk-taking (Chell, 2008). This argument is supported by Tajeddini (2008). However, Miner and Raju (2004) posit that entrepreneurs are less likely to take risk than managers, arguing that entrepreneurs are averse to risk.

The second theoretical perspective focuses on achievement motivation and moderate risk (Covin & Lumpkin, 2011). The thrust of this theory is that, an individual with the motivation to achieve something set challenging targets and strive to accomplish them through his or her own effort and skills, take responsible decisions and is a moderate risk-taker (Wahibur & Forbis, 2015). Based on this argument, other researchers have suggested that, it is meaningless to assume that entrepreneurs take more risk than managers since both managers and entrepreneurs have the motivation to achieve (Kirby, 2003). Tan and Tay (1995) concluded that entrepreneurs do not possess unique risk-taking propensity compared to managers.

The final theoretical perspective is based on the assumption that risk-taking depends on either the perception of the situation or the individual (Delmar, 2000). Henry et al. (2015) think that people take considerable risk in circumstances where they are competent or feel some degree of control or skill in realizing a profit.

From the discussions above, it can be said that there are various perspectives regarding risk – taking propensity of entrepreneurs. However, this research is not about whether or not an entrepreneur takes a greater risk than the general population, instead, it determines the connection between risk-taking propensity and the growth of firms. Extant entrepreneurial studies involving such a connection have revealed mixed results. For example, a number of researchers have found a significant positive correlation between the risk-taking propensity of entrepreneurs and the growth of firms (Levent et al., 2012; Krause et al., 2005; Rauch & Frese, 2007; Teoh & Foo, 1997). Two Meta-analyses also confirmed the positive effect of risk-taking and firm growth (Rauch & Frese, 2007; Stewart et al., 2003). However, other researchers have found no such relationship at all (Dzathor et al., 2013).

### 2.12.3 SELF –EFFICACY

Bandura (2012) explains self-efficacy as ‘the belief in one’s own ability to perform a given task’. This definition seems to be the same across available literature. Researchers on self-efficacy as a personality characteristic of entrepreneurs proffer that individuals high in self-efficacy are more likely to start their own businesses and lead them to growth than people low in self-efficacy (Bono et al., 2012; Kirby, 2003; Rauch & Frese, 2007). People high in self-efficacy are more likely to persevere in the face of challenges (Merritt & Tharp, 2013); they take initiative (Li et al., 2014), have higher aspirations for success and therefore, take a long-term perspective (Poulin & Heckhausen, 2012). They actively seek information (Katleen et al., 2011) resulting in better knowledge.

Kuratko and Hodgetts (2001) assert that individuals with high levels of self-efficacy are inclined to setting challenging targets, persevere even in the midst of failure, they tackle difficult task as challenges they need to master rather than issues to be avoided. In view of the significance of self-efficacy in entrepreneurship, several researches have been done to determine the link between self-efficacy and firm growth (Baum & Locke, 2004).

For instance, a meta-analysis conducted by Judge and Bono (2001) identified a significant positive relationship between self-efficacy and the growth of firms. According to Forbes (2005), entrepreneurs who are confident in their abilities tend to develop comprehensive and strategic plans to grow their businesses, whereas entrepreneurs with less confidence in their abilities often make less effort to do so. Furthermore, several other works found a positive relationship between self-efficacy and firm growth (Anna et al., 2000; Baum et al., 2001; Baum & Locke, 2004)

However, other studies have found no positive relationship between self-efficacy and firm growth. For example, Vancouver et al. (2001) found a negative relationship between self-

efficacy and firm growth. They argue that a positive self-efficacy on firm growth may be triggered primarily by the influence of performance on self-efficacy rather than the influence of self-efficacy on performance. In other words, a good performance may generate increased self-efficacy. Poon et al. (2006) also reported a negative relationship between self-efficacy and firm growth. They suggest that high levels of self-efficacy do not always impact positively on the growth of firms. Hmieleski and Baron (2008) also identified no significant link between self-efficacy and firm growth.

#### **2.12.4 LOCUS OF CONTROL**

The concept of locus of control describes an individual's perception about the underlying causes of events in his or her life (Slate & Slate, 2014). It is one's perceived ability to influence events in one's life. According to this theory, individuals see the outcomes of events as being either within or beyond their control and understanding (Kirby, 2003; Mueller & Thomas, 2000). Accordingly, individuals with internal locus of control perceive events as being within their control and have the self-confidence to control their destiny. On the other hand, people with an external locus of control, consider events to be beyond their control and think that they are under the control of others, fate and chance (Mueller & Thomas, 2000; Kibia & Sikalieh, 2010). Indeed, an individual with internal locus of control believes that his or her life outcomes are the consequence of factors from within, such as hard work (Mueller & Thomas, 2000).

The justification for associating internal locus of control with entrepreneurial behaviour lies in the fact that, if an individual does not believe that he or she can competently change a particular situation; it is not likely that individual will embark on venture creation let alone sustain it (Halac & Bulut, 2012). People with more pronounced internal locus of control believe that they are in control of their business, and that luck or chance does not determine what happens to it

(Chell, 2008). Entrepreneurs believe that their own actions determine the benefits they obtain (Rauch & Frese, 2007).

The identification of internal locus of control as a personality characteristic of entrepreneurs has brought about several empirical studies that provide evidence to support the argument that entrepreneurs have a higher internal locus of control than the general population (Levent et al., 2012; Bonnet & Furnham, 1991; Quader, 2012; Lis, 2013; Mueller & Thomas, 2000). On the contrary, other researchers have found no relationship between internal locus of control and entrepreneurship (Nair & Pandey, 2006). These scholars contend that a dominant internal locus of control is not a precondition for entrepreneurship.

Empirically, the link between locus of control and the growth of SMEs have revealed mixed findings. While some researchers find no significant positive relationship between locus of control and the growth of SMEs (Quader, 2012), other studies have identified a positive relationship between these variables (Lee & Tsang, 2001; Poon et al., 2006).

#### **2.12.5 INNOVATIVENESS**

Innovation has been a frequently identified functional personality characteristic of entrepreneurs (Covin & Slevin, 1989; Wahibur & Forbis, 2015; Rauch & Frese, 2000). Entrepreneurs operate in an ever-changing environment in which consumer taste, technology and competitive strategies change unpredictably (Brandstatter, 1997). Accordingly, Druker (1985) defined entrepreneurship as ‘innovation in a business environment as the entrepreneur generates a new capacity for wealth of scarce resources’. Innovativeness underlies the modern definition of entrepreneurship (Shane & Venkataraman, 2000). Innovation has been defined as ‘the intentional introduction and application of ideas, processes, products and procedures relevant to the new unit of adoption’ (Utsch & Rauch, 2000).

Schumpeter, who is believed to be the originator of the innovative concept in the entrepreneurial process emphasizes on the innovativeness of the entrepreneur through experimentation with new combinations (Chu, 2000; Stewart et al., 2003). Schumpeter describes innovation as a systematic search for and introduction of new products or services, new methods of production, new markets, and new sources of supply and new ideas (Cromie, 2000). In addition, Schumpeter perceives innovation as a major component of the entrepreneurial function that isolates acts of entrepreneurship from other non-entrepreneurial activities (Kirby, 2003).

Indeed, a number of researchers argue that innovativeness is the true mark of the entrepreneur (Amit et al., 2015). As a result, various studies have connected innovativeness to entrepreneurship and to the growth of business. For instance, Koh (1996) in a survey of MBA students in Hong Kong revealed that students who exhibited a greater innovative behaviour were likely to start their own ventures. Empirically, there abound numerous studies, especially in the developed countries that support this relationship (Ahmed et al., 2010; Gurol & Atsan, 2006; Rauch & Frese, 2007).

Innovativeness is an important predictor of intention to start a business and so several academic studies have found a serious relationship between innovativeness and the growth of SMEs (Hult et al., 2004; Utsch & Rauch, 2000). These findings are further supported by two meta-analyses, which revealed that innovativeness has a significant effect on business success (Bausch & Rosenbausch, 2005; Rauch & Frese, 2007).

However, the positive effect of innovation on SMEs growth has been challenged by other scholars. For instance, Stanworth et al. (1989) contend that entrepreneurs are not necessarily innovators. Unfortunately, these authors failed to elaborate on the link between innovativeness and firm growth. Further, Quaye and Acheampong (2013) illustrate that entrepreneurs in Ghana

are not innovative. Despite these conflicting results, existing literature arguably concedes that innovativeness is fundamental to defining contemporary entrepreneur (Hult et al., 2004; Lin et al., 2008; Rauch & Frese 2007; Tajeddini, 2008).

### **2.12.6 PROACTIVENESS**

Proactiveness refers to the ability of the entrepreneur to pursue favourable business opportunities through aggressive competitive behaviour directed at rival firms (Lumpkin & Dess, 2001). It involves acting opportunistically by influencing trends, creating demand and becoming a first-mover in a competitive market (Lumpkin & Dess, 2001). It is a posture of acting on future needs by looking for fresh opportunities, which may or may not be related to the present line of operation and the introduction of novel products ahead of the competition (Venkatraman, 2004).

Proactive entrepreneurs take initiative and become leaders rather than followers in the market (Wolf et al., 2015), they explore resources and create new niches (Lumpkin, 2002). Furthermore, proactive entrepreneurs are able to successfully match their competitive strategies to their operating environment and determine a fit between them, which ultimately lead to superior firm performance (Miles et al., 2012). On the other hand, reactive entrepreneurs tend to develop a policy of following and imitating competitors (Quaye & Acheampong, 2013).

According to Rauch and Frese (2007), proactive personality is important for entrepreneurs because, by definition, entrepreneurs have to be self-starting and influence their environment.

In view of the significance of proactiveness in entrepreneurship, several studies have found a positive relationship between proactiveness and the growth of SMEs (Kraus et al., 2005; Kreiser et al., 2002; Lumpkin & Dess, 2001). However, Quaye and Acheampong (2013) found that owner-managers in Ghana are not proactive.



### 2.13 DEVELOPMENT OF HYPOTHESES

While it is acknowledged that SME growth is influenced by factors relating to the environment and the firm. This study focuses on the personality characteristics of entrepreneurs and how these characteristics influence the growth of SMEs in Ghana. The fundamental argument of this study is that, a greater part of the difference in the growth among SMEs remains unexplained by the firm and environmental factors (Frese, 2000; Shane, 2007). It is therefore, possible that a large proportion of this variation can be accounted for by the differences in the personality characteristics of individual entrepreneurs (Rauch & Frese, 2007; Shane, 2007).

Moreover, empirical studies on the effect of personality characteristics of entrepreneurs have produced controversial results. Whilst some studies find a significant positive relationship between personality characteristics of entrepreneurs and SMEs growth (Levent et al., 2012; Littunen & Virtanen, 2006), other researchers (Nair & Pandey, 2006) find no such relationship.

Furthermore, others have defended the significance of researching the relationship between personality characteristics of entrepreneurs and firm success (Collins et al., 2004; Rauch & Frese, 2007). They argue, however, that, personality characteristics that match entrepreneurial roles are more likely to predict SMEs growth. Examples of these characteristics are the need for achievement, self-efficacy, internal locus of control, innovativeness, proactiveness and risk-taking. Accordingly, the following hypotheses were developed.

*H1: self-efficacy of entrepreneurs positively influences the growth of SMEs*

*H2: innovativeness of entrepreneurs positively influences the growth of SMEs.*

*H3: proactiveness of entrepreneurs positively influence the growth of SMEs*

*H4: risk-taking propensity positively influences the growth of SMEs.*

*H5: internal locus of control positively influence the growth of SMEs*

*H6: need for achievement positively influences the growth of SMEs*

## 2.14 CONCEPTUAL FRAMEWORK

Personality Characteristics of Entrepreneurs

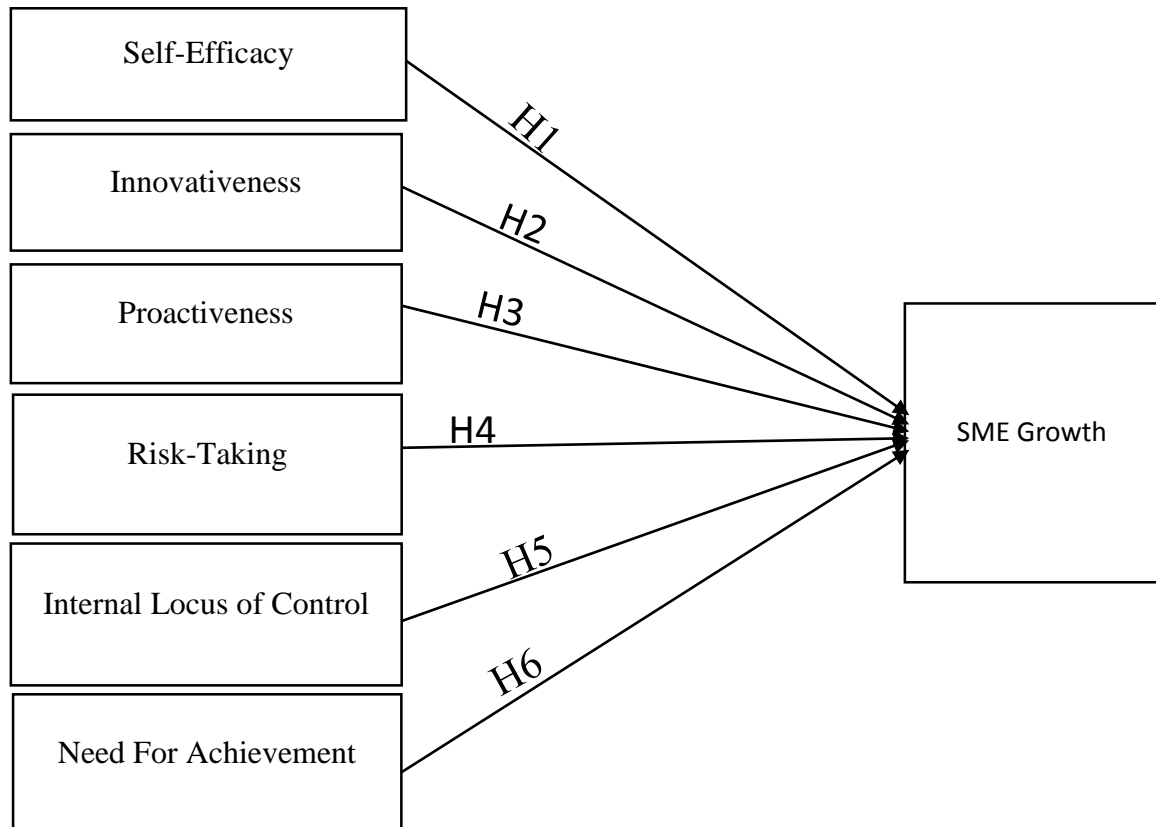


Fig 1: Conceptual framework

## 2.15 CONCLUSION

Small and medium-sized enterprises have been defined differently by different countries. However, the most common criterion employed is the number of employees and fixed assets. SMEs have played significant role in the economic development of Ghana, it is estimated that Ghana's informal sector contribution to employment is about 70 per cent of the total labour force; SMEs create the bulk of these jobs. They contribute about 75 per cent of Ghana's GDP and account for 92 per cent of all businesses in Ghana. As a result, helping SMEs to grow to accelerate the pace of economic development has become a major concern to governments of

Ghana over the years. Growth is a complex concept, there is no single theory that can explain small firm growth, and as a result, several theories have been used to explain portions of it. However, a common approach to explaining SMEs growth is the stages model, which assumes that a firm goes through certain stages in its life cycle (birth, star-up, survival, growth and maturity).

Furthermore, there are two forms of SMEs growth, these are; organic growth and growth through acquisition. Small-firm growth is generally difficult to achieve and sustain and so the growth rate of most SMEs often stall because of the demand of the growth process, nevertheless, growth is a top strategic priority of most small-firms.

However, growth is not a chanced or random event but is associated with certain characteristics, these characteristics include; founder characteristics, firm attributes, business practices and human resource management practices.

Small-firm growth is very important because, firm growth is usually associated with survival and so firms that experience sustained growth usually have a higher probability of surviving in the market.

SMEs growth can be measured in several ways, but the most frequently used indicators are sales, employment, market share, physical output, assets and profit. This study used sales because, it has been widely used in empirical growth studies, and sales figures are relatively easily accessible while some indicators have some obvious disadvantages that limit their use outside of very special situations.

The lack of a universally accepted definition of an entrepreneur have made the identification of the entrepreneur difficult and sometimes confusing, as a result, several theories and approaches to defining the entrepreneur has evolved. Most of these theories have tried to indicate what entrepreneurs do and what processes and functions are fundamental. Prominent

among these theories are the schools of thought approach, which include the Schumpeterian, kirznerian, psychological and the great person schools of thought among others.

Most of these schools of thought ascribe certain personality characteristics to people engaged in entrepreneurial activities and differentiate them from the general population, consequently, studies on personality characteristics of entrepreneurs have sought to associate various characteristics with entrepreneurs and then used them to predict firm growth or performance.

However, the personality characteristics of entrepreneurs that are more likely to predict SMEs growth are those that match personality with entrepreneurial roles.

Accordingly, Rauch and Frese (2007) identified need for achievement, risk-taking, proactiveness, self-efficacy, internal locus of control and innovativeness as the personality characteristics of entrepreneurs that match entrepreneurial roles. The relationship between these constructs and the growth of SMEs have been tested in both develop and developing country's context and have produced mixed findings.

## **CHAPTER 3**

### **CONTEXT OF THE STUDY**

#### **3.0 INTRODUCTION**

The objective of this chapter is to provide relevant background information about Ghana, the country in which the field study was conducted. The chapter begins by providing a general overview of the geographical, economic and cultural characteristics of Ghana. This is followed by an overview of the SME sector in Ghana. Finally, the chapter provides a brief overview of the cities in which data was collected.

#### **3.1 COUNTRY**

The Republic of Ghana was founded on 6<sup>th</sup> March, 1957 following the attainment of independence from British colonial rule. The country is situated on the West Coast of Africa; its southern coast extends between latitudes 4½° north and 6½° north in the extreme east and is thus not far from the Equator. From the coast, the country extends inland to about latitude 11° north, covering a distance of 672 kilometres from South to North. The distance across the widest part from east to west measures 536 kilometres. It shares borders with Côte D'Ivoire to the west, Burkina Faso to the north, and Togo to the east. To the south are the Gulf of Guinea and the Atlantic Ocean (Ghana country profile, 2014).

The country has a total land area of 239,460 square kilometres and is divided into 10 administrative regions. According to the 2010 population and housing census, Ghana has a population of 24,658,823 with an annual population growth rate of 2.5 per cent (GSS, 2010). Furthermore, 50.9 percent of the population lives in urban areas, and the sex ratio of the population is 95.2 Males per 100 females (GSS, 2010).

Ghana is endowed with various natural resources, which include, minerals, large water bodies (e.g the volter lake), wild life and other tourist attractions such as national parks (e.g Mole national park, Fiana monkey sanctuary, Wli waterfalls, Kakum national park, etc) (Ghana profile, 2014).

### **3.2 ECONOMY OF GHANA**

Ghana has for a very long time aspired to become a middle-income country. An aspiration, which was contained in the Government's Vision 2020 plan, envisaged higher growth rates for the country with the objective of transforming Ghana from a low-income to a middle-income country within 25 years (GoG, 1995).

However, in November 2010, Ghana achieved this milestone 10 years earlier through a technical statistical adjustment (Moss & Majerowicz, 2012). According to the World Bank, while Ghana's real GDP growth rates had steadily improved over the previous three decades, that is, from 1.4 percent in the 1970s to 5.5 percent for the past 10 years (Moss & Majerowicz, 2012), on 5<sup>th</sup> November, 2010, Ghana completed a rebasing of its national accounts that adjusted GDP estimates to account for growth in certain sectors like banking and Telecommunications with a structural underestimation of the services' sector, which resulted in the official underestimation of actual GDP (Moss & Majerowicz, 2012). By resolving this error, Ghana's GDP grew, at least on paper, by 69% overnight to \$25.8 billion, up from \$15.3bn (WEO, 2011). This recalculated number raised GDP per capita from under \$800 to \$1,363, putting the country into a new income category (Moss & Majerowicz, 2012).

Consequently, other economic ratios dependent on GDP also changed as a direct result of the rising denominator. Ghana's debt-to-GDP ratio plummeted from 40% to 24% (WEO, 2011). At the same time, indicators like tax revenue and exports as a percentage of GDP, shifted in a

less favourable direction. Tax revenue, for example, dropped from around 21% of GDP to 13%, and exports from 36% to 25% under the new base (Moss & Majerowicz, 2012).

While the experience highlights the weakness of economic statistics in places like West Africa (Jerven, 2010), the change has real consequences for Ghana. The income categories are used by many international organizations to classify countries, which bring differential treatment. The most immediate and direct impact for Ghana is the change in its eligibility for concessional finance from the World Bank, which has been the country's most important creditor for the past three decades (Moss & Majerowicz, 2012).

Moreover, Ghana's economy is regarded as agrarian, largely due to the sector's contribution to Gross Domestic Product (GDP) generally, labour absorption and to foreign exchange earnings. The contribution of agriculture to foreign exchange earnings averaged 40 percent (Aidam, 2011) while its contribution to GDP averaged 30 percent (Aidam, 2011). The agricultural sector absorbs 54.2 percent of the total labour force (PHC, 2010).

### **3.3 CULTURE**

In Ghana, there are 8 major different ethnic groups (PHC, 2010). Some of these ethnic groups have up to a few million people of the total population, whilst many others comprise fewer people. For instance, Akan is the largest ethnic group in the country (47.3%), followed by Mole- Dagbani (16.6%), Ewe (13.9%), Ga-Dangme (7.4%), Gurma (5.7%), Guan (3.7%), Grusi (2.5%) and Mande (1.1%) (PHC, 2010), this means that there is significant cultural diversity in Ghana with English Language as the official language.

However, different languages have been adopted as the medium of instruction at the lower primary schools. Different ethnic groups maintain distinct sub-cultures, but there has been

increasing ethnic integration, especially through inter-ethnic marriages aimed at discouraging ethnic sentiments.

The dominant religion in Ghana is Christianity, which constitutes seventy-one percent of the population (71.2%), followed by Islam (17.6%) and Traditionalists (5.2%). About 5.3% of the population have no religious affiliation (PHC, 2010)

Entrepreneurship culture is generally under-developed in Ghana. This can be attributed to historical and political reasons associated with colonialism and socialism respectively. For instance, during the colonial era, there were deliberate efforts to restrict the participation of local people in business activities. In fact, the participation of the natives in business was limited to, ownership of very small shops (Buame, 2012)

### **3.4 AN OVERVIEW OF THE SME SECTOR IN GHANA**

The SME sector in Ghana is the result of structural adjustment policy rather than design. It is an outcome of the failure of African socialism, which placed greater emphasis on the establishment of state-controlled corporations. Within this political framework, the private business sector was actively discouraged in favour of public enterprises, which were government owned, community based, or cooperative owned ventures (Buame, 2012). The few educated elites were therefore made managing directors of the state corporations, obviously leaving the private entrepreneurial activities to people who had no education at all (Buame, 2012)

Furthermore, this African socialism policy was based on a top-down approach to decision making, where the government was the sole decision maker, a situation that has resulted in the culture of dependency on government for almost everything among Ghanaians. In fact, this approach has contributed to the stifling of the development of entrepreneurial values such as



the need for achievement, self-efficacy, innovation, creativity, willingness to take risks and related behaviours. The socialism approach recorded marked achievement in social development, particularly in primary education (Buame, 2012).

However, the overemphasized state-controlled economy led to a number of macro-economic imbalances. This poor economic performance resulted in reducing purchasing power among salaried workers. Consequently, these workers were compelled to establish small businesses to supplement their meagre incomes.

Furthermore, following pressure from the World Bank, the state-led economy was changed to a market-driven economy. This necessitated the privatization of most state enterprises and the disengagement of government from some activities resulting in the retrenchment of workers from the public sector. This retrenchment forced most of these workers to turn to micro enterprises for survival (Buame, 2012).

In light of these experiences, the SME sector has recently become a very important area of concern to policy makers in their resolve to speed up the pace of socioeconomic growth in Ghana (Kayanula & Quartey, 2000). In fact, it is generally recognized that the SME sector constitutes a potential source of poverty reduction, employment and income (Hinson & Mahmoud, 2011). Further, Hinson and Mahmoud (2011) assert that 90% of companies registered at the Registrar General's Department are SMEs. These SMEs are found in industry, agriculture and the service sectors of the Ghanaian economy. However, the bulk of SMEs are within the Services sector, particularly hotels, restaurants, transport and storage, business and real estate (PWC, 2013). Furthermore, it has been recognized that 80% of economic growth of Ghana comes from the SMEs' sector, and they contribute about 75% of total GDP (Kim, 2012).

Typical characteristics of SMEs are that, they are dominated by one person, with the owner-manager as the sole decision maker (Kayanula & Quartey, 2000). Most owner-managers have

limited education, access to and use of current technologies, market information, and limited access to credit from the Bank (Hinson & Mahmoud, 2011). Furthermore, owner-managers have weak management skills, thereby stifling the development of a strategic plan for sustainable growth (Hinson & Mahmoud, 2011). Again, SMEs experience serious working capital volatility. Also, owner-managers' lack of technical-know-how and the lack of capacity to acquire skills and contemporary technology hinders growth (Kayanula & Quartey, 2000)

### **3.4.1 DEVELOPMENT of SMEs IN GHANA**

The notion of developing SMEs has existed since the 1970s, very little though was done around this time (Abor et al., 2014), thereafter, important institutions were established to help develop SMEs and among these institutions were the office of the Business Promotion and Ghana Enterprise Development Commissions (GEDC). The sole aim of GEDC Was to help Ghanaian businessmen and women to venture into areas where foreigners mainly operated. Apart from that, it had another package of boosting small-scale industry in general, both technically and financially (Kayanula & Quartey, 2000).

Furthermore, the Economic Recovery Program (ERP) put in place in 1983 also widened the institutional support for SMEs. The National Board for Small Scale Industries (NBSSI) was set up within the Ministry of Industry, Science and Technology with the objective of addressing the concerns of small businesses. The NBSSI instituted an entrepreneurial development program with the intention of training and helping persons with entrepreneurial abilities into self-employment (Kayanula & Quartey, 2000).

In 1987, the industrial sector also saw the coming into operation of the Ghana Regional Appropriate Technology Industrial Service (GRATIS); it was established to oversee the operations of the intermediate technology transfer unit (ITTU) in Ghana. The major aim of GRATIS was to upgrade small scale industry's concerns by transferring appropriate technology

to small-scale and informal industries at the grass root level. The ITTUs were established in each region to develop the engineering abilities of small-scale manufacturing and service industry engaged in automobile repairs and other related trades. It was also to solve the needs of non-engineering industry (Abor & et al., 2014; Kayanula & Quartey, 2000).

Harsh financial policies diminished the interest of banks in developing the SME market. As a result, a combination of financial liberalization and other institutional reforms were put in place (Aryeetey, 1994). For instance, the Financial Sector Adjustment Program (FINSAP) was put in place. Under FINSAP, direct institutional measures targeting the support of SMEs were instituted. Further, with the World Bank assistance, the Program of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) established a special fund to help micro enterprises while the Fund for Small and Medium Enterprise Development (FUSMED) was initiated to increase the amount of credit available to SMEs through commercial and development banks. This initiative was based on the assumption that lack of credit from formal sources was one of the reasons why the private-sector investment has not grown as expected. A major argument was that small firms with good growth potential were being discriminated against (Abor et al., 2014; Aryeetey, 1994).

Other financing schemes set up by government and donor agencies available to the SME sector included Private Enterprise and Export Development Fund, Export Development and Investment Fund, Deutsche Gesellschaft Fuer Technische Zusammenarbeit (GTZ), Business Assistance fund, Ghana Investment Fund, Trade and Investment Program, Africa Project Development Facility, Support for Private Enterprise Expansion and Development, Promotion of Small and Microenterprise Fund, Business Sector Program Support, Revolving Loan Fund, Ghana Private Sector Development Fund and several others. (Abor & Biekpe, 2006)

In conclusion, the second phase of the Rural Enterprise Project (REPII) was designed in 2002 on the basis of its successful first phase; the goal was to reduce poverty, improve living conditions in the rural areas and in particular, increase the income of women and vulnerable groups by bringing about more opportunities for self-employment. REPII has provided support to SMEs which comprises about 80 per cent of the service and the manufacturing sectors. The design of the REPII made provisions for the establishment and operation of Business Advisory Centres (BACs) and Rural Technology Facilities (RTFs) in selected districts. Though these interventions have produced some positive effects, the high mortality rate of SMEs in Ghana has not been appreciably resolved. (Abor & Biekpe, 2006)

### **3.5 A BRIEF OVERVIEW OF THE STUDY AREA**

As already stated, this study was conducted in Accra and Tema in the Greater Accra Region of Ghana. It is the smallest of the ten administrative regions in terms of land area. It occupies a total land area of 3,245 sq. km with a total population of 4,010,054 (GSS, 2011). It shares boundaries with Eastern Region to the north, Volta Region to the East, Gulf of Guinea to the south and Central Region to the West. The region has the highest percentage of urban population of 16.3% (PHC, 2010).

About 31.6%, 14.8%, 9.0% and 5.2% of the people in the region are actively engaged in Wholesale and retail trade, manufacturing, accommodation and food industry and agricultural sector respectively. More females (69.3%) are self-employed than males (60.0%), (PHC, 2010).

As a region, which contains the capital city of the country, it is battling with rapid urbanization due to the administrative functions it performs in the area of industry, manufacturing, commerce, business, culture, education and politics. It also attracts migrants, not only from neighbouring African countries, but from all over the world (PHC, 2010).

### **3.5 CONCLUSION**

The small-firm sector in Ghana is the outcome of structural adjustment policy rather than design. It is the result of the collapse of African Socialism, which placed so much emphasis on the establishment of state-controlled enterprises. Within this socio-political framework, the development of the private sector was relegated to the background. In this policy, government was the sole decision maker, a situation that has accounted for the culture of dependency on government for employment among Ghanaians and contributing to stifling of the development of entrepreneurial values.

The over-emphasized state-controlled economy led to several economic imbalances resulting in a reduction in the purchasing power among salaried workers. This situation forced these salaried workers to establish small businesses to supplement their little incomes. Furthermore, pressure from the World Bank necessitated the change of the state-led economy to a free and a market-driven economy. This led to the privatization of most state-enterprises resulting in the retrenchment of workers from the public sector. Most of these retrenched workers turned to micro-enterprises for survival.

As a result of these experiences, the SMEs sector has recently become a very important area of concern to policy makers in their quest to speed up the pace of economic development. This study contributes to this quest by examining the influence of personality characteristics of entrepreneurs and the growth of SMEs

## **CHAPTER 4**

### **RESEARCH METHODOLOGY**

#### **4.0 INTRODUCTION**

This chapter provides a description of the research design. Details of the strategy, approach, area of study, sampling procedure and sample size, unit of analysis and data collection procedures are presented. The chapter further presents the operationalization of the constructs used to test the hypotheses. This is followed by a description of the technique that was used to analyze the data, assessment of the reliability and validity of data and the consideration of ethical issues.

#### **4.1 RESEARCH DESIGN**

The design of a research is the framework for the collection, measurement and analysis of data. It involves a clear statement of the research problem, procedure and techniques for gathering data, the population to be studied and methods to be used in processing and analyzing data (Kothari, 2004).

This study employed a quantitative approach to investigate the relationship between key personality characteristics of entrepreneurs and the growth of SMEs in the Ghanaian context. The choice of a quantitative approach was appropriate since the study tested theories with hypotheses in order to generalize findings to the entire population of SMEs in Ghana, especially so when SMEs in Ghana are geographically dispersed.

Furthermore, the study used a cross-sectional design, and data was collected through the survey method. The survey is more appropriate for a piece of research in which the individual is studied as a unit of analysis and particularly for measuring individual characteristics (Oppenheim, 1996). It provides a fast, efficient and accurate means of assessing information

on a population, especially when the entire population cannot be covered in a single study (Thomas, 2003).

#### **4.2 AREA OF THE STUDY**

This research was conducted in Accra and Tema, because these cities have the highest population of SMEs in Ghana (Mahmoud, 2011).

#### **4.3 SAMPLING PROCEDURE**

In order to obtain a more reliable data about the personality traits that influence the growth of SMEs, a random sample from the population had to be selected. According to Baker (2003), there are two distinct sampling approaches to selecting respondents, namely: probability-based samples and non-probability based or purposive sampling. Each approach has its advantages and disadvantages in terms of accuracy and cost effectiveness (Baker, 2003).

This study employed the non-probability sampling method, also known as purposive sampling (Kothari, 2004). This approach was used due to the lack of an accurate and up-to-date number of registered SMEs in Ghana (Abor & Biekpe, 2006). Besides, this approach is simpler and less expensive than the probability sampling approach (Kothari, 2004). Baker (2003) argues that "where resources are limited as is the case of much student research, probabilistic methods may be unrealistic." Hence, the need for simpler and less expensive sampling procedures is largely met by judgmental approaches in which the sample is selected for a particular purpose.

With this approach, efforts were therefore made to approach the respondents who fitted the objectives of the current study. Nsubili et al. (2015), Baker (2003), recommend that a study sample should comprise persons who possess the information that the researcher intends to gather. The aim of this study was to examine the relationships between personality

characteristics of entrepreneurs and the growth of SMEs in Ghana, so the respondents selected had to be the owner-managers of the firm.

Furthermore, in order to reduce bias, the centres with high population of SMEs in Accra and Tema were identified by the help of NBSSI and AGI database. All the mentioned centres were visited, and the streets of high and low concentration were identified. It was decided that for streets of high concentration, one out of every three SMEs was selected and one out of every two SMEs was selected for streets of low concentration. The population for this study was SMEs in Ghana.

#### **4.4 SAMPLE SIZE**

A sample refers to a set of respondents selected from a larger population for a survey (Salant & Dillman, 1994). One major reason to sample is to save time and money. Besides, it is generally not necessary to study all potential cases to understand the phenomenon under consideration (Ary et al., 1996). The most crucial consideration, therefore, is that the sample size must be representative of the actual population so that it will be possible to make inferences or generalizations from the sample statistics for the entire population under consideration (Maleske, 1995). If the sample size is too low, it lacks precision to provide reliable answers to research questions under consideration. On the other hand, too large a sample size may result in wastage of time and other resources for very little gain (Chua Lee, 2006). The power of a sample survey lies in its ability to gather the necessary data from relatively few respondents to describe the characteristics of the whole population (Chua Lee, 2006).

According to Miaoulis and Michener (1976), in the determination of the appropriate sample size, three criteria usually need to be specified. These are the sampling error, the confidence level, and the degree of variability in the attributes being measured.



The sampling error is the range within which the true value of the population is estimated and is expressed in percentage terms. The most frequently used sampling error is  $\pm 5$  (Glenn, 2008), furthermore, the confidence level is based on the Central Limit Theorem. The fundamental idea in this theorem is that when a population is repeatedly sampled, the average value of the attribute obtained from those samples is equal to the true population value. According to Glenn (2008) the most frequently used confidence level is 95%. This means that in using a 95% confidence level, 95 out of 100 samples will have the true population values (Glenn, 2008).

Finally, the degree of variability in the attribute being measured refers to the distribution of these attributes in the population. The more heterogeneous a population, the larger the sample size required to obtain a given level of precision. The less variable (more homogeneous) a population, the smaller the sample size (Glenn, 2008). A proportion of .5 indicates the maximum variability in a population, and it is often used in determining a more conservative sample size (Glenn, 2008).

Consequently, adopting a sampling error of  $\pm 5$ , a maximum variability of .5 and a confidence interval of 95%, the sample size of this study was therefore calculated using the relation

$$N_0 = \frac{Z^2 pq}{e^2}$$

(Cochran, 1963)

Where  $N_0$  is the sample size,  $Z^2$  is the abscissa of the normal curve that cuts off an area  $\alpha$  at the tails ( $1 - \alpha$  which is equal to the 95% confidence level), 'e' is the sampling error, 'p' is the estimated maximum variability and 'q' is 1-p. The value of Z is found in statistical tables which contain the area under the normal curve (Cochran, 1963).

$$N_0 = \frac{(1.96)^2 (.5) (.5)}{(.05)^2}$$

$$= 384 \text{ respondents}$$

This sample size is in line with the suggestion by some researchers that a sample size of 300-500 is adequate for a quantitative study and especially when regression analysis is employed in data analysis (Ross, 2004).

#### **4.5 UNIT OF ANALYSIS**

A unit of analysis is the fundamental focus of data collection by the researcher. The unit of analysis in this study was SMEs owner-managers, that is, people who own SMEs in Ghana.

#### **4.6 DATA COLLECTION**

Data for this research was collected through personal interviews using structured questionnaires adapted from previous scales. In preparing the questionnaire all the aspects shown in the conceptual framework were captured. As a result, the questionnaire was divided into two parts. The first part covered general information on the business, including information about sales and the second part consisted of questions, which were to provide information on the personality characteristics of entrepreneurs. Subsequently, a pilot test of the questionnaire was undertaken on a sample of 20 people to determine respondents' understanding of the questions as well as test the reliability and validity of each question in capturing the desired information.

#### **4.7 MEASUREMENT OF RESEARCH CONSTRUCTS**

This research seeks to examine the relationship between personality characteristics of entrepreneurs and the growth of SMEs. These personality characteristics are entrepreneurs' psychological profile and include the following indicators, risk-taking (Palmer, 1999), need for achievement (McClelland, 1961), internal locus of control (Rotter, 1966), innovativeness (Covin & Slevin, 1989), proactiveness (Covin & Slevin, 1989) and self-efficacy (Sherer et al., 1982). A number of items were developed for each variable, and entrepreneurs were required

to indicate their level of agreement on these items by using a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree)

Accordingly, risk-taking and innovativeness were measured by the scale adapted from Covin and Slevin (1989) and Jackson Personality Inventory (Jackson, 1984). These scales have been used in various studies (Cromie, 2000; Gurol & Astan, 2006; Quaye & Acheampong, 2013). Need for achievement was measured by items from the need for achievement questionnaire (NAQ) (Entriaglo et al., 2000; Hansemark, 1998) and Steers and Braunstein, which have been used in other studies (Entriaglo et al., 2000; Hansemark, 1998; Stewart et al., 2003). The scale developed by Sherer et al. (1982) was used to measure entrepreneurs' self-efficacy. This scale was chosen because it is frequently reported to have high reliability (Chen et al., 2001). Internal locus of control was measured by three different dimensions, namely; internal attributing, chance attributing and powerful orders (Levenson, 1981), these have been used in other studies (Hansemark, 1998; Koh, 1996; Littunen & Virtanen, 2006). Proactiveness was measured by items taken from Covin and Slevin (1989) also observed in a study by Quaye and Acheampong (2013).

#### **4.8 RELIABILITY AND VALIDITY**

It is important to determine the extent to which the collected data are valid and reliable. Validity refers to the degree to which a measure accurately represents a concept under study (Hair et al., 2006). Reliability, on the other hand, refers to the extent to which there is consistency among several measures of a variable. It seeks to examine whether a variable or a set of variables actually measure what they are intended to measure. This study used a number of methods to check the validity and reliability of the data collected. First, the questionnaire was pre-tested on 20 owners–managers prior to the actual data collection. This was intended to test the validity and reliability of each question in capturing the information used. Second, the

measures used in this scale were drawn from previous scales, which have been proven to be reliable.

In dealing with external validity, the cities chosen (Accra and Tema) have the highest number of SMEs and were representative of SMEs in Ghana as far as possible. The reliability of the data was also examined. Reliability can be measured in several ways, but the most frequently used measure is internal consistency. This study assessed the internal consistency of the scales with Cronbach's Alpha (Hair et al., 2006). Cronbach's Alpha summarizes the degree to which a set of questions are interrelated with each other in a scale (Hair et al., 2006). It has a coefficient ranging from 1 to 0. A value less than 0.6 show unsatisfactory internal consistency (Hair et al., 2006). When the reliability of the scales used in this study was assessed, they were found to have satisfactory Cronbach's Alpha values as follows: Self-efficacy = . 867, innovativeness = . 811, risk-taking propensity = . 795, internal locus of control = . 789, need for achievement = . 80 and proactiveness = . 827.

#### **4.9 DATA ANALYSIS**

The analysis of data for this study involved three major parts, namely: data preparation, descriptive statistics and hypothesis testing. The preparation of data started immediately after data collection in which 356 out of the 384 questionnaires received were entered into the computer using spss software. Thereafter, descriptive statistics, factor analysis and hypothesis testing were performed. The 356 valid questionnaires received represents 92 percent response rate.

##### **4.9.1 DESCRIPTIVE STATISTICS**

Descriptive statistics were carried out to describe the general features of the study sample. This included calculating mean, frequencies and percentages.

#### **4.9.2 FACTOR ANALYSIS**

Factor analysis is a statistical technique used to analyze the interrelationships among a large pool of variables to identify a common underlying dimension to explain these variables (Hair et al., 2006). It is also a way of reducing large numbers of original variables into a smaller number of variables with minimal loss of information (Hair et al., 2006). Consequently, factor analysis was employed to reduce large numbers of variables of some of the scales used in this study.

#### **4.9.3 REGRESSION ANALYSIS**

A multiple regression analysis technique and a one-sample t-test were applied to test hypotheses. A regression analysis technique is used to analyze the relationship between single or multiple dependent variables and one or several independent variables. The underlying assumption in this technique is that there is a linear correlation between the dependent and independent variable(s) (Hair et al., 2006). In view of the fact that this research seeks to examine the relationship between the personality characteristics of entrepreneurs on one hand and the growth of SMEs on the other, a regression analysis was an appropriate statistical technique for examining such a relationship.

#### **4.10 ETHICAL ISSUES**

Ethics in this study refer to the code of conduct or accepted social norms of behaviour when carrying out research (Sekaran, 2003). Ethical issues are very necessary in all manner of research work, but particularly when human subjects are involved (Marczyk, et al., 2005). Several ethical codes have been developed especially in social science to provide guidance in research works. These ethics in research include protecting human participants, such as respecting the rights of respondents, doing no harm to the respondents and selecting the respondents fairly (Malhotra, 2006). Furthermore, some ethics have to do with informed

consent as well as confidentiality of the information provided by respondents. It is the responsibility of the researcher to maintain the confidentiality of all pieces of information that can affect the privacy and dignity of respondents (Marczyk, 2005). The major ethical issues for this study had to do first, with informed consent, which required that respondents be informed about the overall purpose of the study and its importance thereof. Consequently, the owner-managers of the SMEs were personally given an introductory letter explaining the purpose of this study and its importance to the researcher, the entrepreneur and the public. Secondly, regarding confidentiality, respondents were guaranteed that the information they provide would not be made available to anyone who was not directly involved in the study.

#### **4.11 CONCLUSION**

This study employed a quantitative approach and a cross-sectional design. Data was collected through a survey in Accra and Tema, a purposive sampling method was used to select 384 respondents for the survey. Data was collected through personal interviews using structured questionnaires. A number of items were developed for each of the concepts in the conceptual framework using items adapted from previous scales. Entrepreneurs were required to indicate their agreement on these items using a 5- point likert scale. Data was analysed using regression analysis technique and a one-sample t-test was used to test the hypotheses.

## CHAPTER 5

### ANALYSIS AND DISCUSSION OF FINDINGS

#### 5.0 INTRODUCTION

This chapter presents the analysis of the data collected from 356 entrepreneurs in Ghana. The analysis is divided into three major categories. The first category presents the sample characteristics based on descriptive statistics. The second category also presents Factor Analysis on the self-efficacy scale used in this study. The final category deals with testing the hypotheses formulated in chapter two.

#### 5.1 DESCRIPTIVE STATISTICS

This part of the analysis describes the general characteristics of SMEs involved in this survey.

##### 5.1.1 FIRM AGE

Table 1 shows that 52.8 percent of SMEs have been in business from 5-10 years; 24.7 percent have been operating for 5 years and 22.4 percent have been in business for over 10 years. This is an indication that more SMEs in Ghana are able to survive from 5 to 10 years with very few surviving past 10 years.

Table 1: Age of Firm

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-5years	88	24.7	24.7	24.7
Valid 5-10years	188	52.8	52.8	77.5
Valid Over 10years	80	22.4	22.4	100.0
Total	356	100.0	100.0	

### 5.1.2 NUMBER OF FOUNDERS

From table 2, more than half (63.5 percent) of SMEs had individual ownership, 20.2 percent of SMEs were owned by 2 people, while very few SMEs were owned by over 3 people. This indicates that Ghanaians believe in individualism when it comes to establishing and owning businesses. Thus, the spirit of partnership in business is not encouraged among SMEs in Ghana.

Table 2: Number of Founders

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1founder	226	63.5	63.5	63.5
2founders	72	20.2	20.2	83.7
Over 3 founders	58	16.3	16.3	100.0
Total	356	100.0	100.0	

### 5.1.3 FIRM ACTIVITY

From table 3, more than half (64.0) percent of SMEs were found to be retailers, 25.0 percent wholesalers and 11.0 percent manufacturers. This indicates a low level of manufacturing activities among SMEs in Ghana. This explains why locally manufactured products are not conspicuous in Ghanaian markets, but rather flooded with foreign goods. It also explains why most of these SMEs are unable to innovate and expand to compete both locally and internationally.

Table 3. Firm Activity

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Manufacturer	37	10.4	10.4	10.4
Wholesaler	89	25.0	25.0	36.0
Retailer	230	64.6	64.6	100.0
Total	356	100.0	100.0	



### 5.1.4 FIRM LEGAL STATUS

Over 50 percent of the SMEs were registered as sole proprietorship while 4.5 percent, 43.8 percent and 0.6 percent were registered as partnerships, limited liability companies and others respectively. This is an indication that most SMEs are being registered. However it is still the case that partnership among SMEs in Ghana is not encouraged.

Table 4. Firm, Legal Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Sole proprietorship	182	51.1	51.1	51.1
Partnership	16	4.5	4.5	55.6
Valid Limited liability company	156	43.8	43.8	99.4
Others	2	.6	.6	100.0
Total	356	100.0	100.0	

### 5.1.5 SALES OVER THE LAST FIVE YEARS

Over 90 percent of the SMEs have seen increases in sale over the last five years while 4.2 percent have recorded a decline in sales over the same period. Increase in a firm sale does not necessarily translate into profit. This indicates that, for SMEs to increase profits through sales, owner- managers must strive to increase sales by an amount higher than the amount by which expense will increase or decrease the expense by an amount higher than its related decrease in sales.

Table 5. Description of Sales Over The Last Five Years

	Frequency	Percent	Valid Percent	Cumulative Percent
Has increased	338	94.9	94.9	94.9
Valid Has remained the same	3	.8	.8	95.8
Has decreased	15	4.2	4.2	100.0
Total	356	100.0	100.0	

### 5.1.6 PERCENTAGE INCREASES IN SALES OVER THE LAST FIVE YEARS

From table 6, 36 percent of SMEs saw 0-10 percent increases in sales, 37.1 saw 11-20 percent increases in sales, 20.5 percent saw 21-30 percent increases in sales and 2.8 percent saw sales increases at 31-40 percent. Even though most SMEs saw an increase in sales over a five year period, the percentage increase was very minimal to engineer growth in other measures of growth.

Table 6. Percentage Increase In Sales Over The Last Five Years

	Frequency	Percent	Valid Percent	Cumulative Percent
0-10percent	128	36.0	37.3	37.3
11-20percent	132	37.1	38.5	75.8
Valid 21-30percent	73	20.5	21.3	97.1
31-40percent	10	2.8	2.9	100.0
Total	343	96.3	100.0	
Missing System	13	3.7		
Total	356	100.0		

## 5.2 FACTOR ANALYSIS

Factor Analysis was performed on the items in the self-efficacy scale to condense the number of variables by creating new composite variables for each factor. These variables were used as independent variables in further analysis.

All the 17 items of the self-efficacy scale were subjected to principal component analysis (PCA) using spss version 20, before carrying out the principal component analysis, the suitability of data for factor analysis was examined. The Keiser-Meyer-Olkin (KMO) value was .630 and Bartlett's Test of Sphericity reached statistical significance supporting factor analysis as shown in table 7.

Table 7. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.630
Approx. Chi-Square	410.522
Bartlett's Test of Sphericity df	136
Sig.	.000

The PCA produced 7 components with eigenvalues exceeding 1, these components explain 13.778 percent, 8.228 percent, 7.539 percent, 7.019 percent, 6.360 percent and 5.921 percent of the variance respectively as shown in table 8 below.

Table 8. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.342	13.778	13.778	2.342	13.778	13.778
2	1.409	8.288	22.066	1.409	8.288	22.066
3	1.282	7.539	29.605	1.282	7.539	29.605
4	1.233	7.253	36.858	1.233	7.253	36.858
5	1.193	7.019	43.877	1.193	7.019	43.877
6	1.081	6.360	50.237	1.081	6.360	50.237
7	1.006	5.921	56.157	1.006	5.921	56.157
8	.968	5.696	61.853			
9	.927	5.451	67.304			
10	.874	5.141	72.445			
11	.829	4.874	77.319			
12	.736	4.329	81.648			
13	.703	4.136	85.784			
14	.639	3.760	89.544			
15	.623	3.665	93.209			
16	.601	3.534	96.743			
17	.554	3.257	100.000			

Extraction Method: Principal Component Analysis.

However, a look at the scree plot (see appendix) revealed a break at the third component and so 3 components were retained for further analysis.

To help in the interpretation of these three components, varimax rotation was carried out and the rotated solution revealed a simple structure, with all components showing quiet a significant loading, with variables loading on exactly one component. The three components solution

explained a total of 30 percent of the variance, with component 1 contributing 12.535 percent, component 2 21.607 percent and component 3 contributing 7.998 percent. See table 9 below.

Table 9. Rotated Component Matrix<sup>a</sup>

	Component		
	1	2	3
when i have something unpleasant to do, I stick to untill finish	-.545		
when i make plans, i am certain i can make them work	-.513		
one of my problems is that icannot get down to work when i have to	.511		
when tring to learn something new, i soon give up if i am not initially successful	.471		
i give up easily	.455		
i avoid to learn new things when they look too difficult for me	.452		
i feel insecure about my ability to do things	.438		
failure just make me try harder	-.423		
i am a self -reliant person	-.410		
when i decide to do something new, i go right to work on it		-.616	
when i cannot do a job for the first time i keep on trying untilli manage		-.598	
i do not seem capable of dealing with most problems that come up in life		.526	
when unexpected problems occur, i don't handle them well		.484	
if something look too complicated, i will not even bother to try it		.365	
i avoid facing difficulties			-.704
i give up on things before completing them			.701
when i set important goals for myself, i rarely achieve them			.376

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

### 5.3 TESTING THE HYPOTHESES

The main aim of this study was to investigate the influence of personality characteristics of entrepreneurs on the growth of SMEs in Ghana. Consequently, six hypotheses were formulated; a multiple regression analysis and a one-sample t-test were used to test them.

Furthermore, some tests were carried out to make sure that some assumptions of regression analysis were not violated. These include homoscedasticity and the normality of error term distribution among others.

When the independent variables: need for achievement, internal locus of control, proactiveness, innovativeness, risk-taking and self-efficacy were regressed on the dependent variable (sales turnover), it was found that the entire model explains 88.3 percent (R-Square = .883) of the variance in sales turnover. The model also reaches statistical significance (sig = .000), this means that  $p < .0005$ . See tables 10 and 11 below

Table 10. Model Summary<sup>c,d</sup>

Model	R	R Square <sup>b</sup>	Adjusted R Square	Std. Error of the Estimate
1	.940 <sup>a</sup>	.883	.881	.403

c. Dependent Variable: sales turnover

d. Linear Regression through the Origin

Table 11. ANOVA<sup>a,b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	410.067	6	68.344	420.117	.000 <sup>c</sup>
	Residual	54.498	335	.163		
	Total	464.565 <sup>d</sup>	341			

a. Dependent Variable: sales turnover

b. Linear Regression through the Origin

Furthermore, in evaluating the contribution of each of the independent variable to the prediction of the dependent variable (sales turnover), it was found that proactiveness, risk-taking, and self-efficacy make unique contributions to explaining the dependent variable (sales), with beta values .581, .567 and .063 respectively. These variables also make a statistically significant unique contribution to the prediction of the dependent variable (sales) with significant values less 0.05. This means that, proactiveness, risk-taking and self-efficacy are positively related to sales growth. Hence hypotheses 1, 3 and 4 were accepted. On the other hand, the independent variables innovativeness, internal locus of control and need for achievement do not make any statistically significant unique contribution to the prediction of the dependent variable. These variables have significant values greater than 0.05. Hence hypotheses 2, 5 and 6 were rejected. See table 12 below.

Table 12. Regression Results (Coefficients a,b<sup>1</sup>)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	Self -efficacy	.043	.013	.063	3.337	.001
	Innovativeness	.015	.018	.282	.834	.405
	Proactiveness	.040	.018	.581	2.210	.028
	Risk-taking	.027	.013	.567	2.039	.042
	Internal locus of control	.009	.010	.214	.901	.368
	Need for achievement	-.031	.016	-.704	-1.921	.056

a. Dependent Variable: sales turnover

b. Linear Regression through the Origin

Table 13: Summary of Hypotheses Tested

<b>Hypothesis</b>	<b>Personality Characteristics</b>	<b>Decision</b>
<b>H1</b>	Self-efficacy	Accepted
<b>H2</b>	Innovativeness	Rejected
<b>H3</b>	proactiveness	accepted
<b>H4</b>	Risk-taking propensity	Accepted
<b>H5</b>	Internal locus of control	Rejected
<b>H6</b>	Need for achievement	Rejected

#### 5.4 DISCUSSION OF FINDINGS

The fundamental objective of this study was to investigate the influence of personality characteristics (traits) of entrepreneurs on the growth of SMEs in Ghana. This is particularly crucial considering the low growth rate of SMEs in Ghana (Kheni et al., 2007) vis-a-vis improvements in major external factors such as access to finance, technology and role of government, education and training among others which hitherto militated seriously against the development of SMEs. The fundamental argument of this study therefore is that a large proportion of the differences in the growth among SMEs remain unexplained by firm and environmental factors. It is possible that a greater part of this variation can be accounted for by the differences in the personality characteristics of individual entrepreneurs. The identification of the personality characteristics of entrepreneurs that predict the growth of SMEs will have significant implication for research and practice.

This study adopted the personality characteristics of entrepreneurs proposed by Rauch and Frese (2007) because they match the personality with entrepreneurial roles. Sales was used as a measure of growth in this study, because it is the most widely used indicator of growth in empirical growth studies and also leads the growth process in other indicators. Using a purposive



sampling approach, data were collected from 384 owner-managers in Accra and Tema, Ghana in the services, trade and manufacturing sectors. A multiple regression analysis and a one-sample t-test was used to test the hypothesis. Three specific research objectives were examined:

- Identify the personality characteristics of entrepreneurs
- Identify the relationship between the personality characteristics of entrepreneurs and the growth of SMEs
- Identify the personality characteristics of entrepreneurs that predict the growth of SMEs

These specific objectives led to the development of six hypotheses following an extensive literature review, out of these six hypotheses proposed, 3 of them were accepted, and 3 were rejected. The personality characteristics of entrepreneurs in this study were need for achievement, internal locus of control, innovativeness, proactiveness, risk-taking and self-efficacy.

Hypothesis one states that self-efficacy of entrepreneurs positively influence the growth of SMEs. This study found that indeed there is a statistically significant positive relationship between self-efficacy and the sales growth of SMEs. However, its contribution to growth is very minimal. This study confirms Bandura (2012) reference of self-efficacy as the belief in one's own ability to perform a certain task, and that individuals high in self-efficacy are more likely to start their businesses and lead them to growth than people low in self-efficacy, because they take initiative, are inclined to setting challenging targets, persevere even in the midst of failure and tackle difficult tasks as challenges they need to master rather than issues to be avoided. The finding also confirms Forbes (2005) assertion that entrepreneurs who are confident in their abilities tend to develop comprehensive and strategic plans to grow their businesses, whereas entrepreneurs with less confidence in their abilities often make less effort to do so.

Hypothesis two asserts that innovativeness of entrepreneurs positively influence the growth of SMEs. This study found no statistically significant positive influence of innovativeness of entrepreneurs on the sales growth of SMEs. Hence, does not predict SMEs sales growth in Ghana. Utsch and Rauch (2000) posit that innovativeness of entrepreneurs reflects the intentional introduction and application of ideas, products, processes and procedures relevant to the new unit of adoption, sometimes departing from existing practices and technologies. Innovation underlies the modern definition of entrepreneurship (Shane & Venkataraman, 2000). It is said to be the true mark of the entrepreneur and fundamental to the success of small businesses. However, innovativeness is not a predictor of SMEs sales growth in the Ghanaian context. This might be responsible for the high mortality rate among SMEs, with very few surviving beyond ten years. This finding confirms Stanworth et al. (1989) assertion that entrepreneurs are not necessarily innovators. It further confirms Quaye and Acheanpong (2013) assertion that entrepreneurs in Ghana are not innovative.

The third hypothesis states that proactiveness of entrepreneurs positively influences the growth of SMEs. This study found a statistically significant positive influence of proactiveness of entrepreneurs on the sales growth of SMEs. It has the highest predictive ability to SMEs sales growth in Ghana. This finding confirms Lumpkin and Dess (2001) reference of proactiveness as acting opportunistically by influencing trends, creating demand and becoming a first- mover in a competitive market. A posture of acting on future needs by looking for new opportunities, which may or may not be in line with current operations, and introducing new products or services ahead of the competition (Venkataraman, 2004). The finding further confirms Miles et al. (2012) assertion that proactive owner-managers are able to find a match between their competitive strategies and the environment and determine a fit between them, which eventually lead to superior firm performance.

The fourth hypothesis asserts that risk-taking of entrepreneurs positively influences the growth of SMEs. This study found a statistically significant positive influence of risk-taking of entrepreneurs on the sales growth of SMEs. Risk-taking provides the second highest contribution to the predictors of SMEs sales growth. This finding is in line with Covin and Slevin (1989) reference of risk-taking as the deliberate intention to commit a large amount of resources to a project with a high cost of failure. Risk-taking is very significant to the entrepreneurial process, such that entrepreneurs who are averse to risk may not be considered entrepreneurs after all, because risk-taking involves making choices in an uncertain outcome situation (Forlani & Mullins, 2000). This finding further confirms the findings of two Meta-analysis by Stewart et al. (2003), Rauch and Frese (2007).

The fifth hypothesis states that internal locus of control of entrepreneurs positively influences the growth of SMEs. This study found that the influence of internal locus of control on the sales growth of SMEs was not statistically significant, hence does not predict SMEs sales growth in the Ghanaian context. According to Slater et al. (2014), individuals with internal locus of control perceive events as being within their control and have the self-confidence to control their destiny. Indeed, they believe that their lives outcomes are the consequence of factors from within, such as hard work (Mueller & Thomas, 2007), such entrepreneurs believe that they are in control of their business, and that luck or chance does not determine what happens to it, and so they strive to see their business grow. However, internal locus of control does not predict SMEs sales growth in the Ghanaian context. This possibly explains why Ghanaian entrepreneurs are overly reliant on the government to provide the enabling environment for business. This finding confirms Nair and Pandey (2006) assertion that a dominant internal locus of control is not a precondition for small-firm growth.

The final hypothesis asserts that need for achievement of entrepreneurs positively influences the growth of SMEs. This study found that the influence of need for achievement of entrepreneurs on the growth of SMEs was not statistically significant. According to Kirby (2003), individuals who strongly intend to achieve spend time thinking about doing things better. They take responsibility for their own actions, take initiative and persistently want feedback about their level of performance. Furthermore, entrepreneurs who are rated high in need for achievement strive to ensure the growth of their business than people low in the same characteristic (Chell, 2008). However, the need for achievement does not predict SMEs sales growth in the Ghanaian context. This finding confirms Poon et al. (2006) assertion that there is no clear direct relationship between need for achievement and venture growth and that, it is a weak predictor of entrepreneurial performance.

## **5.5 CONCLUSION**

The main objective of this research was to examine the influence of personality characteristics of entrepreneurs on the growth of SMEs in Ghana. This is very significant given the low growth rate of small firms relative to improvements in major external factors which hitherto were deemed major hindrance to SMEs growth in Ghana. The thrust of this study therefore is that a large proportion of the differences in the performance among SMEs remain unexplained by environmental and firm factors and that there is a greater possibility that a substantial portion of this variation can be accounted for by differences in the personality characteristics of individual entrepreneurs. These personality characteristics of entrepreneurs and the growth of SMEs were subjected to a test in Ghana. The analysis revealed that self-efficacy, risk-taking and proactiveness predict SMEs growth. On the other hand, innovativeness, need for achievement, and internal locus of control do not predict SMEs growth in Ghana.

## **CHAPTER 6**

### **SUMMARY, CONCLUSION, RECOMMENDATIONS, LIMITATIONS AND FUTURE RESEARCH**

#### **6.0 INTRODUCTION**

This chapter presents the main conclusions and recommendations of this study. It is divided into three main parts: the first part presents the summary and conclusion. The second part presents the recommendation. The chapter ends with the limitations of the study and direction for future research.

#### **6.1 SUMMARY**

SMEs are being recognized as drivers of economic development globally, they have been the means through which advanced countries have achieved accelerated economic growth. As a result, many developing countries, especially in Africa, Ghana not an exception, are channelling enormous resources for the development of these SMEs as a panacea to the economic woes of these nations. However, the private sectors of most of these nations where these SMEs abound have failed to grow to engineer the kind of economic growth envisaged by these nations.

This has resulted in increasing interest in understanding the factors that influence the growth of SMEs. Research addressing this issue in Africa has focused on firm characteristics and environmental factors. For example, in Ghana, academic studies addressing small-firm growth have focused on examining the role of government, financial institutions, culture, technological infrastructure, and the orientation of the market. Naturally, these factors are very significant, but the basic question is why few of these SMEs grow while majority fail, this question is so pertinent to entrepreneurship, especially when most of these SMEs have similar characteristics,

operate in the same environment and open to the same opportunities and threats. The underlying argument of this study, therefore, is that a greater part of the difference in the performance among SMEs remains unexplained by firm characteristics and environmental factors. It is therefore, possible that a large proportion of this variation can be explained by the differences in the personality characteristics of entrepreneurs.

The personality characteristics of entrepreneurs are their psychological dispositions, which demonstrate a stable and inherent strength of how they manage their business. For instance, how strongly does the owner-manager believe in him or herself and the success of the firm; how unrelenting is the owner-manager when set-backs follow one after the other and how resolute is the owner-manager in changing threats into business opportunities? No doubt, not every individual can cope in these situations.

The purpose of this study, therefore, has been to investigate the influence of personality characteristics of entrepreneurs on the growth of SMEs in Ghana. To achieve this objective, the study particularly linked SMEs growth to the following personality characteristics of entrepreneurs; self-efficacy, need for achievement, internal locus of control, innovativeness, proactiveness and risk-taking. The growth measure used in this study was sales and it was measured over a five-year period. It was hypothesised that, there is a positive relationship between each of these personality characteristics and the growth of SMEs. With these hypotheses as a guide, the study employed a cross-sectional design and data was collected through a survey. 384 entrepreneurs in the cities of Accra and Tema participated in the survey and a multiple regression analysis and a one-sample t-test were used to test the hypotheses.

In fact, the findings of this study indicate that certain personality characteristics of entrepreneurs are indeed significant predictors of SMEs sales growth. For example, out of the six personality characteristics of entrepreneurs examined, it was found that proactiveness, risk-

taking and self-efficacy were significantly positively related to SMEs sales growth and so the hypothesis relating to each of these constructs and SMEs growth were subsequently accepted. On the other hand, innovativeness, internal locus of control and need for achievement were not significantly related to SMEs sales growth and so the hypothesis relating to these constructs and SMEs growth were rejected.

## **6.2 CONCLUSION**

This study sought to investigate the influence of personality characteristics of entrepreneurs on the growth of SMEs in Ghana. This is particularly important considering the low growth rate of SMEs in Ghana vis-à-vis improvements in major external factors which hitherto militated seriously against the development of SMEs. The presence and the strength of the relationship between personality characteristics of entrepreneurs and the growth of SMEs have been addressed controversially in literature. While some narrative reviews conclude that there is no such relationship, and have argued that the individual entrepreneur should not be overemphasised as a focal point of academic studies, others have also found contrary results and believe that the personality characteristics of entrepreneurs largely explains the differences in the performance among SMEs. Theoretically, the significance of considering the personality characteristics of owner-managers for becoming successful business owners has been demonstrated in this study. Specifically, it has been shown that SME owner managers can increase their sales by being proactive, take risk and by being self-efficacious.

## **6.3 RECOMMENDATIONS**

First of all, practitioners should consider the personality characteristics of entrepreneurs that relate to entrepreneurial performance as criteria for decision making. For example, any valid selection criteria of SMEs by government or banks to benefit from any program aimed at facilitating their development should include personality characteristics such as proactiveness, ability to take risks and self-efficacy.

Secondly, entrepreneurship educators and trainers should identify and teach the issues that are necessary to make a firm successful, since it is argued that personality characteristics can be acquired or enhanced through training and education (Poon et al., 2006). Consequently, programs designed to train entrepreneurs in Ghana, especially in sales should also focus on the personality characteristics of the entrepreneur that predict SMEs sales growth.

Potential entrepreneurs may also evaluate themselves in relation to the findings. In fact, by knowing their strengths and shortfalls they will be in a better position to match them with the task of handling sales in a business or decide to choose sales people or partners who compensate for their shortfalls.

Finally, entrepreneurs appreciate the fact that multiple personality characteristics influence sales growth of their firms and so they should add those characteristics they lack by carefully recruiting sales people or partnering with people who compensate for their short fall or learn them.

## **6.4 LIMITATIONS AND DIRECTION FOR FUTURE**

### **RESEARCH**

While this study makes a number of significant contributions to entrepreneurship, it however, reveals some limitations which are very significant areas for future research. First, the sample was selected from only two cities (Accra and Tema) in one region of Ghana out of ten regions. Even though the sample size used in this study is likely to be representative of SMEs in Ghana, there is the likelihood of producing biased results. Future research that seeks to investigate the influence of personality characteristics of entrepreneurs on the growth of SMEs can focus on other regions to test the robustness of the findings.



Second, because this was a multi-industry study, it did not focus on a specific industry that could have provided an in-depth knowledge and understanding of an industry's appreciation of personality characteristics of entrepreneurs and its influence on SMEs growth. For future research, a logical sectorial concentration, such as manufacturing or the service sector might help to simplify the findings in this study.

Third, this study was cross-sectional, so it was not able to establish causality from the data. Also, it is not clear how the personality characteristics of entrepreneurs can be affected by the business cycle and the macroeconomic environment. For instance, it is argued that some of the personality characteristics of entrepreneurs may alter when a business achieves higher levels of growth (Rauch & Frese, 2007). A longitudinal study in the future might help to establish a causal direction of the proposed relationship in the model. The longitudinal study may also consider how personality characteristics of entrepreneurs can be affected by the business cycle and the macroeconomic environment.

Fourth, this study did not examine the role of any mediating variables. Future studies should explore mediating mechanisms such as cognitive styles, through which personality characteristics affect firm growth.

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## APPENDICES

### APPENDIX A

#### RESEARCH QUESTIONNAIRE

Dear friend,

I am an MPHIL candidate of the University of Ghana Business School and conducting a research study of small and medium sized enterprises in Ghana. The aim of this study is to understand the influence of personality characteristics of entrepreneurs on the growth of SMEs. You have been chosen to take part in this survey due to your potential to provide the needed information

I know you are a very busy person, but I would be grateful if you could take some time off your busy schedule to answer this questionnaire.

I am also aware about maintaining absolute confidentiality about your specific business operations, as such, I will treat your answers in the strictest confidence and use the information only for this research.

I would like to thank you in advance for your time and participation in this research study.

Thank you,

JebuniAnsobo

Mphil candidate

#### **Section 1: INFORMATION ABOUT YOUR BUSINESS**

	How old is your firm?		How many founders created the firm?
1	1-5 years	1	1 founder
2	5-10 years	2	2 founders
3	Over 10 years	3	Over 3 founders

	What is your firm's main activity?
1	Manufacturer
2	Wholesaler
3	Retailer

Which of the following categories best describes your firm's legal status?		How would you describe your business sales turnover over the last five years?	
1	Sole proprietorship	1	Has increased
2	Partnership	2	Has remained the same
3	Limited liability company	3	Has decreased
4	Others specify		

If your business sales turnover has increased over the last five years, which of the following percentages best describes the increment? (Please tick once)	
1	0-10%
2	11-20%
3	21-30%
4	31-40%
5	41-50%
6	Over 50%

**SELF –EFFICACY**

Circle the number that corresponds with your opinion.

	Strongly disagree	disagree	Neither agree nor disagree	agree	Strongly agree
When I make plans, I am certain I can make them work	1	2	3	4	5
One of my problems is that I cannot get down to work when I have to	1	2	3	4	5
When I can't do a job for the first time, I keep on trying until I manage	1	2	3	4	5
When I set important goals for myself, I rarely achieve them	1	2	3	4	5
I avoid facing difficulties	1	2	3	4	5
I give up on things before completing them	1	2	3	4	5
If something looks too complicated, I will not even bother to try it	1	2	3	4	5
When I have something unpleasant to do, I stick to it until I finish it	1	2	3	4	5
When I decide to do something new, I go right to work on it.	1	2	3	4	5
When trying to learn something new, I soon give up if I am not initially successful	1	2	3	4	5
When unexpected problems occur, I don't handle them well	1	2	3	4	5

I avoid to learn new things when they look too difficult for me	1	2	3	4	5
Failure just make me try harder	1	2	3	4	5
I feel insecure about my ability to do things	1	2	3	4	5
I am a self-reliant person	1	2	3	4	5
I give up easily	1	2	3	4	5
I do not seem capable of dealing with most problems that come up in life	1	2	3	4	5

### NEED FOR ACHIEVEMENT

Circle the number that correspond with your opinion

	Strongly Disagree	Disagree	Neither agree not disagree	agree	Strongly agree
Even though people tell me it can't be done, I will persist	1	2	3	4	5
I look upon my work simply as a way to achieve my goal	1	2	3	4	5
I will not be satisfied until I have reached the desired level of results	1	2	3	4	5
I try to do my work as much as possible even if the tasks assigned to me are difficult	1	2	3	4	5
I never put important matters off until more convenient time	1	2	3	4	5
I spend a considerable amount of time making an organization I belong to function better	1	2	3	4	5

**LOCUS OF CONTROL**

Circle the number that correspond with your opinion

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
I am always able to protect my personal interest	1	2	3	4	5
My life is determined by my own actions	1	2	3	4	5
I pretty much determine what will happen in my life	1	2	3	4	5
When I make plans, I am almost certain to make them work	1	2	3	4	5
When I get what I want, it is usually because I worked hard for it	1	2	3	4	5
I feel like what happens in my life is largely determined by powerful people	1	2	3	4	5
My life is chiefly controlled by powerful orders	1	2	3	4	5
People like myself have very little chance of protecting our personal interest when they conflict with those from strong pressure groups	1	2	3	4	5
Getting what I want require pleasing people above me	1	2	3	4	5
In order to have my plans work, I have to make sure that, they fit in with desires of people who have power over me	1	2	3	4	5
To a great extent my life is controlled by accidental happenings	1	2	3	4	5

Often, there is no chance of protecting my personal interest from unfortunate events	1	2	3	4	5
I have often found that what is going to happen will happen	1	2	3	4	5
It is not always wise for me to plan far ahead because many things turn out to be a matter of good or bad fortune	1	2	3	4	5

### **RISK-TAKING PROPENSITY**

Circle the number that corresponds with your opinion

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
I consider myself daring	1	2	3	4	5
I take bold decisions necessary to achieve the firm's objectives	1	2	3	4	5
I understand risk-taking and how it works	1	2	3	4	5
The term 'risk-taker' is considered a positive attribute in our business	1	2	3	4	5
People in our business are encouraged to explore and develop new ideas	1	2	3	4	5
The demands of running a business does force me to compromise on my decisions.	1	2	3	4	5

**INNOVATIVENESS**

Circle the number that correspond with your opinion

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
I actively seek new markets and new marketing methods	1	2	3	4	5
I am motivated to be creative in methods of operations	1	2	3	4	5
My business seeks new ways that will add value	1	2	3	4	5
I have a strong emphasis on product/service gaps	1	2	3	4	5
My business introduces new lines of products or services	1	2	3	4	5

**PROACTIVENESS**

Circle the number that correspond to your opinion.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
I take the lead and competitors follow	1	2	3	4	5
I am motivated to be creative in methods of operations	1	2	3	4	5
My firm adopts a very competitive posture	1	2	3	4	5
I am not over-awed by any new situation	1	2	3	4	5



**APPENDIX B**

