EXPLORING GROWTH GAPS AMONG SMALL AND MEDIUM-SIZE CONSTRUCTION FIRMS IN GHANA

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Abstract

The growth of small and medium-sized firms (SMEs) of most economies both developed and developing is not underestimated. This is because SMEs in particular, the construction SMEs are characterised as an engine of growth in facilitating employment, socio-economic and developmental needs of a nation. Ghana, in view of its status as a developing economy, is also driven by the impact and activities of the Construction SMEs. Therefore, the growth of construction SMEs is so pertinent to the Ghanaian economy due to enormous benefits that are achieved. As a result, it is significant for the study to explore into the gaps that will enhance the growth of these firms. The study adopted a mixed methodological approach including a review of literature supported by the use of electronic questionnaire survey in order to achieve this objective. The study established the paramount growth gaps among SME construction firms as the less attention on stakeholder’s involvement and educational training. Further findings from the study also revealed that growth of construction SME firms are influenced by three core determinants namely entrepreneurial features of firm owner, firm characteristics and the business environment that the firm operate. Conclusions from the study suggest that SMEs firms do not engage in educational training activities due to the perceived associated cost involved. Further conclusions also stressed that the construction activity is accompanied with vast stakeholders, and, therefore, there is always the challenge of selecting from the identifying stakeholders to contribute to the firm’s growth.

Keywords: Construction Exploring, Gaps, Small and Medium.

1. Introduction

The contribution of small and medium-size firms in nations are valued. This is because the growth of small and medium-sized firms (SMEs) of most economies both developed and developing is not underestimated. Also, SMEs in particular, the construction SMEs are characterised as an engine of growth in facilitating employment, socio-economic and developmental needs of a nation. Ghana, in view of its status as a developing economy, is also driven by the impact and activities of the Construction SMEs. Therefore, the growth of construction SMEs is so pertinent to the Ghanaian economy due to enormous benefits that are achieved. As a result, it is significant for the study to explore into the gaps
that will enhance the growth of these firms. While lots of literature exists on firm growth, it remains uncertain to conclude on a particular model to highlights adequately on firm’s growth. Some of the factors of the variables in these models relate whiles others varied making it rather fragmented difficult to establish a universal model. It is usually possible to draw the conclusion that explains certain aspects of SMEs firm growth, but in the final analysis, a comprehensive model of firm growth appears to be beyond the reach of SMEs firms to aid the implementation of growth activities. Existing models of firm’s growth by Gupta et al. 2013, Fadhunsi (2012) and Hashi and Kransnigi, (2011), stressed on numerous factors including external and internal factors but were notably silent on the involvement of stakeholders and educational training as factors that would bring about growth among construction SMEs. These identified gaps in the existing models constitute the gaps that must be established among the construction SMEs. Also, it is arguable that on one model or its factors could influence the measure of firm’s growth. Therefore, in order to underpin this study of gaps in firm’s growth, it was imperative to explore thoroughly factors captured in existing models of growth. This also enabled viable factors which had not been considered as a variable to firm’s growth to be established as a gap.

2. Purpose of the study

The study seeks to discover the growth gaps among small and medium-sized construction firms and some determinants which influence the growth of the firm.

3. Methodology

The study adopted a mixed methodological approach with the use of electronic questionnaire survey supported by a review of literature in order to achieve this objective. The electronic questionnaire was designed in a semi-structure format. Further, the question focused on the growth of small and medium-sized construction firms and its interrelated issues. The study also considered owners and senior managers of the SMEs as its population. This is because this classified group of the population were core and understands the operation of these firms better and may also know the reasons why the firm lacked growth. Prior email contacts and invitation of participation letters for the questionnaire survey were conveyed to the sampled population. This was then followed by the actual electronic questionnaire. The questionnaire was structured into two parts namely A and B. Part A, focused mainly on the determinants of firm’s growth whiles part B of the questionnaire highlights on gaps that needs to be accomplished in order to enhanced firm’s growth. In all, out of twenty-five (25), electronic questionnaires that were distributed and with the aid of purposive sampling, only twenty (20) was received to do the analyses. The analyses were done via simple descriptive statistics technique. Review of existing literature was also used as a strategy in order to address the purpose of the study. The literature process made use of current publications in journals, books, government white papers among others.
4. Review Literature

The small and medium-size construction (SMEs) in the Ghanaian construction sector are described as prolific job creators with the lack of growth traits. These SMEs are also believed to contribute to about 70 percent of GDP and account for 92 percent of businesses (Abor and Quartey 2010). In addition, most of this construction SMEs in Ghana are family-owned businesses and, therefore, adapt self-styled management for their operations which affect their survival in terms of growth.

The Ghanaian economy is however no different; literature has defined SMEs in that same context without any universal definition. The Ghana Statistical services (GSS) considers a firm with up to 9 employees as SMEs (Kayanula and Quartey, 2000). The Construction industry is directly linked to the Ghanaian economy as Government is the biggest client that has engaged most of the SMEs with projects (Yirenkyi-Fianko and Chileshe 2015).

**Characteristics of small and medium-sized construction firms**

Small and medium-sized firms are one for the most significant forces for economic development and growth. Around the world, SMEs are characterized as the vital factor to stimulate innovation, economic growth, job opportunities and poverty prevention as well as supporting their counterparts engaged in large-scale operations (Krasniqi 2007). The general characteristics of SME’s among nations are established through the source of their capital for their operations. The majority of small and medium-sized firms derived their capital either from a bank or other private sources (Nooteboom 1994). Further, SME’s are comfortable to obtain their start-up capital for their business from internal sources such as friends and families rather than the bank. This is as a result of huge interest that banks demand supported by strict repayment terms (Goeij et al. 2012). According to Lu et al. (2008), the majority of SME’s are primarily family-owned businesses with the characteristics of having unstructured procedures such as huge reliability of oral communication rather than written documentation. Sexton and Barrets (2003) argue that characteristics of SME’s in the construction industry are similar to their counterparts in other sectors. These same features include Lack of management expertise. (i) A limited financial presence that results in a small scope for investment in new technologies. (ii) Lack of resources for external dealings which results in limited information, awareness of new technical trends and opportunities. (iii) Lack of technical staff to undertake appropriate research and development (R&D). Small and medium-size firms, as recognized by these unique characteristics operate in a niche market. This features limits these SME’s only to focus on their project rather the growth of their business operations (Kamal and Flanagan 2014).

In Ghana, small and medium-size firms are classified into two namely urban and rural enterprises. The former can be subdivided into organized and unorganized enterprises. Similarly, small and medium-sized construction firms in Ghana are characterized with low levels of education and training of the self-employed. Ace et al. (1999) assert that although small and medium-size firms bring innovations to the marketplace, their contribution of changes in productivity takes time than larger firms with more resources who readily implement their innovations.
Firm growth

According to Arthur-Adioo et al. (2015), the word ‘growth’ used in the context of firms signifies an increase in sales, outputs, size, employment or improvement in quality as a result of the firm’s operation. With the growing importance of SMEs, the research on its growth and sustainability has become paramount. Lots of studies have attempted to explain the growth issues and processes of SMEs. Gibb and Davies (1990) however argued that there are four main types of approach to firm’s growth including: personality dominated approaches, which focus on the impact of the entrepreneur’s personal characteristics; business management approaches, which emphasize the factors affecting the firm’s performance in the marketplace, particularly its financial performance; industry and broader market-led approaches, which emphasize the influence of external factors rather than individual firm characteristics; organizational development methods, represented by stages of growth models (Churchill and Lewis, 1983).

Growth gaps identified established among SME firms

The gaps in the literature that are captured in this study on growth among construction SME firms have not been evaluated into details in previous studies but may have partially been mentioned. These identified gaps in the literature include stakeholder involvement and incorporation of educational and training for construction SMEs to stimulate growth.

Stakeholder involvement gap in establishing firm’s growth

Accordingly, Moloney (2006) mentioned in Chinyio and Olomolaiye (2010), stakeholders are referred to as individuals and organisations that benefit from the activities of an organisation. Chinyio and Olomolaiye (2010) further emphasized that stakeholders do not only benefit but can affect and be affected by the organisation or its functioning, goals and even survival. Stakeholders are however managed well when they are categorised. Generic stakeholders are classified into internal and external. Internal stakeholders include employees, managers and owners or sponsors whiles external stakeholders includes suppliers, society, government, creditors amongst others. It is, therefore, essential for a firm to identify all the stakeholders who may have an impact on the firm and project. Mainardes et al., (2012) maintains that as stakeholders are in ongoing relationships with the company, they are susceptible to generating contributions and valuable resources. To this end, analysing just who the stakeholders are, their relevant interests and how they act is fundamental to contemporary organisations. Therefore, attention must centre on identifying the most important stakeholders to firm’s survival, growth and meeting their needs and expectations (Baron, 2009). According to Bal et al., (2013) observed all stakeholders indeed are important, but they should be prioritized depending on the sustainability-related issues and their relevant characteristics, such as their ability to influence, impart knowledge, bring integrity and legitimacy.

According to Mitchell et al. (1997) cited in Mainardes et al., (2012) stakeholders have the following characteristics which are either Latent, Expectant or Definitive features.

Further, Latent characterized stakeholders are in possession of only one attribute, undoubtedly receiving little company attention. These types of stakeholders are subcategorized as Dormant,
Discretionary, and Demanding. Smith et al., (2011) demonstrated that that every firm communicates with its identified stakeholders in one way or another, directly or indirectly, be it through contractual relationships, marketing or numerous of channels. Smith et al., (2011) further asserted that stakeholder engagement and involvement refers to the new modes of communication in the corporate community emerging in the last decades (Freeman et al., 2007).

**Benefits of Stakeholder’s involvement**

Freeman et al., (2007) discovered that there are five main ways by which stakeholder engagement and involvement contributes to company’s economic performance and growth. These include the following:

(i) Stakeholder engagement and involvement solve problems: Addressing Company’s social or environmental impact effectively often cannot be achieved without the collaboration, knowledge and expertise of stakeholders. Also, this brings about a wider perspective on issues and solution that the firms might not have access on their own, including local context knowledge of the locality as well as a better understanding of the anger expression against the firm on regarding its environmental and social impacts.

(ii) Stakeholders engagement and involvement help firm’s management to project the future: Familiarity of stakeholder with its grass root operations might well highlight where supply chains or company action are not consistent with company policies. Further, this engagement gives early warning of evolving public expectation and regulatory and indicates where there are potential risk or opportunities yet to be explored.

(iii) Stakeholders are potential influential partners: Firms work with stakeholders to shape industry standards. Therefore, engagement and involvement of these stakeholders provide access for the view and concerns to be considered in the formulation of legislation.

(iv) Stakeholders engagement and involvement improve the firm’s public image: Vibrant and successful stakeholder engagement and involvement is probably to reduce public criticisms, hence contributing to a positive view of the firm from the perspective of its stakeholders. The good image will, therefore, tend to reduce time and resources to combat and to brand the image of a firm.

(v) Stakeholder engagement and involvement are a facilitation of trust. By providing stakeholders with the company’s perspective on issues and being responsive in addressing their concerns, stakeholders would have to be more likely to be corporative rather than confrontational. As a relationship is built, confrontation may be extent to trust cooperation on common issues of concern as well as enabling stakeholders in some cases to understand the limitations of corporation action. Galbraith (2002) acknowledged that firms must be designed in a manner to identify the practices that can best guide an organization toward success and address multiple stakeholder expectations over time. Raj (2008) postulated the following in enhancing stakeholder’s involvement within a fire in establishing growth. Engage with stakeholders early and often, ease of comprehending stakeholders, establish a long-term approach to engagement, tailor engagement to the firm’s needs, comprehending stakeholder dynamics.
Educational and training gap in establishing firm’s growth

There is enough evidence that suggests that educational training is as essential for every job, and SMEs utilise training to vary success Garavan (2007). Although there is this evidence that shows how vital educational training is to firms, most construction SMEs firms in Ghana do not engage in such training for it staff. Training is one of the most important and reliable human resource techniques to enhance organizationally and employee productivity (Bhatti and Kaur, 2009). Acton (2003) demonstrated that educational training and development is essential for organizational operation and advancement. Commencing from the employee’s perspective, these same factors are both crucial for skills development and for career advancement. Kauffeld and Lehmann-Willingbrock (2010) on the other hand argued that firms invest significant sums of money in human resource training and development, and it is imperative for such firms facing global competition continuously to improve employees’ knowledge, skills, abilities and attitudes. Therefore, it is relevant to focused on the factors affecting the intricacies of training as applied to a firm. According to Thassanabanjong et al., (2009), Training is defined as a learning experience creating a relatively permanent change in an individual that improves their ability to perform on the job. Similarly, Stone (2008) emphasised that traditionally, training focuses on technical knowledge, skills and abilities to complete current tasks. Better-trained members of the firm will perform more effectively and efficiently, be more motivated and valuable, take greater responsibility and make a more significant contribution to performance (Spitzer, 1999). Training is, therefore, a valuable management tool to develop the most important asset of an organisation. Training is, however, crucial in productivity as it influences the quality, depth and flexibility of members’ skills and generates positive attitudes such as job satisfaction (Tharenou, 2006). According to Healy et al., (2002), it is widely acknowledged within the construction industry that human resources within an organisation are an important source of competitive advantage. However, planning for training and development in firms is not always approached in a structured or strategic manner rather it is undertaken in response to specific problems. This can be particularly valid in SMEs where often the lack of a training function and the scarcity of resources results in the firm taking an ad-hoc approach to the provision of training (Healy et al., 2002). Musabayana (2012) however discovered that lack of adequate training and skills development as one of the key contributors to the lack of sufficient growth in the SMEs sector. Perks and Smith (2008) supported that majority of SMEs firms in South Africa lacked skills training. As a result, training is viewed as a crucial for SMEs growth. Rogerson (2008) observed that the most innovative and successful SMEs firms are those who have high levels of education, technical, managerial skills and training. Similarly, Orford et al., (2004) stressed that it is necessary to improve the quality and the appropriateness of entrepreneur education and training to assist SMEs both in terms of cost and administration. This implies that firms with untrained members are a cost in terms of operational capability. As construction firms and its operatives are always on the move, there is the need for them to be thoroughly trained. Educational training could either be received through a formal or informal pattern. Also, the needed training by the construction firms could be in any of the following forms on the job training, refresher training, skill upgrading, practical demonstration, and further education or in-service training.
5. Findings and Discussion

The study revealed from the electronic questionnaire survey that firm’s productivity and growth rely on the owner or entrepreneur’s behaviour as confirmed by Moreno and Coad (2015). Further, as depicted in figure (1), the entrepreneurial features tend to reflect on the firm’s features are determined by their knowledge, skills, and competencies amongst others. Personal traits of entrepreneurs (PTE) are mostly intrinsic in nature such as passion was driven, risk-taking ability to withstand the fear of uncertainty and potential failure amongst others this indicated 16 percent. Nevertheless, in spite of all these risks and the entrepreneur goes ahead to operate then the will be a possibility of growth in the firm. Firms are notable of operating in a competitive environment; this environment comprises of competitors. Therefore, a firm must be vigilant to desire for high standards in its delivery in terms of products or services the firm renders. More so, when a firm is branded by desiring to produce for high standards (DPS), this feature becomes an intangible asset for the firm among its competitors which could as well drive the firm to achieve its goals including growth. This was represented by 34 percent. In addition, 15 percent of the respondent stressed that the ambition of owner to innovate (AOI) as an entrepreneurial feature of a firm is crucial to the growth of the firm. For instance, Shane (2009) emphasised that firms that have no growth ambition to innovate, a large majority do not survive within the industry. Rich entrepreneurial idea (REI) development in the context of an organization is very significant. This is because when this idea development within the firm is utilized well, it becomes an important entrepreneurial feature of the firm which would result in huge innovation in terms of techniques, products amongst others. This would enable the firm to grow well in its business environment. 35 percent respondents indicated as the level of influence of rich entrepreneurial idea to firm’s growth.

![Determinant of firm growth](image-url)

- **PTE** – Personal traits of entrepreneurial,
- **DPS** – Desire to produce high standards,
- **AOI** – Ambition of owner to innovate,
- **REI** – Rich entrepreneurial features.
The growth of a business depends largely on the significant characteristics of the firm which to an extent may be classified as tangible or intangible. The studies of Gupta et al., (2013) have stressed on firm characteristics as the relevant constructs in firms growth. The study also revealed from the findings that growth of a firm is influenced by the firm’s characteristics. These characteristics are further driven by the desire to grow by the entrepreneur (DTG) which was represented by 7 percent shown in figure (2). Further revealed from the study was the level of human capital (LHC) which was represented by 28 percent. According to the resource-based view theory of a firm, resources are the primary source of firm’s performance and provide the direction for firm’s strategy as its characteristics. Also, the firm is characterised by its level of human capital. Wilson and Briscoe (2004) asserted that people are the key source of a firm’s competitive advantage. In addition, it is the quality of the human resource that determines organizational performance. More so a firm with a clear vision and mission (CVM) is likely to perform extensively. 25 percent of the respondent remarked that firms with clear vision and mission are able to growth. This was supported by the study of Grusenmeyer (2009) which stressed that a firm cannot have values beliefs and missions outside the people who make up that business. Therefore, it is important that the company establishes a clear mission and vision comprehensible to all employees in order to drive the firm towards its growth. Also establishing good management structure (GMS) ensures an organization’s continued growth, content employees and profitable returns for shareholders of the company (Bombaci 2010). 30 percent of the respondent indicated that good management structure ensures firm’s growth. Consequently, a bad management structure creates tension between workers and managers, allows inefficient work practices to flourish and reduces company’s profitability thereby affecting growth. Therefore, when a firm is characterised by a good human relationship, it enables goals and growth to be achieved. A good human relationship in a firm, however, includes a desire to understand others, their needs, weakness talents and abilities. Moreover, good human relationship within a firm foster conducive working atmosphere that further yields more productivity and bring about firm’s growth. 10 percent of the respondents remarked that good human relations result in firm’s growth.

**Determinant of firm growth**

| DTG – Desire to grow, LHC – Level of Human capital, CVM – Clear vision & mission, |
| GMS – Good management Structure, GHR – Good human relations |
The business environment is also referred to as the external influence on the firm (Humphrey 2003). This environment is affected by the government, competitors, institutional stakeholders and other sources external to the firm. Business environment impacts on a firm and brings about the associated yields of growth such as employment creation, facilitation of socio-economic developments and poverty reduction among others. The survey revealed that 9 percent of the respondents agreed that strategic competition at prevailing at the firm’s external influence its growth. Also captured as a characteristic of the business environment of a firm that brings about growth is the political stability (PS), this is regarded by economist as a determinant of good economic performance. Aisen and Veiga (2011) supported that political instability, however, is likely to hamper policies creating volatility and negativity affecting macro and micro economic activity. It is clear from that political environment influence the business environs of firms. 13 percent of the respondents indicated the political affects the growth of a firm. In addition to the external influence on a firm’s growth is a good customer feedback (GCF). This was represented by the 15 percent. Accordingly, to foster firm growth, it is now established that access to finance is an essential pre-requisite. Accessibility to financial assistance (AFA) of a firm is necessary to create an environment that will enable the firm to grow and prosper (Dalberg 2011). In addition, in a more rigorous business environment where firms are able to access finance with fewer constraints, growth, innovation and other related benefits will emanate from such firms. 55 percent respondent indicated that accessibility to financial assistance to SME firms, However if business environment is characterised by a lack of access to finance firms operating in such environ will be limited with growth and other attributes that come with access to finance. Availability of critical skills also affects the growth of a firm. This is because the successful performance and growth of very firm depend on its available skills. Therefore, when a firm lacks such critical skills, growth within the firm will not be established.

Determinant of firm growth

![Chart showing the level of influence on firm growth](image)

SC – Strategic competition, PC – Political stability, GCF – Good customer feedback,

AFA – Accessibility of financial assistance, ACS – Availability of critical skills
6. Conclusions

The purpose of the study is to discover the growth gaps among small and medium-sized construction firms in Ghana and also explore some determinants which influence the growth of the firm. The study identified some two vital growth gaps prevalent to SME construction firms in Ghana. These gaps may have been mentioned partially in the literature on firm’s growth. The study concludes that the stakeholder involvement and educational training are the major gaps amongst the SME construction firms in Ghana. The study further concludes that stakeholder involvement amongst construction SMEs would have benefits from collaboration with partners, transfer of knowledge, the expertise of stakeholders, addressing the needs of the community socially and environmentally through stakeholders amongst others. These would facilitate growth among the SMEs firms. Also concluded from the study is the educational and training as a firm growth gap among construction SMEs in Ghana. In addition, evidence shows how vital educational training is to firm. However, most construction SMEs firms in Ghana do not engage in such training for it staff. This is as a result of the associated huge sums involved in organizing such training. Similarly, training is one of the most important and reliable human resource techniques to enhance organizationally and employee productivity. The study, therefore, concludes that construction SMEs must endeavour to institute training that seeks to address the needs and goals of the firm thereby increasing productivity and quality within the firm. Also concluded from this study includes determinants of firm’s growth and their level of influence. The determinants are entrepreneurial features, firm characteristics and lastly the business environment that the firms operate. The study wrap up that, entrepreneurial features which drive the growth of a firm is further influenced by the personality trait of the entrepreneur, desire to produce high standard, the ambition of owner to innovate and the rich entrepreneurial idea. A similar conclusion on firm characteristics as another variable which drives firm growth indicates that the firm characteristics are further affected by the desire to grow, the level of human capital, clear vision/mission, good management structures and good human relations. An additional conclusion from the study suggests that the business environment where firms operate are influenced by the strategic competition, the prevailing political stability, good customer feedback, accessibility of financial assistance and availability of critical skills.

References