MANAGEMENT AND ECONOMIC DEVELOPMENT
CONSULTANTS LIMITED
(MEDCO)

FINAL REPORT TO
PRIVATE ENTERPRISE FOUNDATION, GHANA

STUDY ON FORMING LARGER BUSINESS UNITS IN GHANA

MEDCO

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MAY, 2003

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7th May, 2003

The Director-General
Private Enterprise Foundation
Accra

Dear Sir:

FINAL REPORT TO PRIVATE ENTERPRISE FOUNDATION, GHANA
STUDY ON FORMING LARGER BUSINESS UNITS IN GHANA

Please find enclosed our Final Report, together with our invoice for the final payment now due.

We appreciate the opportunity you gave us to conduct this survey.

Sincerely yours,

Christopher A. Mensah
(Managing Director)

MANAGEMENT AND ECONOMIC DEVELOPMENT CONSULTANTS LIMITED (MEDCO)

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7th May, 2003

The Director-General
Private Enterprise Foundation
Accra

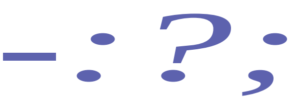
Dear Sir:

<u>STUDY ON FORMING LARGER BUSINESS UNITS IN GHANA</u>
<u>FINAL INVOICE</u>

We hereby submit the Final Invoice for the above-named study.

In accordance with the terms of the award letter dated 30th October, 2002, we wish to request for the final payment of $1,500 now due, so that we can cover the expenses incurred so far. We trust that you will expedite this payment.

Sincerely yours,



Christopher Ampadu Mensah
(Managing Director)

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EXECUTIVE SUMMARY

Introduction

PEF wishes to encourage small business units to come together to form larger business units, and so take advantage of the benefits of such units with respect to funding, management expertise and technology.

The Ghanaian business scene is dominated by a large number of small "one-man" businesses that make quite a substantial contribution to the national economy. However, such small businesses are highly constrained by limited access to funding, management expertise and efficient technology.

Though the benefits of forming large business units with respect to funding, management expertise and technology are generally acknowledged, the local businesses still remain small and are unwilling to pool resources together to form larger business units.

In order to encourage small business units to come together to form larger business units, therefore, PEF required the services of a consultant to study why small businesses do not pool resources together to form larger business units, draw up lessons from successful and unsuccessful business partnerships, and develop an Action Plan for PEF to implement in encouraging partnerships.

Objectives of the study

From an analysis of the Terms of Reference the primary objectives of the study are as follows:

Determine why there is a prevalence of small local businesses.

Find out why existing small businesses are unwilling to pool their resources together in partnerships to form larger businesses, given the benefits of better funding, management expertise and technology.

Identify successful and unsuccessful cases of partnerships, determine causes or reasons behind success or failure, spell out lessons from a study of these cases as a basis for developing an Action Plan/Programme for PEF to implement step-by-step in encouraging partnerships among business units for better performance.

Develop a Draft Action Plan for PEF to implement a programme for encouraging small businesses to form larger business units.

Organize a forum of business operators to present the Draft Report of Study Findings and Draft Action Plan, facilitate discussions and solicit recommendations and comments to be incorporated in the Study Final Report and Action Plan.

Prepare and submit the Study Final Report and Action Plan for PEF to implement step-by-step in encouraging small businesses to form partnerships in larger businesses.

Methodology

Survey method

Due to time constraint and the nature of information required, the qualitative research approach was adopted in the form of Individual Depth Interviews (IDI) as a vehicle to replace the usual Focus Group Discussions (FGD). The advantage of IDI's is that it brings to the fore detailed information that could not be achieved in a Focus Group set up. Some benefits of Focus Group Discussions could later be obtained from the forum of business operators that will be organized for presentation of the Draft Study Rep011after the interviews.

Survey instruments

We developed an interview guide (questionnaire) for the individual in-depth interviews, which though not very structured includes key areas to be covered, as a guide to the experienced interviewers. The open-ended questionnaire used in the Individual Depth Interviews, as stated above, gave the advantage of bringing to the fore detailed information that could not be achieved in a Focus Group set up. A copy of the interview guide is included in the appendix.

Survey Design

We selected an effective sample of interviewee companies in Accra (35) and Kumasi (15) to be included in the study. The resources used included membership lists of the Association of Ghana Industries, the Ghana Chamber of Commerce and Industry, NBSSI, FAGE. Companies were selected from these resources to have a wide variety of representation in size, sectors (manufacturing, trading, service organizations, importers, exporters etc.). To ensure this diversity we randomly interviewed some small-medium enterprises that were not on any of the formal membership associations.

Survey implementation

Experienced interviewers arranged and conducted individual depth interviews with managing directors and entrepreneurs, which were tape-recorded for later transcription, enhancing the documentation of findings. Once our interviewees were assured of confidentiality and made to know that the interview is only for research purposes, most of them did not mind tape-recording of the session. We transcribed and word-processed all 50 of these interviews at the time of presenting this draft report, quite a mammoth task, given the short time available to us.

Analysis and Reporting of Interview Data

Transcripts for various interviews have been re-arranged and grouped together to indicate com mon trends, with cases from various respondents to support key findings from the study. This draft report covers all 50 transcripts (35 in Accra and 15 in Kurnasi), which we believe give a good representation of the general issues and trends among the companies in Ghana

Draft Report and Action Plan Preparation and Submission

This Draft Report has been prepared covering the key findings from the study. The report includes lessons learnt from the study concerning causes for successes and failures in business partnerships. Based on the findings and lessons a Draft Action Plan has been prepared that indicates preliminary step-by-step actions to be followed by Private Enterprise Foundation in encouraging partnerships among business operators to form larger business units for better performance.

Preparation and submission of Action Plan and Final Plan

Based on the deliberations at the forum on the draft documents, prepare and submit a Final Report and Action Plan for the Private Enterprise Foundation to implement step-by-step in encouraging partnerships among business operators to form larger business units for better performance.

Survey Interview Guide or Questionnaire

MEDCO designed a survey guide to be used by the interviewers that would cover the main objectives and issues raised in the Terms of Reference of the study. (Please refer to a copy of the survey guide in the Appendix.)

The analysis of the responses and the write-up included in this Revised Draft Report focuses on the issues that relate to the objectives of the study.

Summary of Findings

The entrepreneurs interviewed indicated many reasons for the prevalence of small businesses in Ghana. These included economic causes such as lack of formal employment and limited conditions for growth; the lack of capital; the desire for independence as manifested in wanting to be their own bosses and employees' belief that they are financially better of as owners of small business than in continued employment; social causes such as lack of trust, bitter experiences of cheating, wanting to keep inheritance in the family, low education and illiteracy; lack of management skills for large businesses; and superstition.

Respondents very well- articulated an awareness of the numerous benefits of partnering with others to form a larger business. The economic gains they indicated in their responses include larger capital base for the business, improved management through sharing ideas, wider experience from partners, greater range of skills, more effective. administrative policies, and functioning board of directors. Also, there would be more business opportunities available, greater ability to set up more branches, enjoyment of economies of scale, higher production, revenues and profits, better and easy opportunities for obtaining loans from banks and greater benefits to the public in availability of more employment avenues and more tax revenues from businesses.

Given their awareness of the benefits of partnering with others to form larger business units, the majority (60%) of the businessmen interviewed expressed interest in joining their businesses with others ·n the same or related industry that offer similar or related products and services.

Although interviewees were aware of these potential gains, they could still not pool their resources together to form larger business units, to achieve these benefits. Some hindrances against formation of larger units are: management problems, low morale of workers, individualism, inadequate and inappropriate agreements and documentation, and the desire for independence by businessmen

It appears to us that such people with the latent/potential desire to go into joint-business will not do so automatically. The concept must be promoted and supported with the necessary encouragement and professional and technical advice.

It is against this background that an Action Plan for forming larger businesses should be implemented across all sectors of the economy. Such a plan would cover mainly training or education in various areas: education on joint ventures, management, legal system, documentation of agreements, capital acquisition, proper start-up procedures, and strategies for motivation. The subject areas to be covered in the training are based on lessons learnt from successful joint-venture cases covered in the study, as well as those from failures. The Action Plan would include other activities beyond training, as indicated in the outline below.

Proposed Action Plan for PEF

The Action Plan contains the various detailed steps to be followed in achieving the goal of forming larger businesses for a two-year period. The Plan is presented in Exhibits 7.8.2.1 and 7.8.2.2 of this Final Report, representing activities in the first and second years respectively.

Each Exhibit is a table that has been broken down into several components for each main activity Activity, Resources, Cost, Responsibility, Time-frame and Expected Output.

The key activities or steps in the Action Plan include:

- Soliciting for funds and partners
- Joint-venture Secretariat Setup
- Joint-venture publicity
- Identification & Selection of Potential Joint-venture entrepreneurs
- Motivation, education and training of potential joint-venture entrepreneurs
- Start of Joint-venture Business
- Review of Action Plan
- Amendment of Action Plan based on review
- Implementation of second year of programme
- Review of second year and overall programme
- Completion and close of the programme

This Action Plan assumes implementation of an intensive programme for 2 years, with total cost being ¢1,235.2 million. From Exhibits 7.8.2.1 and 7.8. 2.2, this total amount is made up of costs in the first and second years estimated at ¢462.0 million and ¢773.2 million respectively.

We must emphasize that the Action Plan can be modified in the scale of implementation, with less intensive and more piecemeal approach adopted as needed. The costs for such modified programme would be reduced accordingly.

In the First Year the programme would be implemented on a pilot scale, with a secretariat based in the PEF offices in Accra. At the end of the first year a mid-term evaluation will be conducted, followed by amendment of the Plan, based on lessons learnt from the pilot phase.

In the Second Year, the Action Plan will be performed in three quarterly cycles, each starting with publicity, selection of joint-venture partners, training and sta1t-up of joint-ventures, and ending at the close of the third quarter. The final quarter of the second year will be for evaluation of the second year's program, as well as the overall programme. In the second year PEF could consider setting up a secretariat in Kumasi, possibly at sister institutions such as AGI or NBSSI in Kumasi.

SECTION 1: INTRODUCTION/ BACKGROUND

1.0 introduction/ background

The Private Enterprise Foundation (PEF) has been set up to be an advocate for private sector businesses and to provide supp011 for their development. PEF wishes to encourage small business units to come together to form larger business units, and so take advantage of the benefits of such units with respect to funding, management expertise and technology.

The Ghanaian business scene is dominated by a large number of small "one-man" businesses that make quite a substantial contribution to the national economy. However, such small businesses are highly constrained by limited access to funding, management expertise and efficient technology. The situation makes such firms uncompetitive. In this era of globalization and trade liberalization, the future of such small and uncompetitive businesses is bleak and their chances of attracting joint- venture partners are weak.

Though the benefits of forming large business units with respect to funding, management expe11ise and technology are generally acknowledged, the local businesses still remain small and are unwilling to pool resources together to form larger business units.

In order to encourage small business units to come together to form larger business units, therefore, PEF required the services of a consultant to study why small businesses do not pool resources together to form larger business units, draw up lessons from successful and unsuccessful business partnerships, and develop an Action Plan for PEF to implement in encouraging partnerships.

1.1 Objectives of the Study

From an analysis of the Terms of Reference the primary objectives of the study are as follows:

- Determine why there is a prevalence of small local businesses.

- Find out why existing small businesses are unwilling to pool their resources together in pa11nerships to form larger businesses, given the benefits of better funding, management expertise and technology.

- Identity successful and unsuccessful cases of partnerships, determine causes or reasons behind success or failure, spell out lessons from a study of these cases as a basis for developing an Action Plan/Programme for PEF to implement step-by-step in encouraging partnerships among business units for better performance.

- Develop a Draft Action Plan for PEF to implement a programme for encouraging small businesses to form larger business units.

-t Organize a forum of business operators to present the Draft Report of Study Findings and Draft Action Plan, facilitate discussions and solicit recommendations and comments to be incorporated in the Study Final Report and Action Plan.

Prepare and submit the Study Final Report and Action Plan for PEF to implement step-by-step in encouraging small businesses to form partnerships in larger businesses.

1.2 Statement of Tasks and Methodology

1.2.1 Review of secondary data.

We conducted a quick review of existing reports and other secondary data available on the issue of why small businesses do not form larger business units, any documented cases of successes and failures, and suggestions for encouraging the formation of larger business units.

Not much was found regarding reports and secondary data on the subject. Places visited include the library of the National Board for Small Scale Industries (NBSSI), the University of Ghana School of Administration Library, the Ghana Chamber of Commerce and Industry (GCCI), the Association of Ghana Industries (AGI), the Ghana Investment Promotion Center (GIPC), Empretec Ghana Foundation, as well as the internet.

We also interviewed a few experts in the subject matter, including the Chief Executives of Association of Ghana Industries and the Ghana National Chamber of Commerce and Industries, the Executive Secretary of the Association of Small Scale Industries, and the Chief State Attorney at the Office of the Registrar General. The list of experts interviewed is included in the appendix.

1.2.2 Survey Design.

We selected an effective sample of interviewee companies in Accra and Kurnasi to be included in the study. The resources used included membership lists of the Association of Ghana Industries, the Ghana Chamber of Commerce and Industry, NBSSI, FAGE. Companies were selected from these resources to have a wide variety of representation in size, sectors (manufacturing, trading, service organizations, importers, exporters etc.). To ensure this diversity we randomly interviewed some small-medium enterprises that were not on any of the formal membership associations.

1.2.3 Survey method.

Due to time constraint and the nature of information required, the qualitative research approach was adopted in the form of Individual Depth Interviews (**101)** as a vehicle to replace the usual Focus Group Discussions (FGD). The advantage of IDI's is that it brings to the fore detailed information that could not be achieved in a Focus Group set up. Some benefits of Focus Group Discussions could later be obtained from the forum of business operators that will be organized for presentation of the Draft Study Report after the interviews.

1.2.4 Survey instruments.

We developed an interview guide (questionnaire) for the individual in-depth interviews, which though not very structured includes key areas to be covered, as a guide to the experienced interviewers. The open-ended questionnaire used in the Individual Depth Interviews, as stated above, gave the advantage of bringing to the fore detailed information that could not be achieved in a Focus Group set up. A copy of the interview guide is included in the appendix.

1.2.5 Survey location.

The study was conducted in the major cities of Ghana where most formal private businesses are concentrated i.e. Accra and Kumasi.

1.2.6 Sample Size/ Structure.

A total effective sample size of 50 was achieved in the two locations, with 35 in Accra and 15 111 Kumasi. The schedule of companies interviewed is included in the appendix.

1.2.7 Sm-vey implementation.

Experienced interviewers arranged and conducted individual depth interviews with managing directors and entrepreneurs, which were tape-recorded for later transcription, enhancing the documentation of findings. Once our interviewees were assured of confidentiality and made to know that the interview is only for research purposes, most of them did not mind tape-recording of the session. We have transcribed and word-processed all 50 of these interviews at the time of presenting this draft report, quite a mammoth task, given the sh011time available to us.

1.2.8 Analysis and Reporting of Interview Data.

Transcripts for various interviews have been re-arranged and grouped together to indicate common trends, with excerpts from verbatim quotes and cases from various respondents to support key findings from the study. This draft report covers all 50 transcripts (35 in Accra and 15 in Kumasi), which we believe give a good representation of the general issues and trends among the companies in Ghana

1.2.9 Draft Report and Action Plan Preparation and Submission.

This Draft Report has been prepared covering the key findings from the study. The report includes lessons learnt from the study concerning causes for successes and failures in business partnerships. Based on the findings and lessons a Draft Action Plan has been prepared that indicates preliminary step-by-step actions to be followed by Private Enterprise Foundation in encouraging partnerships among business operators to form larger business units for better performance.

1.2.10 Organization of Forum for· Business Operators and other Stakeholders.

Private Enterprise Foundation (PEF), in conjunction with the African Project Development Facility (APDF) and MEDCO organized a forum at M Plaza Hotel on Thursday 2ih February 2003. MEDCO made a presentation of the Draft Report of Study Findings and Draft Action Plan to business operators and stakeholders. This was followed by a session of questions and comments on the presentation.

MEDCO then facilitated group discussions and solicited recommendations for incorporation in the Action Plan. The forum was used to validate our findings, lessons learned and recommendations in the Draft Action Plan, and to develop an Action Plan that is realistic and has good chances of successful implementation

There were 80 participants at the forum, coming from both Private and Public Institutions and companies. Participants can be grouped as follows:

Public Institutions
Private Institutions
Development Partners (Donor Agencies)
Private Companies

Most of the participants were from Accra, with 10 entrepreneurs interviewed in Kumasi present. Private companies and institutions constituted about 60% of the participants, including entrepreneurs in the sample of companies interviewed, as well as others not interviewed.

1.2.11 Preparation and submission of Action Plan and Final Plan.

Based on the deliberations at the forum on the draft documents, we have now prepared and submitted a Final Report and Action Plan for the Private Enterprise Foundation to implement step by-step in encouraging partnerships among business operators to form larger business units for better performance.

1.3 Schedule of Activities and Project Management

The contract came into effect on,9th November, 2002, with mobilization funds as per the contract made available to MEDCO on 12th November, 2002. The survey team, led by the Managing Director, Christopher Ampadu Mensah, started work on Monday 4th November, in the spirit of good
company-client co-operation, and has worked tirelessly to satisfy the tight time demands of PEF. A Preliminary Draft Report was issued to PEF on 25th November that covered an analysis of 30 out of the 50 companies to be issued. A Draft Report covering all 50 companies was issued to PEF on 11th December for comments. A Revised Draft Report incorporating comments from PEF was submitted prior to the organization of the forum for entrepreneurs and stakeholders in January, 2003. This Draft Final Report contains the Action Plan for implementation by PEF

1.4 Survey Interview Guide or Questionnaire

MEDCO designed a survey guide to be used by the interviewers that would cover the mam
objectives and issues raised in the Terms of Reference of the study. (Please refer to a copy of the survey guide in the Appendix.)

The analysis of the responses and the write-up included in this Revised Draft Report focuses on the issues that relate to the objectives of the study.

SECTION 2: CAUSES OF THE PREVALENCE OF SMALL BUSINESSES IN GHANA

2.0 Classification of Businesses by Size

There are numerous small businesses in all sectors of Ghana's economy. Small and medium-scale enterprises (smes) can be classified by size, according to

The National Board for Small-Scale Industries (NBSSl) has developed classifications of businesses by size. These are micro-enterprises, which employ between 1 and 5 workers with fixed assets value of less than $10,000 excluding land and buildings. Enterprises are classified as small-scale when they employ from 6 to 29 workers, or have fixed assets value of not more than $100,000 excluding land and building. Medium scale enterprises employ between 30 and 99 workers with assets value of not more than $250,000 excluding land and buildings. Large-scale enterprise employ 100 or more workers with assets value greater than $250,000 excluding land and buildings.

Our sample of interviewees included all sizes of enterprises, in order that we would get the views of small, medium and large enterprises, and to particularly learn lessons from any businesses in the sample that have been successful in forming joint-venture arrangements.

We also made a conscious effort to include in our sample a very diverse range of business types and sectors to get a very representative coverage.

2.1 Characteristics of Ghanaian small-scale businesses

Ghanaian small businesses are characterized by the following features:

1. Dominated by a small numberof employees
2. A narrow range of technical and management skills.
3. Dependence on a few customers
4. Vulnerability to substitutes, especially imports
5. Limited market for the products or services
6. Buyer-driven commodity chain

2.2 Causes of the prevalence of small businesses

Although respondents demonstrated an appreciation of the potential benefit that can accrue to them through teaming up with others to form larger businesses, many are unwilling or unable to do so, resulting in the continued prevalence of small one-man businesses in Ghana. Respondents indicated various factors for the existence and continued prevalence of such businesses in the country, as indicated below:

2.2J Economic Causes

Many respondents observed that the prevailing economic situation causes individuals to initiate their own businesses. One major factor is the lack of jobs, often leaving the unemployed no alternative but to employ themselves by starting small businesses with the little capital they have. The little capital can only start small businesses, unless they can increase the capital base by teaming up with others to form larger businesses. This is a major cause of the existence of numerous small businesses in Ghana.

Another contributing factor is the high interest rates charged by the banks on loans for businesses, which is a deterrent to borrowing. This makes entrepreneurs resort to their own resources or solicit limited soft-term funds from friends and relatives for starting or expanding their businesses, and results in the prevalence of small enterprises.

The economic conditions are generally not very favorable for growth and expansion of businesses, resulting in many small enterprises continuing to remain small.

2.2.2 Capital Constraints

Lack of capital is one of the major causes of small businesses in Ghana. Most of the businesses interviewed started with the resources from their individual coffers, which normally is inadequate to support larger business units. Though there may be a desire to enter into larger business units, entrepreneurs are constrained by the non-availability of the requisite capital.

2.2.3 Desire for independence

Entrepreneurs want to be independent in their business dealings and activities, without interference from anybody. This desire for independence manifests in individuals wanting to own or operate a business that belongs to him or her alone. This self-centered motive results in the prevalence of small sole-proprietorships, given the general limitation of business capital, and the unwillingness to form partnerships or joint-ventures.

Many entrepreneurs expressed unwillingness to be under any authority, so maintaining their independence. They, therefore, see the start of their own business under sole-proprietorship as a means to achieve this objective of having the freedom to do things according to their own free will.

Many small artisan businesses (auto mechanic shops, carpentry shops etc.) are prevalent because after going through hard apprenticeship training the master artisan entrepreneurs want to own their business alone as sole proprietors, and are not willing to consider teaming up with others in joint- ventures to form larger businesses.

The motive of maximizing profit accruing to the individual (self) also propels individual entrepreneurs to maintain their own small business, rather than joining with others. They want to enjoy the total profit, without sharing it with anybody.

2.2.4 Social Causes

About 90% of the respondents indicated **lack of trust as** a key factor for the prevalence of small businesses in Ghana. Trust among individuals has diminished so much that businessmen are afraid to involve anybody in their businesses, even though they are aware of the many benefits that will accrue from such ventures.

The fear **of being cheated, which** largely explains the lack of trust, is also a major factor limiting mergers. Respondents expressed it either in the bitter experiences they have gone through themselves or what others they know have suffered. This fear makes them reluctant to team up with others, preferring to operate on their own.

Another reason respondents indicated for the prevalence of small businesses is the display **of affluence** by those who are already in small sole proprietorships. They freely use the profits in their business for personal and family use, sometimes to the detriment of the company's growth. They, therefore, present themselves as free from the external supervision that one has to subject oneself to in large jointly owned companies, with the attendant controls and limitations in personal fund withdrawals and use. This display of affluence, backed by the desire for independence, encourages many entrepreneurs to establish or remain as sole proprietors and stay away from teaming up with other owners.

The tradition or individual desire **to keep the family inheritance from external encroachment** also causes small business units to prevail. Since the objective is to keep the business entirely for the family after one's death, it is difficult to consider having others join in the venture, even if it will be larger and perform better. People want to pass on their business to their relatives without a problem.

One of the social structures that hinder the formation of larger business units is the difficulty **in teaming up with somebody of a different ethnic or tribal background.** Although such a situation should not occur, it has hindered joint-venture formation to some extent in Ghana.

Religious and social class differences have also been cited as some of the major causes of individualism in business. Some respondents said that very often entrepreneurs with the same religious background find it easier to merge in business than people of different religious affiliations. The Bible says, "Can two come together, unless they be agreed?" Two people of different religious affiliation may not agree on certain principles and ethics (as influenced by their religions) in operating the business. Such divergent views will hinder smooth operation of the business if they join together.

Low educational level, illiteracy and lack of information makes it difficult for these small business owners to appreciate the benefits of large businesses, in order that they would aspire to forming larger business units from collaboration with others. They are, therefore, unwilling to extend their hands to others to form larger enterprises through joint-ventures.

2.2.5 Lack of Management Skills

Many entrepreneurs articulated that they do not have the requisite managerial skills to manage large companies. Therefore, they resort to having their own small business, which demands little managerial input.

Many respondents indicated that because their business often lacked proper marketing strategies to effectively coordinate production or service supply to market demand, business growth is stunted and they continue to remain small.

Improper location of business adversely affects marketing, resulting in low sales and low profitability.

2.2.6 Superstition

Businessmen are not able to team up to enlarge their businesses, due to the common belief in superstitious practices such as "juju" and witchcraft: There is usually the fear that the other partner(s) will kill him/her supernaturally and take over the ownership of the business alone. Entrepreneurs, therefore, prefer to be on their own.

2.3 Summary of the causes of the prevalence of small businesses

The causes for the prevalence of small businesses in Ghana can, therefore, be summarized below:

1. Economic causes

   - Lack of formal employment
   - Limited conditions for growth or expansion.
   - High interest rate
   - Lack of information

2. Lack of capital

3. The desire for independence:

   - Self-centered motive
   - To be bosses of their own businesses
   - To do away with the burden of being under somebody else.
   - Employees' belief in their better financial well-being as owners of small business than in continued employment
   - To obtain maximum profit alone

4. Social causes

   - Lack of trust
   - Bitter experiences of cheating
   - Affluence of small sole proprietorships
   - Keeping family inheritance
   - Tribal differences
   - Religious and social class differences
   - Low education and illiteracy

5. Lack of management skills

   - Lack of skills to manage large businesses.
   - No strategies to effectively market production or service supply.
   - Improper location that adversely affects marketing and profitability.

6. Superstition

SECTION 3: BENEFITS OF LARGER BUSINESS UNITS

3.0 General Benefits of Larger Business Units

There are many objectives for setting up a business. For the owner-manager the primary objective is to obtain maximum profit from the investment, and he or she does everything to achieve this.

This basic objective of profit-maximization still applies when there is more than one owner in a joint-venture or partnership. However, in this case the objective is to first maximize profit for the business entity, then this passes on to the individual owners when profits are shared. The proportion of ownership, the level of involvement of owners in the management of the business, and the joint- venture agreements and arrangements in place determine the benefits that accrue to each individual owner.

When the business is managed by a management team different from the owners, there may be other company maximization motives, which may be different from that of owners' profit. Such motives maybe output levels, total revenues, employment levels, salaries or a combination of these. Ultimately, however, management is responsible for maximizing the profit and any other stated objectives of the owners.

The companies interviewed articulated a very good understanding of the benefits of larger businesses or joint-ventures. These are enumerated below:

3.1 Better management skills, structures and procedures

Respondents indicated that teaming up to form a larger business unit results in the availability of a lot of ideas. In this case, decisions will not depend on only one individual as in sole proprietorship, but various heads will be put together on issues at stake to find a better corporate solution, leading to good decision making.

Another advantage respondent indicated for large business units is the sharing of experiences and expertise by the multiple owners and managers, which fosters management performance. The individual owner-manager (sole proprietor) would have to tackle issues alone, which is limiting and constrains the performance of the business. In the larger business the various owners and managers have had diverse experiences, which they can share with each other for better management of the enterprise.

Larger business units are able to sustain management in the business in case of the absence of a management member. Unlike sole proprietorship, where the whole management rests on one man, larger business units are in a better position to maintain management in all aspects of the business, ensuring continuity in the discharge of duties.

In all, there are better efficiencies in management, reflected in better management structures, superior employee and administrative policies and procedures.

Will the existence of a functioning board of directors, and effective management team, there is better control over many financial and physical leakages in large business units than in smaller ones. Larger joint-venture businesses are more likely to install more effective financial controls, reducing the chances of mishandling cash.

Another benefit respondent associated with large business units is the greater ability to send their employees for training in management and technical skills to enable them perform better.

Efficiency and production performance depends on the quality of the working force. Joint-ventures by virtue of their level of operation and management structure are able to employ high quality manpower.

Another key advantage of larger businesses is the existence of better succession mechanisms. Large joint-ventures have proper legal and appropriate agreements and procedures which minimizes misunderstanding among the owners. These legal arrangements are likely to sustain the business even at the death of a pa11ner (part owner) of the business. Small sole proprietorships are usually unsustainable when the initial owner dies, since proper succession mechanisms and procedures are not in place to ensure continuity in the business.

3.2 Functioning board of director's

Large business units benefit from a functioning board of directors. The board is able to give advice to management and also serve as a check on management. This adds to the good governance of the business, as more alternative ideas come into play in both planning and implementation.

3.3 Large capital base

The teaming up of several people has the advantage of increasing the capital base of the business. The capital base is often limited in sole proprietorships, where the individual has to depend only on his or her own capital for the business.

The large capital base in a joint-venture can be used as initial and working capital, leading to better working conditions, since business thrives well with a good capital base.

Furthermore, large businesses are able to purchase expensive high-technology equipment and machinery that produce higher quality products.

3.4 Greater ability to obtain loans from the banks

Respondents stated that larger joint-ventures are more likely to receive loans from banks, either for working capital or expansion. Reasons given for this is that the banks perceive larger businesses as more established and less likely to default on their loans.

3.5 Higher production, revenue and profit

Respondents expressed the belief and understanding that large companies are able to produce in larger quantities, enabling them to capture a large share of the market and to achieve higher revenues and profit.

3.6 More business opportunities

Another area that was well articulated concerning the benefit of large business units was ability to take up more business opportunities. One of these is the opening of new branches in different locations, enabling it to capture a larger share of the market.

In addition, to opening up new branches, the larger company 1s able to take up other business opportunities that would not be possible for a small business.

Again, large joint-venture enterprises have a large customer base that patronizes the products of the company.

3.7 Economies of scale

Most of the respondents revealed that economies of scale are one of the key benefits larger businesses enjoy. These economies of scale can occur in production, purchase of raw materials, advertising and marketing.

When raw materials are bought in large quantities, there is the advantage of getting a reduction in cost, which is not the case in small quantity purchases.

Buying in bulk, as large companies do, also reduces transportation cost. Producers of raw materials usually deliver the goods to the preference location of the buyer, reducing the cost of the company that buys in bulk.

Again, large companies are able to purchase modern and efficient technology (machines) to produce in large quantities and reduce cost of production, while delivering high quality products. There is high capacity utilization in larger business than in smaller ones.

Moreover, large business entities are able to minimize unit advertising costs from spreading the total cost of advertising over large quantities of many different products.

3.8 Greater benefit to the public

Larger business organizations are able to employ more people than the smaller ones. This increases formal employment rates, with related increases in government income tax revenues.

Since larger businesses are often more formalized, they are more likely to pay corporate taxes, valued-added taxes and social security contributions, providing a greater benefit to the general society.

3.9 Summary of the benefits of larger business units

From the above, the benefits of larger business units or joint-ventures as indicated by the respondents in the study can be summarized below:

1. Management

- Sharing ideas
- Expertise (experiences)
- Effective management structure
- Continuity in management responsibility
- Better control over money leakages
- Ability to send employees for training
- Ability to attract quality manpower
- Better succession mechanism

2. Functioning board of directors

3. Large capital base

- Initial capital
- Working capital
- Capital for expansion

4. Greater ability to obtain loans from the banks

5. Higher production, revenues and profits

6. More business opportunities

- Taking up other business opportunities
- Opening of 11ew branches
- Large customer base

7. Economies of scale

- Reduction in raw material costs
- Reduction in transportation costs
- Ability to purchase modern and efficient machines
- Reduction in advertising costs.

8. Greater benefit to the public

- Employment opp011unities
- Large revenue to government

SECTION 4: WILLINGNESS TO FORM JOINT-VENTURES

4.0 Willingness to form joint-ventures

The survey requested that the businesses interviewed express their willingness to form a joint - venture with others in the same, similar or related industry so as to obtain the benefits enumerated above.

The summary in section 4.2 below shows that about 60% of the respondents indicated a positive tendency and willingness to team up with others to form larger businesses rather than remaining small. On the other hand, about 40 % of the respondents were negatively disposed towards forming joint-ventures with others.

4.1 Experiences and reasons for positive or negative disposition towards the formation of joint-venture businesses with others.

In an effort to find out the willingness of respondents to form joint-ventures, diverse responses have been articulated below, ranging from those who are unwilling to those who have done so and are still in the partnership.

4.1.1 Companies that showed a willingness to form joint-ventures

A total ([28 companies showed a willingness to form joint-ventures, with the various sub-groups and reasons indicated below:

9 companies indicated that though they have not done so; they **were willing to try.** Some respondents indicated that they have not found a suitable partner yet. Others felt they needed to be a bit more established before partnering, but they are now ready to consider a partner who will bring in additional capital Some also said that they have not found someone who fancies partnership in their type of business (spare parts sales) Some are also looking for partners with different business experiences, which will enhance the development of the joint-venture.

9 companies tried, but the partnership just failed for varying reasons. Reasons given were that it simply did not work well because the other partner was not committed to put in maximum performance. Others indicated misunderstanding between partners, particularly in sharing profit. Again, some argued that they were unable to raise their part of the capital for the joint-venture, leading to the collapse of the business.

One company found a few business people willing to partner, but the money they are bringing in would create confusion between the existing owners. In another case those coming in with investment funds were working elsewhere and cannot contribute any skills and services to the company, but are only interested in the profit they will gain.

2 businesses had failure, but are willing to try again. Some respondents indicated that though their partnership failed, they are willing to try again, since the diverse experiences from the partners could enhance overall development of a joint-venture

4 were only willing to consider foreign partners. Some respondents have experienced cheating and court cases by their Ghanaian partners, but they believe their association with foreigners will be better, since they have a better understanding of the operating of joint-venture. However, respondents indicated difficulties in joint-ventures with foreigners, given the requirement of a very high capital investment from foreigners by the government.

4 have done it, and the partnership is still continuing reasonably well. A joint-venture business that is operating quite well has considered bringing in more partners, but this creates confusion among the existing partners, since bringing in new partners who will only invest capital to earn dividends (share in the profit) and not be involved in operations or management is not acceptable to them.

4.1.2 Companies, which showed negative tendencies toward joint-venture

18 companies showed negative tendencies toward forming joint-ventures, with the different sub-groups and reasons presented below:

4 are not willing. Some are unwilling to form joint-ventures because they don't have suitable businesses in related sectors to team up with. Another respondent is unwilling to partner because he believes that the financial dealings in a joint-venture usually arouses misunderstanding between businesses or individuals.

14 just said that they have not attempted to join their business with others for various reasons. Reasons given include the belief that they can go it alone, and that money creates misunderstanding between two entities. In addition, there are not many similar businesses to partner with.

Other reasons given include a lack of education about joint ventureship. Also, the possibilities and fear of encountering problems such as quarrels with partners. *Also*, the misconception that the small profit made has to be shared with other partners, leaving a relatively smaller amount to each one.

4.1.3 Companies that appear neutral or indifferent towards joint-venture

4 interviewees did not answer

4.2 Summary of responses on willingness to form joint-ventures.

The total number of companies interviewed is 50.

Four (4) companies appeared neutral or indifferent towards joint-venture. These could be split, and two (2) allocated to the companies with a positive disposition, and the remaining two (2) allocated to the companies with a negative disposition.

Twenty-eight (28) companies showed a positive disposition towards joint-venture. Adding the two (2) companies allocated to this group from the neutral/indifferent group makes thirty (30) companies with positive disposition or 60%.

Eighteen (18) companies showed a negative disposition towards joint-venture. Adding the two (2) companies allocated to this group from the neutral/indifferent group makes twenty (20) companies with negative disposition or 40%.

SECTION 5: SUCCESSFUL JOINT-VENTURE LESSONS

5.0 Successful Joint-Venture Lessons

Since businesses in Ghana operate within similar socio-economic environments, those that are not so successful can learn from the experiences of those that are successful. More importantly, the smaller businesses can take lessons from the larger ones that grew from adopting various joint-venture or partnership arrangements. The ways in which the larger businesses overcame problems and difficulties they encountered to become successful, can serve as a guide for the smaller ones.

Some joint venture businesses interviewed can be considered successful, having survived the test of time, while earning sizeable revenues, with increases in the number of their employees.

Lessons can be learned from the successful joint-venture cases presented below:

5.1 Successful Joint-Venture Cases

5.1.1 Case 1: Prikorlar Company Limited

This company, which produces aluminum utensils used for various purposes, has been in existence since 1994. The company employs about 50 workers.

Prikorlar Company Limited uses medium level production technology, compared to advanced technology currently available.

The company is located in the Light Industrial Area in Tema, and sells its products locally and in foreign markets such as Togo, Benin and Equatorial Guinea.

Prikorlar was established by two gentlemen, who were childhood friends, and currently own major shares (45% each) in the company. After elementary school, one of them obtained his first degree in Ghana then traveled to Europe/ America for an advanced degree. The other didn't continue his education beyond elementary school, but worked with GTMC and rose to management level.

When the first returned from his studies and work abroad, the two friends decided to put their capital together to start the aluminum business. The first returned with investment funds from abroad, while the other who stayed in Ghana had to sell his car and plot of land so as to obtain enough capital for the business. The business has been doing well, and expansion of existing lines and diversification into others is underway. Prikorlar Company Limited experience teaches several lessons:

- Partners should abide by the agreements, rules and regulations that they have set for themselves.
- Businessmen should be very transparent in their dealings with partners.
- Partners should not bring their personal problems/issues (especially financial) into the business. To ensure proper separation of business issues from personal, partners should be on payroll as workers at salaries agreed-upon. This separates management from ownership.
- Each partner should be committed to the business and work very hard to make his/her best contribution to the well-being of the business
- Records should be properly kept to ensure proper accountability in the business.

5.1.2 Case 2: **Camelot Ghana Limited**

Camelot Ghana Limited is a firm in the printing industry, producing cheques, bank instruments, booklets, business forms and security printing. These products are sold in Ghana and other countries in the West African Sub region.

The company uses technology that IS quite advanced among local companies that undertake continuous printing.

Started in 1978 with only a few workers, the company now employs fitly-two (52) workers. Camelot employs qualified and experienced professionals in its management team, and has a functioning board of directors.

The company bad twelve (12) major shareholders right from the beginning, and several other shareholders joined later when the company went public. With the success Camelot has achieved in the printing industry as a joint-venture, other businesses can learn various lessons from its experience:

- Management and shareholders should re-invest company earnings, for expansion of the business, rather than sharing the profits or dividends and later going to the banks to borrow money at high interest rates. Re-investing part of the profits or dividends is a cheaper way of expansion or business growth than borrowing.
- Owners of business should see themselves as workers in their own businesses, who are paid at the end of the month, like any other workers for their contribution to productivity.
- Joint-ventures should have a functioning board of directors to supervise and advice management.
- Proper record keeping should be maintained to ensure proper financial control and provide information for planning, monitoring and evaluation of business performance.
- Formalized employment procedures should be put in place, and employment should be strictly based on merit. Basing employment on non-merit considerations such as favoring extended family members, favoring applicants from certain ethnic groups, and favoring applicants with certain social relationships should be discouraged.

5.1.3 Case 3: **Osiadan Concrete Products Limited**

Osiadan Concrete Products Limited is located on Kasoa Road, opposite the Densu River. It produces roofing tiles, pavement blocks and solid blocks.

The company employs 116 workers. The owners initially sta11ed as importers of machines for spraying cocoa and other crops, and later added import and sale of chainsaws. With the ban on chainsaw lumbering operations, they saw a need for diversification, which led them into a new opportunity area of manufacturing concrete products.

It is owned by a man and his wife, who have established a functioning board of directors and a professional management team. 1t has the best technology in the industry, given that it is the only company that spreads the colour on the surface of the roofing tiles, while all the other companies mix the colour with the whole matter.

Osiadan has a successful joint-venture sales arrangement with Construction Pioneers (CP), where Osiadan's roofing tiles are kept at CP's selling points and CP 's culverts are in turn kept at Osiadan 's selling points, since one does not produce what the other produces.

Lessons that can be learnt from Osiadan Concrete Products Limited 's experience are as follows

- Businessmen should seek legal advice before entering into joint-ventures
- Companies should establish joint-venture arrangements with other companies, where their capabilities complement each other.
- Each party in a joint-venture should be very hard-working, in order to contribute its fair share in the partnership.

- Business partners should separate management from ownership. Partners should receive salaries based on their contribution and performance in the management of the business. This should be separated from dividends that are paid based on capital contribution.
- Partners should be persistent in pursuing their joint-venture vision and should not give up quickly in their attempt to become successful.
- Partners should recognize that as their joint-venture grows and becomes successful, they are likely to be targets for criticisms in the society, and this may affect the survival of the joint-venture. Partners should develop and use strategies for countering these attacks and ensure that they stay together.

5.1.4 Case 4: Kycrc Furniture and Company Limited

Kyere Furniture and Company Limited is located off Airport round-about, Manhyia road in Kumasi It produces a wide range of furniture, including items for the living room, dining room, offices and schools.
The company, which was established as one-man business under sole proprietorship in 1978, was later registered as a limited liability company in 1985. Kyere Furniture and Company Limited now has three (3) shareholders after moving from the sole proprietorship.

It uses medium-level technology in its operations and employs about 28 workers. It claims to make average profits annually.

Lessons that can be learnt from this reasonably successful joint-venture follow:

- Joint-venture partners need to sustain hard work, in the face of various difficulties the working environment of the business.

- There is a need for proper supervision and management the production process of a manufacturing company like theirs.

- It is important to earn and keep the trust of customers in a made-to-order operation as pertain s in furniture manufacturing.

- One needs to keep promises of delivery times, so as to maintain customers, continually build goodwill, and so sustain demand that results in business growth.

- Prudent financial management must be practiced by re-investing as much profit as possible in expansion of the business, rather than paying them out as dividends for use by partners in extravagant personal spending.

5.1.5 Case 5: Sam \Woode Limited

The company was started with a vision to go public in the future. As a result, the founder contacted the National Trust Holding Company (NTHC) for advice on how to organize it.

With the help of NTHC, the company contacted 50 people but only 15 responded and finally 12 out of this 15 contributed and became the initial owners of the company, with each having shares according to its contribution.

Even though the amount contributed was not encouraging, it never deterred the founder in pursuing his vision. With his own contributions, he managed to acquire the most important equipment required to have the business started.

Through hard work, commitment and determination the company's annual revenues grew yearly. The performance of the company attracted more people and by January 2000, the total number of shareholder had increased to 48. In line with this remarkable achievement and with the advice of its consultants, Sam Woode Ltd was listed on the Ghana Stock Exchange, and today the company is proud to have 660 shareholders.

In order to meet the growth rate of the company, appropriate resource professionals were recruited to strengthen the existing team, and the management was restructured to increase output and improve quality. Currently, the company is made up of a six-member board of directors. There is also a frontline team headed by the Managing Director, who is the founder, assisted by two senior executives. In addition, there are functional managers for finance, production and marketing.

To meet the challenges and the tasks ahead, Sam Woode Limited uses modern technology, including the use of up-to-date software in the development of its products. lt regularly sponsors its personnel to attend workshops, seminars etc. to improve their skills and broaden their knowledge.

To ensure quality and cost-effectiveness, Sam Woode Ltd, though not a printing press, has a small printing unit that prints out samples of its books for assessment, before requesting the printers to print large quantities.

Several lessons can be learnt n-om Sam Woode Ltd:

- Owner-managers in joint-ventures need to be educated on how to separate their personal expenses from company expenses.
- Management personnel must be integrally involved in operations, so that they will be conversant with practical issues in operations that will enable them manage better.
- All workers in the organization must be made to appreciate the overall goals and objectives of the company, so that they will understand the unique role each person and the entire team plays in creating corporate wealth for the benefit of all employees.
- Joint-venture partners and managers must be ready to further their education, especially in important areas in which they find themselves lacking knowledge

5.2 Lessons from Successful Joint-Ventures

From these cases and others considered in the study, the following general lessons can be learnt as to why some joint-venture businesses succeed and others fail or collapse.

1 There is the need to seek legal advice before entering into business and also during the business.

2. Adhering to the rules or agreements relating to all aspects of the business will ensure fairness and continual existence of the business.

3. There is the need to have a functioning board of directors.

4. There is the need for transparency with partners.

5. There is the need to separate the family or self from the business to ensure proper maintenance of financial control in management and repo11ing to owners. Owners should pay themselves and not clip their hands into the company's coffers.

6. Record-keeping is very imp011ant to be able to know the performance of the business at any given time, and form the basis for determining the future of the business, given the demand for its products or services and the economic and social environment.

7. When additional capital is needed, floating shares is potentially less expensive and more sustainable than borrowing.

8. Re-investing part of the business profit is a better source of funds for expansion or working capital, than borrowing from the banks at high interest rate.

9. Partners should exercise discipline by re-investing as much profit as possible, rather than taking drawings or dividends for extravagant personal spending.

10. Businessmen should be focused, committed and determined to make it in the business.

11. Businessmen must be able to take calculated risk.

12. Businessmen should undergo regular training in management.

13. Proper employment procedures should be followed, based on merit rather than family and social grounds.

15. Staff must undergo regular training to keep up with changes in business and technology.

16. roper customer and employee relations should be maintained.

17. Upgrading of technology with time is necessary.

5.3 Reasons for Failure

1. Improper and inadequate arrangements and agreements at the beginning of the joint-venture.
2. Lack of capital.
3. Lack of management skills.
4. Mistrust and cheating on the part of partners.
5. Mixing family affairs with business.
6. Complacency and contentment with little.
7. High interest rate on loans from bank, resulting in high cost of debt service.

SECTION 6: ORGANISATION OF FORUM TO PRESENT DRAFT REPORT OF STUDY FINDINGS AND TO LEAD STAKEHOLDERS TO DEVELOP ACTION PLAN

6.0 Organization of forum to present Draft Report of Study} findings and to Develop Draft Action Plan

Private Enterprise Foundation (PEF), in conjunction with the African Project Development Facility (APDF) and MEDCO organized a forum at M Plaza Hotel on Thursday 27th February 2003. MEDCO made a presentation of the Draft Report of Study Findings and Draft Action Plan to business operators and stakeholders. This was followed by a session of questions and comments on the presentation. MEDCO then facilitated group discussions and solicited recommendations for incorporation in the Action Plan.

6.1 Attendance at the Forum

There were 80 participants at the forum, coming from both Private and Public Institutions and companies. Participants can be group as follows:

Public Institutions
Private Institutions
Development Partners (Donor Agencies)
Private Companies

Most of the participants were from Accra, with 10 entrepreneurs interviewed in Kumasi present. Private companies and institutions constituted about 60% of the participants, including entrepreneurs in the sample of companies interviewed, as well as others not interviewed. Information on the participants at the forum can be found in Appendix D.

6.2 Programme for· the Forum

The one-clay forum covered the following areas:

Presentation of Study Findings
Presentation of Two Successful Joint- Venture cases
Presentation of One case of Joint-Venture failure.
Presentation on good corporate governance
Presentation on registration of companies
General questions and answers
Group discussions on Action Plan

The Workshop Programme or Schedule can be found in Appendix E.

6.3 MEDCO's presentation of the Summary of Findings

MEDCO presented a Summary of Study Findings at the forum. The full presentation can be found in Appendix F

The presentation focused on:

- Objectives of the study
- Methodology
- Summary of the causes of the prevalence of small business in Ghana
- Summary of the benefits of larger business units
- Willingness to form joint-ventures
- General lessons as to why some joint-venture businesses succeed and others fail

6.4 Comments and Contributions to the Presentation

Bigger business is better

At the forum, participants generally agreed with the finding that being bigger as a business is better Being bigger enables a business to take advantage of the economies of scale, making it more competitive and profitable, and making the banks perceive it as better risk when advancing loans. Participants cautioned, however, that a business should not become so large that management loses control of operations.

Publicise successful joint-venture cases.

It was noted that success cases of joint-ventures should be build be widely publicised in the business community, so as to encourage much smaller ones to team up.

Improve government- private sector cooperation.

While there is a need for entrepreneurs seeking joint-ventures to present their cases for assistance, there is also a need for government institutions that have the mandate to provide such help to actively search for such target entrepreneurs.

Register joint-ventures as limited liability companies

Sole proprietorships and partnerships are not appropriate methods of organizing and registering joint-ventures, given the limitations they present in management and operations, as well as the high risks in protecting the financial interests of the parties involved. Limited liability y structure is most appropriate, since the liability of the shareholders is limited to the funds they invest in the business. Corporate assets can serve as collateral for loans, and since the business entity has an eternal lifespan, continuity of the business is better assured in case of the death of one or more of the owners.

Establish and maintain proper record-keeping procedures.

Record keeping is important both for existing and incoming partners in a joint-venture. This requires much commitment from the owners, and reflects good organization of the business, so encouraging incoming investors. Entrepreneurs should seek professional assistance in various areas including proper registration and submission of returns at the Register Generals Department, licensing at the appropriate agencies, as well as the government fiscal and revenue collecting agencies such as Internal Revenue Service, Value Added Tax, District/Municipal Administration.

Entrepreneurs should seek professional counseling.

Entrepreneurs need counseling to prepare them for forming joint-ventures. A critical area is the need for counseling entrepreneurs to segregate company's income and assets from persona income and assets, in order that the business will be able to grow as profits are re-invested.

Take steps necessary to building trust

Trust can be built with the establishment of good corporate governance, as proper organization structures are introduced and maintained in operating and managing the business.

6.5 Summary of Group Presentations

6.5.1 Group J: Mobilizing Resources for Implementation of the Action Plan

After identification of activities in the Action Plan, we need money to undertake those activities.

Sources of funds

Government: Ministry of Local Government, Ministry of Trade and Industries (MOTl), National Board of Small Scale Industries (NBSSI - implementing agency under MOT!), Ministry of Finance (MOF), Ministry tor Private Sector Development (MPSD), Export Development and Investment Fund (EDIF)

Development Partners: German Technical Service (GTZ), European Union (EU), United States Agency for International Development (USAID), Japan International Cooperation Agency (JlCA), African Project Development Facility (APDF), Danish International Development Agency (DANIDA), United Nations Development Programme (UNDP), Department for International Development (DFID), British Aid.

Private Sector: Association of Ghana Industries (AGI), Ghana National Chamber of Commerce and Industry (GNCCI), Ghana Association of Bankers (GAB)

Financial institutions: The Banks, for example National Investment Bank (N18), Agric Development Bank (ADB)

There should be financial contribution from the businesses that are benefiting from programme. Such cost-sharing ensures commitment from the beneficiaries.

Soliciting for partnerships (with other institutes interested)

APhF	African Project Development Facility
GNCC	Ghana National Chamber of
MPSD	Commerce Ministry for Private Sector
RG	Development Registrar General's
	Department

GACC NBSSI — Ghana American Chamber of Commerce
EMPRETEC - National Board for Small Scale Industries.
EMPRETEC Foundation Ghana

Institutional framework for implementation

PEF will coordinate the activities.
Secretariat to be created at PEF to oversee implementation of plan

6.5.2 Group 11: Creating awareness (promotion), Educating and Motivating Entrepreneurs for Joint- Venture Formation

Media publicity

- Identify target groups or segments within the business community
- Prepare and deliver various messages to the different segments or targets
- Urban areas publicity methods – TV, radio, workshops, seminars, drama, media interactions
- Rural areas- information vans, TV, radio and drama concerts/ drama, opinion leader, chiefs

Educating and motivating on the benefits of joint-venture

- Benefits of coming together to enjoy economies of scale– big size means less cost; also discounts for management services
- National Awards for joint-venture companies (as incentive or motivation)
- Tutoring in tertiary institutions- visit tertiary institutions to explain business formation
- Build case studies on success stories and Publicise them
- Perform risk assessment of joint-venture operations, to serve as caution to potential partners

Building trust and confidence

- Institutionalize strict corporate governance

6.5.3 Group 111: Training Entrepreneurs in J>roper Procedures for Starting and Managing Joint- Ventures

Identify target entrepreneurs

Resource	Funds, logistics
Responsibility	PEF, Business Development Service Providers (BDSP)/Consultants
Expected output	Target entrepreneurs identified by the end of the third month

.t

Create awareness, conduct needs assessment and select entrepreneurs.

Responsibility	BDSP/ Consultants,
Expected output	Awareness creation, needs assessment and selection process completed

Identify Resource Person

Resource	BDSP/ Consultants
Responsibility	BDSP/ Consultants – to offer training and assistance

Organize Training Programmes

Responsibility	Identify the entrepreneurs who need training Assess training needs of Entrepreneurs Sensitize then on the importance of the training
Resource	BDSP, GlMP, Consultants
Expected output	X number of joint-ventures established.

SECTION 7: ACTION PLAN FOR PRIVATE ENTERPIUSE FOUNDATION TO PROMOTE THE FORMATION OF LARGER BUSINESSES

7.0 The Need for an Action Plan

The majority of the businessmen interviewed expressed interest in joining their businesses with others in the same industry that offer similar or related products and services. They did, because they very well-articulated an awareness of the numerous benefits of partnering with others to form a larger business.

The economic gains as they indicated in their responses include larger capital base for the business, improved management through sharing ideas, wider experience from partners, greater range of skills, more effective administrative policies, and functioning board of directors. Also, there would be more business opportunities available, greater ability to set up more branches, enjoyment of economies of scale, higher production, revenues and profits, better and easy opportunities for obtaining loans from banks and greater benefits to the public in availability of more employment avenues and more tax revenues from businesses.

Although interviewees were aware of these potential gains, they could still not pool their resources together to form larger business units, to achieve these benefits. Some hindrances against formation of larger units are: management problems, low morale of workers, mischievous individualism, inadequate and inappropriate agreements and documentation, and the desire for independence by businessmen.

It appears to us that such people with the latent/potential desire to go into joint-business will not do so automatically. The concept must be promoted and supported with the necessary encouragement and professional and technical advice.

It is against this background that an Action Plan for forming larger businesses should be implemented across all sectors of the economy. Such a plan would cover mainly bringing businesses that are interested in forming joint-ventures together for merger discussions and then training or educating them in various areas: education on joint ventures, management, legal system, documentation of agreements, capital acquisition, proper starting procedures, and strategies for motivation.

7.1 Resources for Implementation of the Action Plan

7.1.1 Sources of Funds for Implementation

Participants of the workshop identified three main sources of funding for implementing the Action Plan. These sources are the Government, Development Partners and the Private Sector.

- Government - The various arms of government identified include the Ministry of Local Government and Rural Development, Ministry of Trade and Industry, and the National Board for Small Scale Industries.

- Development Partners – These include the Ministry for Private Sector Development (MPSD), Export Development and Investment Fund (EDIF), Ministry of Finance (MOF), German

Technical Cooperation (GTZ), European Union (EU), United State Agency for International Development (USAJD), Japan International Cooperation Agency (JICA)

- **Private Sector Partners** - These include Association Ghana Industries, Ghana National Chamber of Commerce and Industry and Ghana Association of Banks.

In addition to the above sources of funding, it was suggested that there should be cost sharing between implementers and beneficiaries of the plan, to ensure commitment of the beneficiaries. Beneficiary businesses should pay determined amounts as fees, being their contribution towards the cost of operations of the secretariat responsible for the Action Plan Implementation.

7.1.2 Partners for Implementation

The workshop suggested that PEF seeks other institutions as partners in implementing the Action
Plan. Some of the partner institutions suggested are:

- Ghana National Chamber of Commerce (GNCC)
- Ministry for Private Sector Development (MPSD)
- Registrar General Depat1ment (RGD)

7.1.3 Institutional Framework for Implementation

A Secretariat should set up at Private Enterprise Foundation to coordinate and oversee the implementation of the Action Plan. On the other hand, if PEF does not have space, a new structure should be built to facilitate the implementation of the plan.

7.1.4 Duration of Action Plan Implementation

It is expected that the implementation of the Action Plan would be done within the timeframe of oneto two years. The first year should be used for the awareness creation, education and training on a pilot basis. The second year should be used in setting up and training several batches of joint venture entrepreneurs.

7.2 Creating Awareness (Promotion) of Joint- venture Formation

In order to fully effect the programme of forming larger business units, and to take advantage of the numerous benefits outlined in this report, awareness must be created in the business community.

Entrepreneurs are to be informed about the opportunities available for them to team up with others. They are also to be informed about the institutions that can assist them in this endeavor -- Private Enterprise Foundation (PEF) and its associates in private sector development.

Basically, this awareness creation can take various forms, to either reach target businesses in the urban or rural areas.

7.2.1 Urban Areas Publicity Forms

The urban areas are more likely to have more literate people than the rural areas. The forms or modes of communication there will be different from that for the rural areas. In the urban areas, some of the publicity channels include:

- Television
- Radio/ FMs
- Workshops
- Seminars
- Round table discussions

7.2.2 Rural Areas Publicity Forms

Businesses in the rural areas are different, and so different publicity forms should be used in making them aware of the need to form larger business. In the rural areas, the voice media is more likely to work than the print media that is used in the urban areas. Entrepreneurs in the rural areas can best be reached through:

- Concerts
- Drama
- Opinion Leaders
- Chiefs
- Information Vans
- Television
- Radio

7.2.3 Joint-venture Website Creation

In addition to the secretariat setup to facilitate joint-venture formation at PEF, information on the Joint-venture Formation Programme should be included on the existing PEF website, so that interested companies and individuals can access it.

7.2.4 Language of Awareness Creation

As started earlier, English as a communication means can best suit the urban areas than in the rural areas. Thus, the best language for the target business groups in the urban areas would be mainly English.

On the other hand, since educational level is generally low in the rural areas, it is recommended that the local dialects of the various places and target groups should be used to achieve the highest impact.

J.2.5 Target of the Awareness Creation

The main target group tor awareness creation is the business community That is, businessmen of all sectors of the economy.

It is also important that the message of the awareness creation for individual entrepreneurs to form larger business should be targeted to different segments of the business community depending on their educational level, location, the nature of their business and their interests for future development.

Attention can also be directed to the tertiary institutions. As awareness is created here and interest is generated in the subject matter, joint-venture formation can be added to the curriculum of the tertiary institutions. Students would then acquire knowledge on the subject of joint-venture formation.

PEF and other stakeholders could visit tertiary institutions to lead discussions in seminars on business formation.

7.3 Motivation of Entrepreneurs to Team Up to Establish Large Businesses

After being made aware of joint-venture formation, entrepreneurs should be motivated to actually start teaming up.

The motivation can take various forms such as awards, building case studies of successful joint venture cases and providing certain discounts in service costs for joint-venture businesses.

National awards can be made specifically for joint-venture businesses, serving as incentives for entrepreneurs and motivating them to be involved in faithful joint-ventures.

Building case studies of successful joint-venture businesses and letting other businesses know about them will motivate others to follow suit by teaming up.

Other economic incentives can be provided as favorable business environment to motivate businessmen to form joint-ventures. Incentives can be provided in the form of lower interest rates for entrepreneurs willing to enter into joint-venture businesses. Businessmen with good potential for success in forming joint-ventures can be encouraged to team up, so as to take advantage of such incentives.

7.3.1 Needs Assessment of Potential Joint-Venture Partners

After creating awareness and identifying target entrepreneurs, we should proceed to conduct a needs assessment of the applicants.

This can be done using the business profiles of potential joint-venture businesses that have registered with the joint-venture secretariat at PEF.

The business profile of registered businesses should contain information that 1s necessary for assessment and proper linkage such as:

- Name of business
  Ownership status Year of
  establishment Products or
  services offered
  Nature of businesses expected to team up with

- Existing capital structure
- Expected contribution from the potential partner such as management expertise, financial management, new technology

7.3.2 Selection of Potential Joint-Venture Businesses

After the needs assessment of the various businesses, potential businesses of the same category should be selected for matching with other partners based on the information provided by the companies looking for partners.

It is important for the secretariat to verify all information provided by the potential businesses to ascertain proper setup of the potential joint-venture businesses.

The secretariat can advertise the selected companies with joint-venture potentail to the public, through the joint-venture Website created or other mass media.

7.4 Training potential joint-venture partners in success skills

From our study findings we identified lessons for success in joint-ventures which form the basis for education or training for potential partners. Training methodologies are considered in section 7.4.1 below. The next sections 7.5 to 7.7 cover education in general business and management training.

7.4.1 Education methods and means of communication.

The education of businessmen can either be formal or informal, and can be structured to meet the needs of those that are already in business and those that are considering a start.

Educational methods could include seminars, workshops, round table discussions and brochures.

English and the local dialects can be used, so that entrepreneurs can better understand issues

being
discussed and express themselves well.

7.5 Areas to cover in the education

7.5.1 Benefits of joint-ventures or larger business units

Those already involved in small businesses and those considering start-ups should be educated on the advantages of different owners putting their resources together to form larger ones. With this knowledge and appreciation of the potential benefits, entrepreneurs are more likely to consider and actually put their resources together in joint-ventures.

7.5.2 Doing away with misconceptions about ethnic, religious and social differences

Though many respondents did not mind joining resources in business with others from tribes different from theirs, some entrepreneurs indicated unwillingness to do so because of prior misconceptions and biases.

Entrepreneurs should be educated to be more open-minded about joining their resources in partnerships with others of different ethnic, religious and social backgrounds, and to consider that the benefits could far outweigh the perceived disadvantages.

7.5.3 Being trustworthy

The lack of trust, caused by the fear of being cheated, is a major hindrance to joint-venture formation.

Trust can be developed when parties who want to come together in partnerships are educated to be very faithful and transparent in their dealings with each other.

Entrepreneurs should also be educated to appreciate that trust can be strengthened when proper structures and procedures (institutionalize corporate governance) are put in place in the business operations.

7.5.4 How to start a joint-venture

7.5.41 Organization and management structure of the companies

Different companies that produce same or related products or services in locations near to each other can merge, with each responsible for an aspect of the production or service, enabling them to deliver larger volumes at lower costs.

In such cases it is advisable for the partners to engage an independent and neutral manager for the business, to minimize the fear of individual owners outsmarting each other.

7.5.42 Need for a functional board of directors

Most of the limited liability companies interviewed do not have a functioning board of directors, and so lack the benefits this brings in proper corporate governance. Joint-ventures, both existing and those to be formed, should be educated on the need for this as early as possible in the business.

7.5.43 Proper joint-venture an-arrangements and agreements

Improper arrangements and agreements on the structure, mode of operations and the manner of sharing profits or proceeds have also caused many joint-ventures to collapse. It is proper in the initial stages to lay down proper arrangements and agreements on company operations and profit-sharing.

As part of the promotional efforts, such businesses can be linked to the Institute of Directors to get seasoned directors who can provide advice.

7.5.44 Legal advice

A lawyer must be involved in the joint-venture procedures right from the beginning to ensure that the agreements are proper and legally binding.

7.5.45 Contributions to assets

Proper valuation of asset contributions (cash and non-cash) by each partner must be done when forming the joint-venture. This will minimize controversies in sharing the proceeds of the business.

7.5.5 Adhering to rules and agreements

Adhering to the laid down rules and agreements relating to all aspects of the business will ensure fairness and continual existence of the business. Entrepreneurs must be educated to appreciate the importance of continued adherence to the policies, regulations and procedures agreed-upon for the joint-venture.

7.6 Management Training

Training entrepreneurs in management skills will ensure smooth operations and continued success of the business. Some areas for training follow:

7.6.1 Record keeping

Proper record keeping is necessary for good planning, implementation, monitoring and evaluation of operations. Businessmen should be educated and trained to properly document their key activities (operations and financial).

7.6.2 Proper employment precedes

The quality of employees greatly impacts on the overall performance of the business. Entrepreneurs must be educated to adopt proper employment procedures that enable them employ and maintain the most qualified workers and managers, without consideration of their relations to the owners.

7.6.3 Good customer and employee relations

Businesses must be educated on the importance of maintaining good customer and employee relations, to ensure the continued existence of the company.

7.6.4 Discipline in spending

Owners-managers must be educated to separate their personal and family expenditures from that of the business. Discipline must be established by agreeing on regular salaries and any other owners' takings from the business.

7.6.5 Sources of Capital

Joint-ventures must be educated to retain much of their earnings or profits in the business for working capital or expansion, enabling them to grow from their own resources, rather than borrowing with high interest charges from lenders.

7.6.6 Succession Plans

Businessmen in joint-ventures must be educated to lay down proper succession plans, so that on retirement or death of one partner, the business can continue smoothly without difficulties and interruptions that would impact adversely on the other partners.

7.7 Training in Attitudinal Changes

7.7.1 Self-willed nature of amassing personal and family possessions

Businessmen should be educated and encouraged to desist from the individual self-minded attitude of amassing personal and family possessions, sometimes to the detriment of the overall well-being of the business.

7.7.2 Transparency

Maximum transparency must prevail in all joint-ventures. Entrepreneurs must be educated to know the necessity for the individual parties of the joint-venture not to hide important things in the business from each other. This will instill confidence and trust, which will help sustain the business.

7.7.3 Determination

Entrepreneurs must be educated about the need for determination. They should be focused and determined to make it in the business, no matter the circumstances. The venture is bound to go through certain difficulties, but persistence is needed to maintain it.

7.8 The Action plan and Implementation

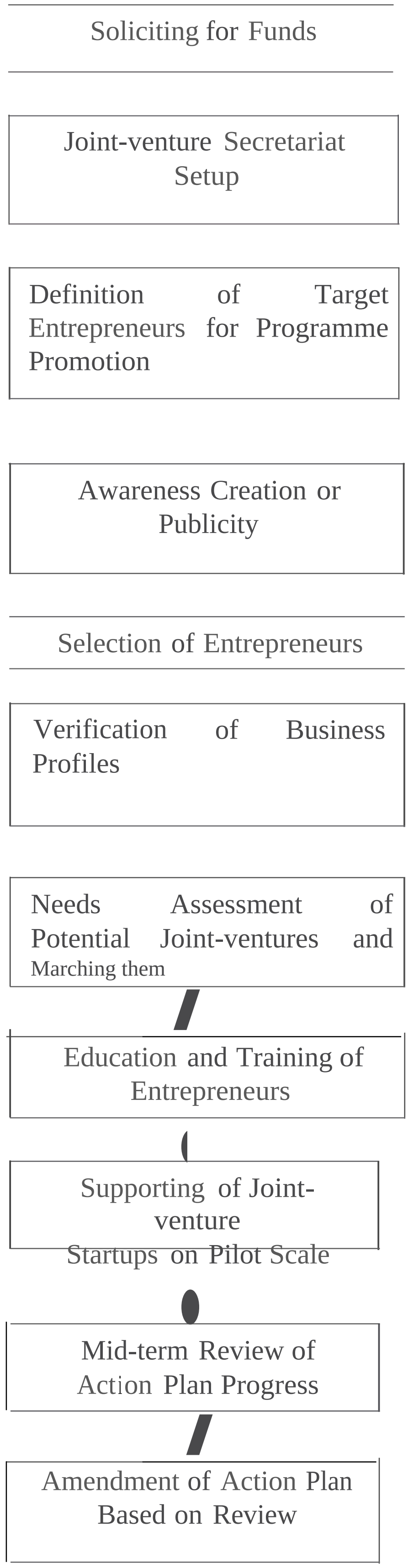
7.8.1 Flow Chart of Key Activities in the Action Plan.

Below is a flow chart of the key activities that are to make up the Action Plan.

The flow chart is a logical How of activities emanating from the recommendations of stakeholders that formed the three groups for discussion of the various components of the Draft Action Plan proposed by MEDCO in the Draft Report preceding the forum.

This flow chart forms the basis of the step-by-step Action Plan in the next section

Flow Chart of Key Activities in the Action Plan.



Flow Chart of Key Activities in the Action Plan (Continued)

Second Year Programme Implementation

Evaluation of Second Year and The Total Programme

Completion of Programme

7.8.2 The Action Plan

The Action Plan contains the various detailed steps to be followed in achieving the goal of forming larger businesses for a two-year period. The Plan is presented in Exhibits 7.8.2.1 and 7.8.2.2 that follow, representing activities in the first and second years respectively.

Each Exhibit is a table that has been broken down into several components for each main activity – Activity, Resources, Cost, Responsibility, Time-frame and Expected Output.

Notice that the key activities indicated in the Plan closely follow those indicated in the Flow chart in Section 7.8.1 above. The key activities or steps in the Action Plan include:

Soliciting for funds and partners
Joint-venture Secretariat Setup
Joint-venture publicity
Identification & Selection of Potential Joint-venture entrepreneurs Motivation,
education and training of potential joint-venture entrepreneurs Start of
Joint-venture Business
Review of Action Plan
Amendment of Action Plan based on review
Implementation of second year of programme
Review of second year and overall programme
Completion and close of the programme

This Action Plan assumes implementation of an intensive programme for 2 years, with total cost being ¢1,235.2 million. From Exhibits 7.8.2.1 and 7.8.2.2, this total amount is made up of costs in the first and second years estimated at ¢462.0 million and ¢773.2 million respectively.

We must emphasize that the Action Plan can be modified in the scale of implementation, with less intensive and more piecemeal approach adopted as needed. The costs for such modified programmes would be reduced accordingly.

7.8.2.1 Action Plan- First Year

Activity	Resources	Cost (¢)	Responsibility	Time-frame	Verifiable indicator/ expected output
Joint-venture Secretariat Setup Joint-venture Secretariat Office Setup within PEF (Ref to Section 7.8.2.3 A)	Funds	13m	Director of PEF/ Desk 'Officer	1 month	Fully furnished joint-venture secretariat within PEF
Employment of joint-venture secretariat staff – Desk Officer	Consultant/ PEF	5m	Director of PEF	1 month	Employed Desk Officer
Supplemental staff support to Joint-venture secretariat. (Ref to Section 7.8.2.3 B)	-	42.0	Director of PEF, Joint-venture secretariat staff	One year	-
Contributions to PEF towards operational cost of the secretariat for one year (Ref to Section 7.8.2.3 C)	-	38.4m	Director of PEF, Joint-venture secretariat staff	One year	-
Soliciting for funds and partners Soliciting for funds	Joint-venture programme vehicle, official letters	1m	Director of PEF/ Desk Officer	3 months	At least ¢1b raised of the end of period
Soliciting for partners	Joint-venture programme vehicle, official letters,	1m	Desk Officer, Director of PEF	1 month	Agreement signed with partners

Activity	Resources	Cost (¢)	Responsibility	Time-Frame	Verifiable indicator/ expected output
Joint-venture publicity -Preparing advertising material in English, -Translating into Akan and Ga	Translators, joint-venture secretariat	20m	Joint-venture Programme Coordinator	2 months	Advertising material prepared and translated
Joint-venture awareness creation i.e. publicity via various media	Joint-venture secretariat, Various publicity forms for both urban and rural areas used to create awareness	80m	Joint-venture Programme Secretariat / Desk Officer	2 months	Joint-venture awareness created
Adding Joint-venture information to PEF website	Joint-venture information	2m	IT Consultant/ Joint-venture Secretariat	1/2 month	Joint-venture information placed on PEF Website.
Preparation of cases for inclusion in training (success and failure)	Consultant	lOrn	PEF Director, Desk Officer	1 month	Case studies completed before the start of training
Identification & Selection of Potential Joint-venture entrepreneurs Registration of potential joint-venture entrepreneurs	Specially designed forms for registration	1m	Joint-venture secretariat	IS month	Identified joint-venture potential entrepreneurs registered
Verification of potential joint-venture business profile	Joint-venture staff, potential joint-venture entrepreneurs' business profile	Sm	Joint-venture staff	1month	At least one third of the entrepreneurs motivated should have registered as potential joint-venture business

Activity	Resources	Cost (¢)	Responsibility	Time-Frame	Verifiable indicator/ expected out
Needs assessment of potential joint-venture	Potential joint-venture entrepreneurs' business profile, secretariat facilities	5m	Joint-venture secretariat staff/ Consultant	1 month	Grouping of needs of entrepreneurs completed
Matching of potential joint-venture businesses	Business profiles, needs of assessment report	2m	Joint-venture secretariat staff, Consultant, Potential joint-venture entrepreneurs	½ month	About 20 Joint-venture businesses selected
Motivation, education and training of potential joint venture entrepreneurs Education of registered joint-venture entrepreneurs on benefits of joint-venture building trust, doing away with misconception about ethnic, social differences, etc.	Joint-venture formation report, Consultants	Part of 186.6m (Ref to Section 7.8.2.3 D)	PEF Director, Desk Officer	Part of ¾ month	Education and training of entrepreneurs completed
Management training	Consultant	Part of 186.6m (Ref to Section 7.8.2.3 D)	PEF Director, Desk Officer	Part of ¾ month	Participants abreast with all managerial issue of joint-ventures

Aactivity	Resources	Cost (¢)	Responsibility	Time-Frame	Verifiable indicator/ expected output
Start of joint-venture Business How to start a joint-venture • Legal issues • Financial issues • Management issues	Consultants	Part of 186.6m (Ref to Section 7.8.2.3 D)	PEF Director, Desk Officer	Part of% month	Participants should understand and be capable of implementing the training and advice given
Review of Action Plan Mid-term Review of Action Plan in two pilot areas	Consultants, funds, joint-venture secretariat	40m	PEF Director Desk Officer	1/2 month	Mid-term rev1ew of pilot study completed
Amendment of Action Plan based on review	Consultant, Desk Officer, Funds	lOrn	Consultant, Desk Officer	1/2 month	1vlid-term evaluation, with findings incorporated into Action Plan.

Sub-total cost **for First Year of Action Plan Implementation** **¢462.0m**

7.8.2.2 Action Plan - Second Year

Activity	Resources	Cost (¢)	Responsibility	Time-frame	Verifiable indicator/ expected output
Supplemental staff support to Joint-venture secretariat. (Ref to Section 7.8.2.3 B)	Secretariat staff -	42.0m		One year	-
Contributions to PEF towards operational cost of the secretariat for one year (Ref to Section 7.8.2.3 C)	-	38.4m	Director of PEF, Joint-venture secretariat staff	One year	-
Joint-venture publicity Joint-venture awareness creation i.e. publicity via various media	Joint-venture secretariat Various publicity forms for both urban and rural areas	80m	Joint-venture Programme Secretariat/ Desk Officer	1 month	At least 100 potential joint-venture entrepreneurs identified
Identification & Selection of Potential Joint-venture entrepreneurs Registration of potential joint-venture entrepreneurs	Specially designed forms for collecting data on businesses of entrepreneurs.	1m	Joint-venture secretariat	½ month	Identified joint-venture potential entrepreneurs registered
Verification of potential joint-venture business profile	Joint-venture staff, potential joint-venture entrepreneurs' business profile	5m	Joint-venture staff	1 month	At least 60 of the entrepreneurs motivated should have registered as potential joint-venture businesses

Activity	Resources	Cost (¢)	Responsibility	Time-Frame	Verifiable indicator/ expected output
Needs assessment of potential joint-venture	Potential joint-venture entrepreneur's business profile, secretariat facilities	5m	Joint-venture secretariat staff/ Consultant	1/2-month	Grouping of needs of entrepreneurs completed
Matching of potential joint-venture businesses	Business profiles, needs of assessment report	2m	Joint-venture secretariat staff, Consultant, Potential joint-venture entrepreneurs	1/2 month	About 30 Joint-venture businesses selected
Motivation, education and training of potential joint-venture entrepreneurs Education of registered joint-venture entrepreneurs on benefits of joint-venture building trust, doing away with misconception about ethnic, social differences, etc.	Joint-venture formation report, Consultants	Part of 186.6m (Ref to Section 7.8.23 D)	PEF Director, Desk Officer	Part of 314 month	Education and training of entrepreneurs completed
Management training	Consultant	Part of 186.6m (Ref to Section 7.8.23 D)	PEF Director, Desk Officer	Part of % month	Participants abreast with all managerial issue of joint-ventures

Activity	Resources	Cost (¢)	Responsibility	-Time-Frame	Verifiable indicator/ expected output
Start joint-venture Business How to start a joint-venture • Legal issues • Financial issues • management issues	Consultants	Part of 186.6m (Ref to Section 7.8.2.3 D)	PEF Director, Desk Officer	Part of ¾ month	Participants should understand and be capable of implementing the advice given
Evaluation of second year and the total programme	Consultant	40M	PEF Director, Desk Officer	2 months	Completion of second year and entire programme review
Completion of programme	-	-	-	-	-

Sub-total cost of Second Year of Action Plan Implementation, excluding training session - ¢213.4 m

The cost of training in the Second Year, which comprises three training sessions @ ¢186.6m per training session x 3 training sessions - ¢559.8m

Total cost of the second year is ¢213.4m + ¢559.8m - ¢773.2m

Total cost of Action Plan Implementation of First and Second Years is ¢462.0m + ¢773.2m - d235.2m

7.8.2.3 Cost of Joint-ventures Secretariat set up

The estimated costs of setting up the secretariat, operating the secretariat and staffing for the two-year programme has been given below.

A. Joint-venture Secretariat Office Setup

The estimated cost of Joint-venture Secretariat Setup within PEF for one office room is given below.

	(¢mil)
• Furnishing of office room for Desk Officer - Furniture and related materials (chairs, desk, files cabinets etc.)	3.0
• Computer and accessories – printer, UPS, scanner	10.0
Total	

B. Cost of Joint-venture Secretariat Staff

There will be one permanent staff for the secretariat with other supporting staff from PEF.

	(¢ mil)
• Joint-venture Desk Officer (¢2.5m per month x 12 month)	30.0
• Joint-venture Secretariat Supplemental Contribution to PEF for the use of their staff (¢0.5m per month x 12 month)	6.0
• Joint-venture Secretariat Supplemental Contribution to PEF for the use of Driver (O.5m per month x 12 month)	6.0
Total staff cost for 1 year	¢42.0m
The total cost for the two-year 1wogramme is ¢42.0m x 2 years	¢84.0m

C. Supplemental Contribution to PEF for Joint-venture Secretariat operation

Given that the Joint-venture Secretariat will be set up within PEF, we estimate some amounts as supplemental contribution to PEF for the two years of operations.

	(¢ mil)
Utilities (electricity and water)- (¢200,000 per month X 12 months)	2.4
Stationary and Office supplies – (¢500,000 per month X 12 months)	6.0
Telephone and fax – (¢500,000 per month X 12 months)	6.0
Vehicle operations (¢2m per month X 12 months)	24.0
Total for· 1 year	**¢38.4m**
Operational cost for two years- ¢38.4m x 2 years	**¢76.8m**

D. Cost of motivation, education and training of joint-venture entrepreneur

The cost of motivation, education and training by three professionals for each training session of 50 entrepreneurs is given below.

	(¢ mil)
• Fee of Consultants/Professionals for training (Legal, Financial, Management) - ¢ 1.5 mil. per day for 3 days/consultant X 3 consultants	13.5
• Preparation of training materials by Consultants/Professionals - ¢ 1.5 mils. per day for 3 days/consultant X 3 consultants	13.5
• Rental of venue for training (¢ lm per day for 9 days)	9.0

• Accommodation, meal and per-diem for professionals (¢1m for a day X 3 consultant's X 3 nights)	9.0
• Accommodation and meals for entrepreneurs (50 entrepreneurs' X ¢300,000 per entrepreneur X 9 nights)	135.0
• Transport (round trip for professionals) ¢ 200,000 x 3	0.6
• Transport (round trip for entrepreneurs) ¢I 00,000 x 50 trainees	5.0
• Training materials production- ¢ 20,000 per set x 50 trainees	1.0
Total cost for training session	¢186.6m
The total cost of training in the second year, which comprises three Training sessions is ¢186.6m per training session x 3 training sessions	¢559.8m

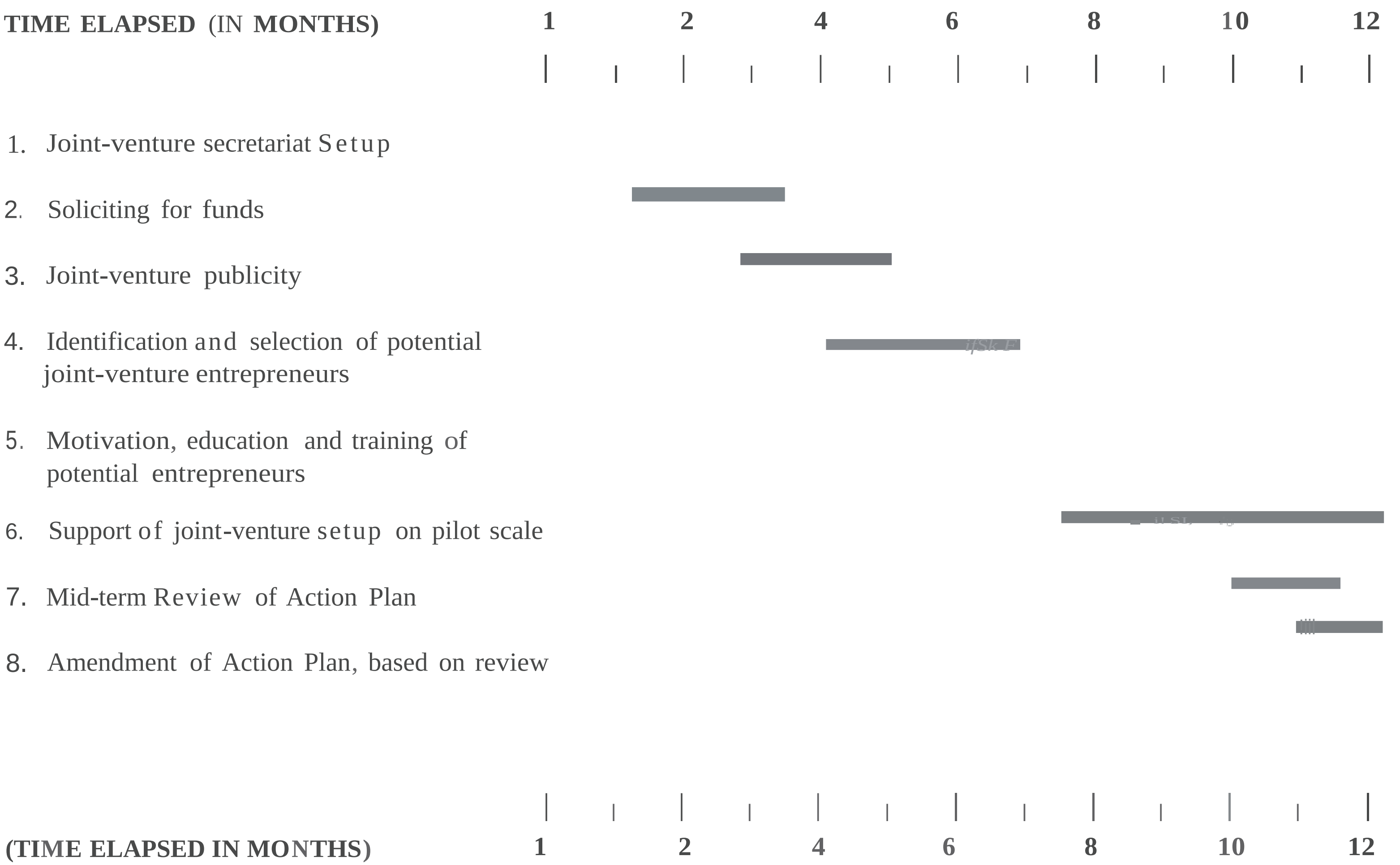
7.8.3 Work plan for Implementation of the Action Plan

Exhibits 7.8.3.1 and 7.8.3.2 that follow represent the Work plan for the First and Second Years of the Action Plan, respectively.

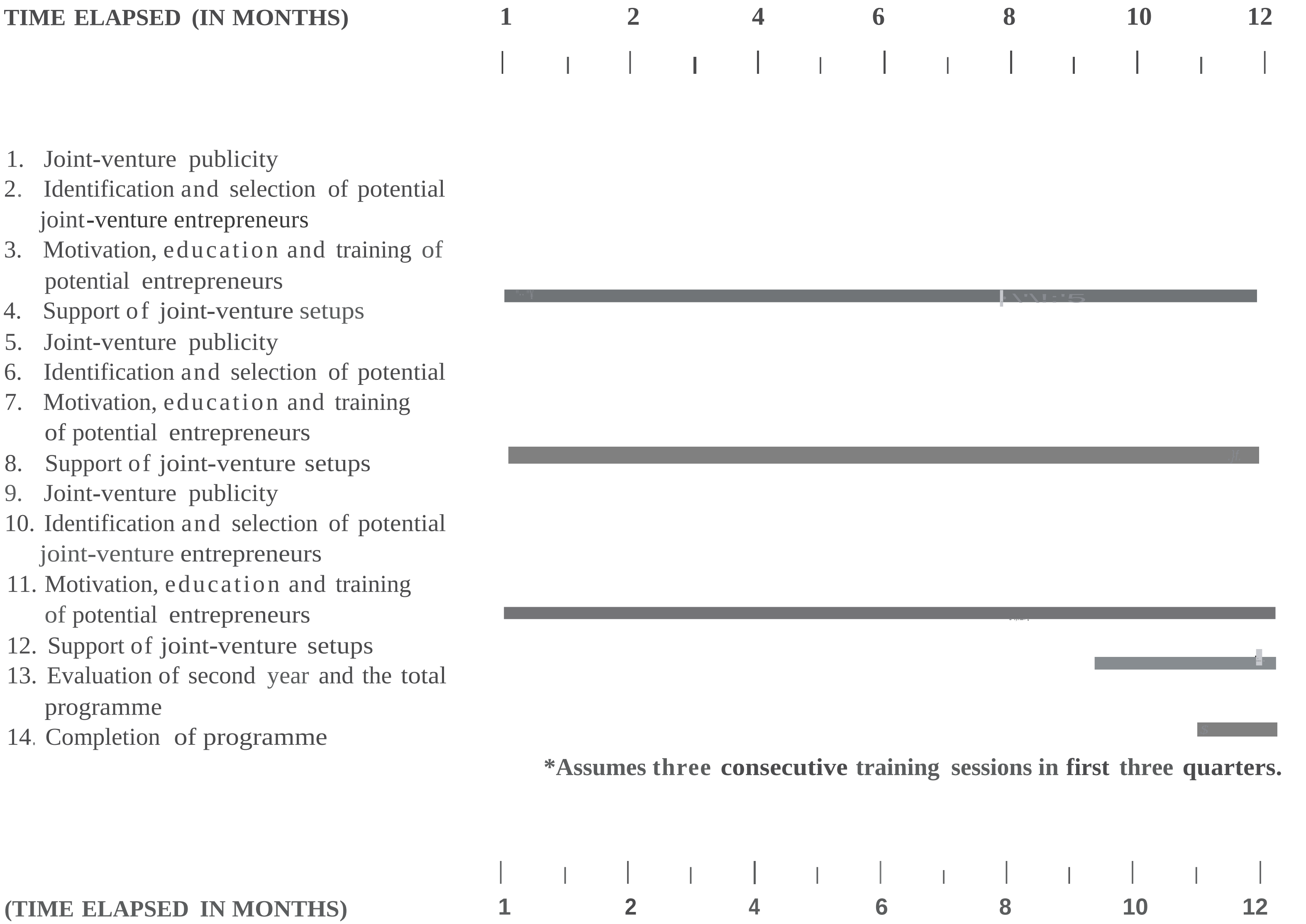
Activities in the First Year follow those indicated in both the Flow Chart (Section 7 . 8 . 1) and the Action Plan (Sections 7.8.2. l and 7. 8 2.2), with an indication of the timing of each activity during that year of the programme. In the first year the programme would be implemented on a pilot scale, with a secretariat based in the PEF offices in Accra. At the end of the first year a mid-term evaluation will be conducted, followed by amendment of the Plan, based on lessons learnt from the pilot phase. (Refer to Section 7.8.3.1)

In the Second Year, the Action Plan will be performed in three quarterly cycles, ending at the close of the third quarter (ref to Sections 7.8.3.2) and 7.8.34) The final quarter of the second year will be for evaluation of the second year's program, as well as the overall programme. In the second year PEF could consider setting up a secretariat in Kumasi, possibly at sister institutions such as AGI or NBSSI in Kumasi.

7.8.3.1 Work plan for the Implementation of the Action Plan for Joint-venture Formation Programme- First Year



7.8.3.2 Work plan for the Implementation of the Action Plan for Joint-venture Formation Programme- Second Year*



APPENDIX A

INTERVIEW GUIDE

PRIVATE ENTIRPRISE FOUNDATION
SURVEY GUIDE
STUDY ON FORIVIING LARGER BUSINESS UNITS IN GHANA
OCTOBER 2002

A. Introduction/ Background

The Private Enterprise Foundation (PEF) has been set up to be an advocate for private sector businesses and to provide support for their development. PEF wishes to encourage small business units to come together to form larger business units, and so take advantage of the benefits of such units with respect to funding, management and technology.

We therefore require some information from you and your organization to help develop a plan for implementation to achieve this goal. We would appreciate your kind contribution.

We would like to use a cassette recorder to document our interview. We wish to assure or confidentiality in the responses we get. The use of the recorder is only to speed up the recording process and to ensure that we do not miss important facts.

B. General Information

1. Full name of enterprise?
2. Location.
3. Contact address/telephone.
4. Contact person.
5. Owners of the business.
6. Type of ownership.
7. General manager of operations.
8. Date of establishment/start or operations.
9. How many employees do you have?

A. Operations and Management

7. What are the product(s) and /or service(s) your enterprise provide?

8. Who are your major customers?

12. Name 3-5 companies that produce the same, similar or related products as you do?

13. What is the skill or expertise level of you and your partner(s)?

14. How is the business managed? (i.e. the organizational structure)?

15. In your opinion, what is the standard of the technology you use, as compared to present clay technological advancement?

16. Does your business make profit, breakeven or make losses?

17. What is your annual income level?

18. What limits your company from performing as well as the leaders in your industry?

B. Capitalizations

19. Where did you (the owners) acquire your initial capital for the business?

20. If initial financing was not from sole proprietor/owner, who helped / collaborated with you initially?

21. Did you consider joining resources with other owners either in the beginning or later in the business? Give reasons why or why not

22. What is the present ownership structure?

23. In your opinion, what are the sources of funding for business in general (initial capital, working capital, expansion capital).

24. Have you benefited from any of such sources after setting up your business?

25. If no, what are the constraints in obtaining funding.

Joint- Venture Formation

26. In your opinion, why is there a prevalence of small businesses in Ghana'>

27. In your opinion, what are the benefits of larger businesses or joint ventures?

28. Have you tried to join your business with others in the same industry?

29. If Yes to the question above, how did it fair? What caused success or failure?

30. In your view, what are the cultural, social or economic factors relating to the ownership and operations of the businesses that hinder the formation of larger business units from smaller ones, or cause their collapse?

31. In line with the above question, what about gender, religion, class, political and tribal issues/ differences?

32. From your point of view, are there effective legal arrangements backing the formation and successful maintenance of larger business units as joint ventures from smaller ones?

33. In your opinion, what is the cause of the inability of businesses to form joint ventures, or what has caused the collapse of such joint ventures?

34. Are you willing to join with other business(es) in Ghana which produce the same or similar products as you do, in order to benefit from the advantages of larger businesses?

   - If Yes to the question above, why?

   - If No, what prevents you from joining with other business in the same industry?

35. In your view, what recommendations do you have for small businesses to pool resources together to form larger ones.

APPENDIX U

TABLE OF COMPANIES INTERVIE\VED

PRIVATE ENTERPRISE FOUNDATION SURVEY

COMPANY INFORMATION

Name of Company	Location	Contact Persons/No.	Products / Services	Number of Employees	Remarks
Osiadan Concrete Products Ltd	Kasoa Road Opposite Densu River	Nana Abrah Adjei Tel: 021-668421 Fax: 021-668638	Concrete products and roofing tiles	116	Limited Liability and Board of Directors
Gelina Packaging Company Ltd	Alajo, Opposite Gh. Police Training School	Mr. Kofi Asmah Tel: 021-229547	Poly-sacks	300	Large, Limited Liability but one man owned
Faaco Food Complex Ltd.	Alajo Opposite Gh. Police Training School	Madam Agnes Osei. Tel: 021-220355	Cold store; frozen fish, beef and chicken thighs	28	Limited Liability
Camelot Gh. Ltd	Osu Behind Regal Cinema.	Mrs. EJ Villars Tel: 021-774852/ 773120	Business forms for computer users, business forms as booklets, cheques, bank instruments and security, photocopying.	52	Started with few shareholders, now public with few more
X-Class Unisex Salon	Madina Near Social Welfare	Madam Charity Antwi Mobile: 024-640142	asta, artificial nails, pedicure and manicure.	4	Sole Proprietor
Prosper Furniture Works	Madina Near Social Welfare	Mr. Prosper Gidi, Tel: 021-514513/ 027- 7564367	Furniture for schools, hospitals, and offices.	1I	Sole Proprietor
K Boakye Furniture Works	Kwashieman-Motonvay.	Mr. Kofi Boakye Mobile: 020-81220670	Kitchen cabinets, room decorations and all kinds of furniture in the home and offices.	30	Sole Proprietor
Persol System Limited	32 Dadiban road Industrial area, SSB building.	Mr. Michael Quarshie Tel: 021-223877/234712	Softvvare for accounting, payroll and human resources management.	37	Limited Liability with 2 main owners, has a Board of Directors

PRIVATE ENTERPRISE FOUNDATION SURVEY

COMPANY INFORMATION

Name of Company	Location	Contact Persons/No.	Products / Services	Number of Employees	Remarks
Sam Woode Limited	Dansoman, Sahara near Mobil filling station	Mr. Sam Woode Tel: 020-8116707/ 012-305287/ 303162	Stationery, educational materials, books recorded on audio-cassettes, C. D. ROM's and video cassettes.	25-30	Started with few shareholders, now traded public
Hollywood Shopping Center	Madina-Zongo Junction	Esther Agyapong Tel: 021-502244	Salon, Filling Station, African Boutique, Boutique and Supermarket	45	Man and wife
Young Souls Int. Sch.	Ablekumah	Mr. David Braide Tel 024-388659	Nursery, Primary and J.S.S.	14	Man and wife
Nana Yaw Berima Ent.	Near motorway extension, Mallam Junction	Nana Yaw Berima	Glass cutting and distribution of goods	4	Man and wife
First Image Salon	Dansoman last stop	Madam Rita	Hairdressing, manicure and pedicure, wedding decorations and dressing of the bride	10	Man and wife
Nkulenu Industries Ltd.	Madina market	Mr. Steve Ocloo	Canning and bottling of Ghanaian foods and drinks	50	Has a Management Team
Garbro Limited	Tesano Behind Ghana Tourist Board. Off6t[11] Road	Mr. Eshun Tel 021-236500/234769 Mob: 020-8157138	Production and export of vegetables and pineapples	-	Limited Liability but run by man and wife. Has a board
Ken Blocks Enterprise	Haatso- on Atomic Road	Mr. Kenneth Otto-Ellis Tel 020-817-5063	Manufacturing of blocks; Supply of stones and sand.	5	Man and wife

PRIVATE ENTERPRISE FOUNDATION SURVEY

COMPANY INFORMATION

Name of Company	Location	Contact Persons/No.	Products I Services	Number of Employees	Remarks
Sydals Company Limited	Behind John Lawrence Limited	Mr. Quartey Tel: 021-773677 : Mob: 027-7554515	Livestock and poultry production	-	Limited Liability but it's a family business
John Lawrence Farms	Adabraka Opposite hotel President. Off Cathedral road	Mr. Opoku Acquah Tel: 021-221 713	Production and export of pineapples.	-	Joint-venture business and Limited Liability Company, three partners. Has a board.
Network Knit Wear Company Ltd	Tema near TOR	Mr. Sam Adabraka Tel: 022-216477 Mob: 020-2110169	Production of socks for export	-	Large and Limited Liability
Holy Trinity Hospital	North Kaneshie	Dr. Morrison Tel: 020-8114669/70	Health services. Clinic	-	Service company run by one person
Prikorlar Company Limited	Light Industrial area Community 9.	Mr. Seth Koranteng 022-306073	Aluminum utensils manufacture and sales	50	Has two major and two minor shareholders
Bless Mental Works	Achimota opp. Barclays Bank	Mr. Inkoom Tel: 024-669422	Popcorn machines, oven and warmer.	-	Sole Proprietorship
Dayako Enterprise	Abossey Okai	Tel: 021 – 669486/ 020-8112453	import and sales of used car spare-parts	12	Limited Liability but run by one man
Hallelujah Motors	Abossey Okai	Tel: 021 – 666110/ 027-683237	Import and sales of used car spare-parts	6	Limited Liability but run by one man
S. Ephraim Trading Agency	Abossey Okai	Sammy Ephram Tel: 021 -688648	import and sales of used car spare-parts	4	Limited Liability but run by man and wife

PRIVATE ENTERPRISE FOUNDATION SURVEY

COMPANY INFORMATION

Name of Company	Location	Contact Persons/No.	Products / Services	Number of Employees	Remarks
Ozzigy Supermarket	North Kaneshie	Mr. Clotey Tel: 021-233873	Provisions, food items, soap, beverages and alcoholic drinks	3	Sole Proprietorship
Delux Automobile Centre	Opposite Accra Academy	Mr. Ohene	Sales of locally used and imported used cars	8	Sole Proprietorship
Intercom Security Systems of Ghana Ltd.	H/No. C81/16 Dideibaa street, Abelenkpe	Mr. Ernest Mensah Box 2047 Kaneshie Accra. Tel: 021-762314 024-605217 Fax: 761973	Security services and body-Guarding	1000	International Security Service Company
Pentecost Press Ltd.	Odorkor Winneba road opposite KPOGAS	Pastor Dekpor	Printing of books, calendars, souvenirs, various literature	35	Limited Liability Company owned by Pentecost Church
Maries Ltd	Odorkor Busia junction	Mr. Osei Tel: 021-662210	Assembling PCs; fixing security doors.	25	Limited Liability but run by one man
Equal Vision Ltd.	Adabraka Accra	Mr. Bafi	Printing and supplying of stationary	[illegible]	Sole Proprietorship
Imperial Driving College	Achimota near Neoplan Gh. Ltd.	Mr. Agyei Bequin Tel: 072-557104	Teach individuals how to drive and conduct interviews for companies		Sole Proprietorship
Edikanfo Ltd.	Neoplan Station Ahensan - Kumasi	Kwabena Edikanfo Arno Aidoo. Tel: 051-3013 11 26028 024-715416 Fax: 051-2007	Packaging of chemicals, manufacturing of medicinal herbs and delivery services.	11	Limited Liability Company and two Shareholders

PRIVATE ENTERPRISE FOUNDATION SURVEY

COMPANY INFORMATION

Name of Company	Location	Contact Persons/No.	Products / Services	Number of Employees	Remarks
Super Jewelry Ltd	Opposite Prempeh Assembly Hall. Kumasi	Mark A Gyimah Box 1761 Tel: 25092	Silver ornaments like earrings, bracelets chains and rings	10	Limited Liability Company and three owners
Kaddai Engineering Enterprise	House No. 0189 near Ashanti New-town Court	Mr. Kwame Appiah Box 2268 Kumasi Tel: 051-20495	Oil press, palm fruit pounder, Palm fruit boiling tank	4	Sole Proprietorship
Nnuro Kente Ltd.	Kyerepatre opposite Fire Service	Owusu Christian Box 3868 Kumasi Tel: 051-29612/32337 Fax: 051-21137	Tie Yarns	124	Sole Proprietorship and managed by family
Wiredu Trancil Ltd.	House No. 59/ 60 Tarkwa Maakro Kumasi	Madam Comfort Wiredu Box 27774 Tel: 051-24540	Sew school & industrial uniforms, traditional clothes, bed sheets, children and ladies wear etc.	32	Limited Liability Company and five owners
Golden Web Company Ltd	GIHOC compound, Ahensan, Kumasi	Thomas W. Bellow Box 8520 Kumasi Tel: 051-30523	Crude vegetable oil esp. palm and kennel oil for Lever Brother	8	Limited Liability Company but owned by one man
Lakayana Company Ltd.	Kumasi Airport roundabout	Mr. Opoku Agyemang Prempeh Tel: 051-34417/ 020-2013045	Civil and building engineering construction	16	Limited Liability Company but family owned
C Korsah Family Company Ltd.	Kentakrono opposite shell filling station	Charles Korsah Box UP 1076 UST, Kumasi Tel: 020-2110243	Plywood products and services	60	Sole Proprietorship but family owned
AOFAC Enterprise	Adum near AGI Office	Andrews Oppong Anane Box 5296, Kumasi Tel: 024-232540	Shoe-shining; repairing and expanding of shoes etc.	11	Sole Proprietorship

COMPANY INFORMATION

Name of Company	Location	Contact Persons/No.	Products / Services	Number of Employees	Remarks
Kyere Furniture Co. Ltd	Off Airport roundabout Manhyia road	Kofi Kyere John Box 8939, Kumasi Tel: 051-22459/28654	Furniture for the home, offices and school.	28	Limited Liability Company owned by three people
Pangroove Enterprise	Opposite Catholic Church	Peter Kwame Box SE 392 New-Suame Tel: 051-21290	Blocks manufacturing	20	Limited Liability Company
Starwin Products Ltd.	Off graphic road behind Ghamot Limited	Mr. Ananse Tel: 021-221788	Manufacturing of medical drugs and general pharmaceuticals.	74	Limited Liability Company with two partners
DE Georgia Ent.	Between Tesano and Achimota.	George Dwumor Tell Fax: 021-244241	Selling of used cars.	14	Limited Liability Company owned by one person
Regimanuel Gray Ltd	Opposite La Palm Beach Hotel.	Mr. Quartey Tel: 764682-4/775727	Real estate developers	180	Limited Liability Company with two pa11ners
Astek Ghana Ltd	Accra-Winneba road near Mallam Market	Dr. Owusu Tel: 024-250321	Fruit juices and natural mineral water.	-	Limited Liability Company, family business run by one man
Mechanical Lloyd	Opposite SIC	Mr. Annan Tel: 021-229312	Dealer in BMW cars, Ford and Land Rover	100	Limited Liability Company owned by the family and registered on the Ghana Stock Exchange
Ernest Chemist Ltd.	Circle near the overhead	Ernest Bediako Sampong Tel: 021-662021	Manufacturing and importation of drugs		Limited Liability but run by man and wife
Sikelele Health Care Company Ltd.	Shiashie opposite Emmanuel eye clinic	Joseph Awusah	Dealers in ICI deluxe paints and health care products		Limited Liability has management board

APPENDIX C

LIST OF EXPERTS INTERVIEWED

Name	Position	Organization
Mr. Akoto	Executive Secretary	Association of Small Scale Industries
Mr. Sal Amegavie	Chief Executive	Ghana National Chamber Of Commerce and Industries
Mr. Ohene Obeng	Chief State Attorney	Office of the Registrar General

APPENDIXD: PROGRAMME FOR THE FORUM

P-R-O-G-R-A-M-M-E

8:30a.m.	Arrival and Registration	
9:00a.m.	Welcome & Opening Address: **Dr. Osei Boeh-Ocansey, Director-General- (PEF)**	
9:15a.m.	Statement by APDF	
9:30a.m.	Presentation of Findings: **Mr. Chris. Mensah, CEO-**	
10:00 a.m.	**(MEDCO) COFFEE BI EAK**	
10:20 a.m.	Success Stories:	**Sam Woode Limited** **Prikodar Company Limited**
10:30 a.m.	Bitter Experience & Challenges:	**Valentine Amedo**
10:40 a.m.	Discussion of Findings	
11:30 a.m.	Professional Guidance:	**Legal** **Management** **Financial**
11:50 a.m.	The Way Forward:	Syndicate Groups
12:50 p.m.	**LUNCII**	
2:00p.m.	Plenary Session	
2:10p.m.	Workshop Presentation:	Group I
2:20p.m.		Group **Ii**
2:30p.m.		Group Ill
2:50p.m.	Wrap up	
3:00p.m.	**CLOSING**	

APPENDIX E:
LIST OF PARTICICJ'ANTS AT THE FORUM STAKEHOLDERS WOlU(SIJOP:

LIST OF PARTICIPANTS AT THE FORUM

Name	Organization	Telephone Number	E-mail
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Moses Agyemang	PEF	021-505604	-
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Jemima Oware	Registrar General's Dept.	021- 66427	-
Henry Ardayfio	MEDCO	024-276024	-
Jacob Yakanu	MEDCO	024-680134	-
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Esther Agbodo Nyamalor	Women Entrepreneurs Guarantee Fund Ltd	022-206783/ 020-816-0601	wegtl2001@yahoo.com

APPENDIX F:

MEDCO'S PRESENTATION ON STUDY FINDINGS

PRIVATEENTERPMSEFOUNDATION
GHANA

"Study on Forming Larger Business Units in Ghana"

27th February 2003

Management & Economic Dev. Consultants Ltd

Introduction

- PEF wishes to encourage small business units to come together to form larger business units, and so take advantage of the benefits of such units with respect to funding, management expertise and technology.

- The Ghanaian business scene is dominated by a large number of small "one-man" businesses that make quite a substantial contribution to the national economy. However, such small businesses are highly constrained by limited **access to funding. management expertise and efficient** technology.

Introduction (continuation)

- Though the benefits of forming large business units with respect to funding, management expertise and technology are generally acknowledged, the local businesses still remain small and are unwilling to pool resources together to form larger business units.

- PEF engaged Management and Economic Development Consultants Limited (MEDCO) to conduct a study and to develop an Action Plan for PEF to implement in **encouraging partnerships.**

Objectives of the Study

Determine why there is a prevalence of small local **businesses.**

- Find out why existing small businesses are unwilling to pool their resources together in partnerships

Identify successful and unsuccessful cases of partnerships

- **Determine causes or reasons behind success or failure**
- Identify lessons from a study of these cases, as a basis for developing an action plan/programme for PEF to implement

Objectives of the Study (continuation)

- Organise a forum of business operators to present the Draft Report of Study Findings and Draft Action Plan, facilitate discussions and solicit recommendations and comments to be incorporated in the Study Final report and Action Plan.

- Prepare and submit the Study Final Report and Action Plan for PEF to implement step-by-step in encouraging small businesses to form partnerships in larger businesses.

Methodology

- Survey method and instruments
  Individual Depth Interviews (IDI)using Interview Guide (Questionnaire)
- Survey design
- Interviewed companies in Accra and Kumasi
- Companies were selected from membership lists of business associations (AGI, GNCCI, NBSSI, FAGE etc.,) In addition, we randomly interviewed some small and medium enterprises that were not in any of the formal membership associations.
  Interviewed manufacturing, trading, service organizations, importers, exporters etc.

Methodology (continuation)

Sample Size, Structure and Composition
A total effective sample size of 50
35 in Accra and 15 in Kumasi

Size of Companies

According to the National Board for Small-Scale Industries (NBSSI), businesses are classified as micro-enterprises when they employ between 1 and 5 workers, small-scale when they employ from 6 to 29 workers, medium scale enterprises employ between 30 and 99 workers and large-scale enterprises when they employ 100 **or more workers.**

Methodology (continuation)

• Based on NBSSI classification of company sizes, the various companies interviewed (that offered to give the number of employees) fall within the following categories:

> Micro-enterprises (mi): 7
> Small s cale enterprises (ss): 17
> Medium s cale enterprises (ms): 10
> Large-scale enterprises (ls): 6

Methodology (continuation)

Ownership p Structure

- The companies interviewed can be classified into two ownership classifications as follows:

> Sole Proprietorships: 19 (38%)
> Limited Liabi lity: 31(62%)

Methodology (continuation)

Products! Services offered

Food and agriculture
)> Production (vegetables, fruits)
)> Exports (vegetables, fruits)
> Palm oil production
)> Livestock and poultry production
> Meat and fish products (cold stores)
> Canning of food

Textiles and garments
> Textiles and leather products
> Tie and dye, yams

Methodology (continuation)

- Furniture manufacturing and sales

Printing, computer manufacturing and supplies
)> Business forms (cheques, bank instruments)
> Computer software products
> Stationery

- Building and construction
)> Concrete products and roofmg tiles
> Real estate developing

Methodology (continuation)

- General Manufacturing
> Glass products
> Aluminum utensils manufacture and sales
> Manufacturing of drugs and general pharmaceuticals
> Poly sacks

- Retailing
> Boutique (clothes, shoes etc.)
> Sale of provisions
> Import and sales of used car spare-parts

Methodology (continuation)

- **Services**
> Beauty saloon
> School
> Security services
> Health services-clinic

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Methodology (continuation)

- Analysis and reporting of interview data

- Transcripts of interviews were re-arranged and grouped together to indicate common trends

- Draft Report preparation, submission and revision based on comments from PEF Key fmdings cover the following areas:

Causes of the prevalence of small businesses in Ghana
Benefits of larger business units
Willingness to form joint-ventures
Successful joint-venture cases
Lessons from successful joint-ventures
Reasons for failure in joint-ventures

Summary of the causes of the prevalence of small businesses

1. **Economic causes**

- Lack of formal employment
  - Individuals employ themselves by starting small businesses with the little capital they have
- Limited conditions for growth or expansion
  - -Many small enterprises continue to remain small
- High interest rate
  - – Bank interest rates are high, so entrepreneurs use own funds or that from relatives and friends which are limited,

Summary of the causes of the prevalence of small businesses (continuation)

2. **Lack of capital**
   - Entrepreneurs are constrained by the non-availability of the requisite capital

3. **The desire for independence:**

Self-centered motive, with no interference
To be bosses of their own businesses, with no partners
To do away with the burden of being under somebody else,

- Employees believe that they have a better fmancial well being as owners of small business than in continued employment

Entrepreneurs want to enjoy the total profit alone, without sharing it with other owners

Summary of the causes of the prevalence of small businesses (continuation)

4. **Social causes**

- Lack of trust of potential partners
- Bitter experiences and the fear of being cheated
- Many small sole proprietors wish to be able to freely spend their profits frequently in a display of affluence, and do not want to team up with others because of limitations this brings,
- The desire to keeping family inheritance from external encroachment
- The difficulty in teaming up with somebody of a different ethnic or tribal background.
- Religious and social class differences often hinder teammgup.

Summary of the causes of the prevalence of small businesses (continuation)

Low education, illiteracy and lack of information about the benefits and e way to form partnerships keep many small businesses from collaboratmg
- Sharing ideas

5. **Lack of manage**

Lack of skills to manage large businesses
No strategies to effectively market production or service supply
Improper location that adversely affects marketing and profitability

6. **Superstition**

The fear that the other partner(s) will kill him/her supernaturally and take over the ownership of the business alone

Summary of the benefits of larger business units

1. **Management**

ment skills - This leads to improved management decisions and **actions**

- Expertise (experiences)
  - -Wider experiences and a greater range of skills of **partners improves management.**
- Effective management structure
  - Properly assigned management roles for partners

Summary of the benefits of larger business units

1. Management (continued)

- Continuity in management responsibility
- Shared responsibility results in sustenance of management control even in the absence of one partner
- Better control over money leakages
- Ability to send employees for training
- Ability to attract quality manpower
- Better succession mechanism

Summary of the benefits of larger business units (continuation)

2. Functioning board of directors

- Large business units benefit from a functioning board of directors, who provide advice to management and

Initial capital
Working capital
Capital for expansion

Summary of the benefits of larger business units (continuation)

4. Greater ability to obtain loans from the banks

- Banks perceive larger businesses as more established and less likely to default on their loans

5. Higher production, revenues and profits

- Able to produce in larger quantities
- Able to achieve higher revenues and profit

6. More business opportunities

Taking up other business opportunities
Opening of new branches
Large customer base

Summary of the benefits of larger business units (continuation)

7. Economies of scale

- Reduction in raw material costs
- Reduction in transportation costs
- Ability to purchase modem and efficient machines
- High capacity utilization
- Reduction in advertising costs

8. Greater benefit to the public

- More employment opportunities
- More revenue to government from tax collections etc.

Willingness to form joint ventures

1. Summary of responses on willingness to form joint ventures.

- The survey requested that the businesses interviewed express their willingness to form a joint-venture with others in the same, similar or related industry so as to obtain the benefits enumerated above.
- The total number of companies interviewed is 50.
- Thirty (30) companies (60%) showed a positive disposition towards joint-venture i.e. a willingness to team up with others to form larger businesses rather than remaining small.
- On the other hand twenty (20) companies (40 %) showed a negative disposition towards joint-venture.

Willingness to form joint-ventures (continuation)

2. Experiences and reasons for companies that showed a willingness (positive disposition) towards the forrriation of joint-venture businesses with others.

- 9 companies indicated that though they have not done so, they were willing to try.

- Some respondents indicated that they have not found a suitable partner yet.

- Others felt they needed to be a bit more established before partnering, but they are now ready to consider a partner who will bring in additional capital.

Willingness to form joint-ventures (continuation)

- Some also said that they have not found someone who fancies partnership in their type of business (spare parts sales).

- Some are also looking for partners with different business experiences, which will enhance the development of the joint-venture.

Willingness to form joint-ventures (continuation)

• 9 companies tried, but the partnership just failed for **various reasons.**

- Reasons given were that it simply did not work well because the other partner was not committed to put in **maximum performance.**

- Others indicated misunderstanding between partners, particularly in sharing profit.

- Again, some argued that they were unable to raise their part of the capital for the joint-vent ure, leading to the collapse of the business.

Willingness to form joint-ventures (continuation)

- One company found a few business people willing to partner, but the money they are bringing in would create confusion between the existing owners.

- In another case those coming in with investment funds were working elsewhere and cannot contribute any skills and services to the company, but are only interested in the profit they will gain.

Willingness to form joint-ventures (continuation)

• 2 businesses had failure, but are willing to try again.

Some respondents indicated that though their partnership failed, they are willing to try again, since the diverse experiences from the partners could enhance overall development of a joint-venture.

Willingness to form joint-ventures (continuation)

• 4 were only willing to consider foreign partners.

Some respondents have experienced cheating and court cases by their Ghanaian partners, but they believe them association with foreigners will be better, since they have a better understanding of the operations of joint-venture.

- Other respondents indicated difficulties in joint-ventures with foreigners, given the requirement of a very high capital investment from foreigners by the government.

Willingness to form joint-ventures (continuation)

• 4 have done it, and the partnership is still continuing reasonably well.

- A joint-venture business that is operating quite well has considered bringing in more partners, but this creates confusion among the existing partners, since bringing in new partners who will only invest capital to earn dividends (share in the profit) and not be involved in operations or management is not acceptable to them.

Willingness to form joint-ventures (continuation)

3. Experiences and reason ns for companies that showed a negative disposition towards the formation of joint-venture businesses with others.

- 4 are not willing.

Some are unwilling to form joint-ventures because they don't have suitable businesses in related sectors to team up with.

- Another respondent is unwilling to partner because he believes that the fmancial dealings in a joint-venture usually arouses misunderstanding between businesses or individuals.

Willingness to form joint-ventures (continuation)

14 just said that they have not attempted to join their business with others for various reasons.

- Reasons given include the belief that they can go it alone, and that money creates misunderstanding between two partners. In addition, there are not many similar businesses to partner with.

Other reasons given include a lack of education about joint ventureship.

Also, the possibilities and fear of encountering problems such as quarrels with partners.

Willingness to form joint-ventures (continuation)

- Also, the misconception that the small profit made has to be shared with other partners, leaving a relatively smaller amount to each one.

4. 4 interviewees did not answer

General lessons as to why some joint-venture businesses succeed and others fail

1. There is the need to seek legal advice before entering into business and also during the business.

2. Adhering to the rules or agreements relating to all aspects of the business will ensure fairness and continual existence of the business.

3. There is the need to have a functioning board of directors.

4. There is the need for transparency with partners.

General lessons as to why some joint-venture businesses succeed and others fail (continuation)

5. There is the need to keep the fmancial activities of the owners and their families separate from that of the business, to ensure proper mamtenance of fmancial control in management and reporting to owners. Owners should regularly pay themselves an agreed amount as salary or directors fee, and not dip their hands into the company's coffers any time they choose.

6. Record-keeping is very important to be able to know the performance of the business at any given time, and form the basis for determining the future of the business, given the demand for its products or services and the economic and social environment.

7. When additional capital is needed, floating shares is potentially less expensive and more sustainable than borrowmg.

General lessons as to why some joint-venture businesses succeed and others fail (continuation)

8. Re-investing part of the business profit is a better source of funds for expansion or working capital, than borrowing from the banks at high interest rate.

9. Partners should exercise discipline by re-investing as much profit as possible, rather than taking drawings or dividends for extravagant personal spending.

10. Businessmen shou ld be focused, committed and determined to make it in the business.

11. Businessmen must be able to take calculated risk.

12. Businessmen should undergo regular training in management.

General lessons as to why some joint-venture businesses succeed and others fail (continuation)

13. Proper employment procedures should be followed, based on merit rather than family and sociall grounds.

14. Staff must undergo regular training to keep up with changes in business and technology.

15. Proper customer and employee relations should be maintained.

16. Upgrading of technology with time is necessary.

Reasons for Failure in Joint-Ventures

- Improper and inadequate arrangements and agreements at the beginning of the Joint-venture.
- Lack of capital.
- Lack of management skills.
- Mistrust and cheating on the part of partners.
- Mixing family affairs with business.
- Complacency and contentment with little.
- High interest rate on loans from bank, resulting in high cost of debt service.

Draft Action Plan for bringing small businesses together to form larger Units

I. The Need for an Action Plan

The majority of the businessmen interviewed expressed interest in joining their businesses with others in the same industry that offer siroilar or related products and services. They did, because they very well-articulated an awareness of the numerous benefits of partnering with others to form a larger business.

Draft Action Plan for bringing small businessetogethr to form larger units {contmuat10n)

The economic gains as they indicated in their responses include larger capital base for the business, improved management through sharing ideas, wider experience from partners, greater range of skills, more effective administrative policies, and functioning board of directors.

- Also, there would be more business opportunities available, greater ability to set up more branches, enjoyment of economies of scale, higher production, higher revenues and profits, better and easy opportunities for obtaining loans from banks and greater benefits to the public in availability of more employment avenues and **more tax revenues from businesses**.

Draft Action Plan for bringing small businessetogethr to form larger units {contmuat10n)

Although interviewees were aware of these potential gains, they could still not pool their resources together to form larger bu.•iness units, to achieve these benefits. Some hindrances against formation of larger business units are: management problems, low morale of workers, mischievous individualism, inadequate and inappropriate agreements and documentation, and the desire for independence by businessmen.

- It appears to us that such people with the latent/potentiall desire to go into joint-business will not do so automatically. The concept must be promoted and supported with the necessary encouragement and professional and technical **advice.**

Draft Action Plan for bringing small businessetogethr to form larger units {contmuat10n)

It is against this background that an Action Plan for forming larger businesses should be implemented across all sectors of the economy. Such a plan would cover mainly bringing businesses that are interested in forming joint-ventures together for merger discussions and then training or educating them in various areas: education on joint ventures, management, legal system, documentation of agreements, capital acquisition, proper starting procedures, and strategies for motivation.

Subject areas for Group Discussions in Formulating Action Plan

Group I

Mobilizing Resources for Implementation of Action Plan

- Where to get money
- Soliciting for partnerships (e.g. donor agencies)
- Plan for implementation

Subject areas for Group Discussions in Formulating Action Plan (continuation)

Group II

Creating awareness (promotion), educating and motivating entrepreneurs for joint-venture formation

- Media publicity
- Educating and motivating on the benefits of joint-venture formation
- Building trust and confidence
- Fostering attitudinal changes in partners

Subject areas for Group Discussions in Formulating Action Plan(continuation)

Group III

Training entrepreneurs in proper procedures for starting and managing joint-ventures.

- How to start a joint-venture business
  General management training
- The importance of proper succession plans.

Action Plan

ACTIVITY	RESOURCES	COST			
[illegible]	[illegible]	[illegible]	Directors/ Managing Director	July-December 2000	Occupy by 2001 By December 2001
Pool Car	Company funds	$ 12,000		2001	M

Action Plan

Action Plan

ACTIVITY	RESOURCES	COST	RESPONSIBILITY	TIME FRAME	VERIFIABLE INDICATOR/EXPECTED OUTPUT

APPENDIX G

REFERENCE MATERIALS

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