ASSESSMENT OF GROWTH CHALLENGES AMONG SMALL AND MEDIUM-SIZED CONSTRUCTION FIRMS IN GHANA

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Abstract
The purpose of this paper is to present findings on the challenges that small and medium-sized firms in the Ghanaian construction industry encounter in relation to growth in their operations. The study made use of in-depth literature review on the growth of small and medium-sized firms. This was secondly supported by the use of semi-structured interviews that were conducted among construction professionals. This exploratory study used a relatively small number of professionals as interviewees since it is an ongoing Ph.D. study and was embarked on a pilot study with the expectation that a large targeted population size will be considered at the later stage of the studies. This assessment will enable construction SME's to have an in-depth understanding regarding realistic growth challenges with possible mitigation control measures. The results demonstrated that though both internal and external factors of firm's growth pose a problem, it is the external challenges such as access to funds, influence from foreign markets and institutional regulations that act as strenuous challenges. Additionally, the respondent expressed that lack of ideas, new products and insufficient knowledge were also captured as growth challenges for SMEs. The study demonstrates that small and medium-sized construction firms do encounter growth challenges, and these are attributed to both internal and external forces of the companies operations.

Keywords: Assessment, Growth, Challenges, SMEs, Construction

1 Introduction

The contemporary global competitiveness of firms operating both within and outside an industry have compelled these firms to adopt strategies to grow in order to meet their goals. This growth cannot ensue without a thorough assessment of the significant barriers that impede growth. Therefore, appraisal of growth challenges within small and medium-size firms is crucial. This paper examines the challenges encountered by small and medium-sized construction firms in Ghana. A number of literature on SME's have emphasized on their successes factors particularly with the study done by Yasuda (2005) and Yang and Huang (2005) which captured major determinants of firm's growth. However, before the growth success limit of a company would be attained and sustained, it is fundamental to envisage and explore the challenges of growth and as such put in place mitigation and control measures. The growth of SME's must not also be underestimated due to the significant roles that SME's play in the socio-economic development of the nation. As a result, of their roles they play, the importance of small and medium-sized firms is widely recognized in both developed and developing economy (Agyakwa-Baah 2010). Mahemba (2011) stressed that largely in most economies small and medium-size firms have historically played a vital role in the creation of jobs, stimulating innovations and thus contributing growth (Storey 1994). This study, therefore, seeks to highlight the realistic growth challenges within the construction industry in Ghana and further provide possible mitigation control measures for the SME's thereby contributing to knowledge.

2 Growth among SME's

Growth ensues in order for firms to achieve their core objectives and strategic intent including increasing sales, maximising profits or increasing market share. Firms grow in two distinct ways namely internal expansion (organic) and through integration (inorganic). Growing organically, a company needs to retain sufficient profits to enable it to purchase new assets, including new technology. Over time, the total value of a firm's assets will rise, which provides collateral to allow it to borrow to fund further expansion. The second route to achieving growth is to integrate with other firms. Firms combine through mergers, where there is a mutual agreement, or through acquisitions, where one firm purchases shares in another corporation, with or without agreement. There are several types of integration, including vertical integration and horizontal. Vertical integration occurs when firms merge at different stages of production. There are two other types of vertical integration namely backwards and forwards. Horizontal integration, on the other hand, occurs when firms merge at the same stage of production Horizontal integration is also referred to as *lateral integration*. Beck *et al.* (2006): Triki *et al.* (2011) suggest that one of the key drivers of sustainable growth in developing countries is firm growth and productivity. As a result, comprehending firm's growth has now become a great concern for researchers and policy makers. Various definition of firm size has been advanced without reaching a consensus on a uniformly acceptable definition. However, the definition commonly adopted in Ghana in the context of the study is summarized in Table 1.

Table 1. Summary of definitions of SMEs commonly adopted in Ghana

Item	Source of definition SME	Definition
1	Ghana Statistical Service (GSS)	Firms with less than ten employees are considered small, and those with more than ten employees are medium or large.
2	National Board for Small Scale Industries (NBSSI) (1996)	Micro enterprises are defined as enterprises employing 1-5 workers with fixed assets (excluding reality) of value not exceeding $10,000 and Small Scale Enterprises as those that operate 6-29 persons or have fixed assets (excluding reality) of value $100,000.
3	Bank of Ghana under the Funds for Small and Medium Enterprises Development (FUSED) (Boch-Ocansey, 1996)	Defined micro and small enterprises as businesses with assets of million cedis and 25 million cedis in constant 1988 prices (US $20,000 and US $100,000 equivalent) respectively.
4	Ayeetey et al. (1994)	Defined micro businesses as companies employing 1-9 persons; small as those employing 10-29 persons; and medium as those which employ 30-40 persons.
5	Mensah (2004)	Defined micro businesses as businesses employing up to 5 persons with fixed assets (excluding reality) not exceeding $10,000 in value; Small businesses as those which use 6-29 with fixed assets (excluding reality) up to $100,000 in value; and Medium businesses as those, which employ 30-99 persons with, fixed assets of up to $1 million in value.
6	Eyiah and Cook (2003), Eyiah (2004)	Defined construction SMEs as contractors registered in financial classes 2, 3, and 4.

(Source: Adapted from Kheni, 2008)

Therefore identifying the channel that promotes small and medium-sized company's growth in Ghana will provide the basis to influence policy direction to create the environment and required initiatives to help other informal sectors. Further, this will help to create the right platform for financing SME's firms to grow given the right Government and institutional support. The Government of Ghana through the Senchi report (2014) stressed the need for the state to encourage and promote indigenous entrepreneurship as well as providing further steps to support small and medium scale enterprises. There is dearth accessible data on SME's in Ghana, but the working available statistics from the Registrar General's Department recommend that 92 percent of companies registered are micro, small and medium enterprise. In Ghana SME's are now exposed to greater opportunities than ever for expansion and diversification of the sectors. While developed global markets may be shrinking on account of the financial and economic crises prevailing, Ghana's market size is growing, and opportunities within Africa are also beginning to look attractive for SMEs.

3 Challenges to SME's Growth

Louis and Macamo (2011) maintained that there are significant barriers to SME's growth in most market economies except the most flexible and deregulated economies. Small and Medium-sized firms, as captured in literature, is the engine of growth of most economies and are expected to drive these economies to enhance growth thereby minimizing significant barriers. As a result, there is the need to give attention to the set of the barriers which hinder the growth of potential fast growth firms that have the greatest capacity to provide employment and bring in novelty in technologies. Although, growth to a considerable extent is a matter of willingness and skill, the fundamental facilitators and barriers in the environment cannot be disregarded (Davidsson *et al.*, 2005). Davidsson (1989) cited in Zhou and Wit (2009) affirmed that there are generally some determinates that facilitate firm's growth as well as other factors too that hinder potential growth, such factors that hinder are the growth barriers. These barriers may be classified as either internal or external. According to Amarijit and Nahum (2012), the literature on growth barriers to firm shown that there are different barriers to small business growth in various countries of the world. This may be because of the different economic situations, rules and regulations, political system, market competition, and legal system of different countries.

3.1 Financial Barriers

Zhou and Wit (2009) indicated that the common barriers encountered by SME's include institutional barriers, barriers emanating firm's internal operations and financial barriers. Studies by (Becchetti and Trovato, 2010; Pissarides, 1998; Riding and Haines, 1998) have established the main obstacle to the growth of SME's like the financial barriers which includes credit constraints, lack of external debt, and equity capital. Evidence shows that banks and other financial institutes are conservative to make loans and credit facility available to SME's. This is because the majority of these SMEs do not have collateral, and also, they are new entrants in the business with limited capital. Bartlett and Bukvic (2001) stressed that the financial barriers to SME's growth include high collateral, high bank charges and fees, lack of outside equity and venture capital and the high cost of credit. Levey *et al.* (1999) cited in Abor and Quartey (2010) supported that there is limited access to financial resources available to SME's compared to large organization and consequences for their growth and development. Financial assistance is, therefore, paramount for the development of small and medium-size firms (Cook and Nixton 2000). Green *et al.* (2002) affirmed that lack of funds is considered the fundamental reason why the business is failing to start or to progress. Therefore, finance is a binder that holds together all various aspects involved in the SME business start-up and development. Other inhibitors include inefficient functioning of financial markets, inadequate security and enforcement of property rights, poor provision of infrastructure, ineffective regulation and taxation, and broader governance features such as corruption (Ayyagari *et al*., 2008). SME's face difficulties in gaining access to the market because of inexperience, lack of managerial marketing ability and lack of access to capacity that contributes to growth.

3.2 Institutional Barriers

According to Bartlett and Bukvic (2001), the institutional framework within which SME's operate and interact with customers and government can act as a barrier and influence the firm's economic performance and growth. What SME's often face in their growth is the institutional constraints. Complex regulation and laws pose as huge barriers to the growth of SME's particularly to new entrants firms and expansion of existing SME's. Bartlett and Bukvic (2001) stressed that institutional constraints may be in terms of the unsuitable tax system, strenuous legal policies and other discriminate rules that grow towards SME's tends to hinder their growth. Smorfitt (2008) cited in Louis and Macamo (2011) asserted that a weak legislation that does not support the growth and development of SME's and it may also hinder their growth strategy. Further, the huge start-up cost for firms including licensing and registration requirements may also impose burdens on SME's (Abor and Quartey 2010). Davidsson & Henreksson (2002) cited in Zhou and Wit (2009) established that consistent results from both empirical and theoretical data show that individual institution internationally discriminates against the growth of SME's which in turn act as a barrier. Economies of nations where political activities have polarized SME's operations. As a result, any political instability will cause a major constraint having an adverse impact on the productivity of manufacturing sector featuring poor business environment. Gyimah-Brempong (2004) observed that high level of the risk factor is attached to the presence of weak institutions that leads to political instability with a considerable negative impact on overall economic growth thereby providing an additional stronger adverse effect on the performance of individual firms. Institutional barriers for SME firms may also be in the form of stringent procurement laws regarding award of contracts, the supply of materials and payment issues on works done by firms' issues.o

3.3 Social Barriers

According to Bartlett and Bukvic (2010), economic sociology has stressed on how vital the connection between entrepreneurs and social capital, trust and networking, is for facilitating the growth of SME's sector. This is because without a certain level of trust between businesses partners; there will be the absence of reliance on individuals or firms that may prevent the transaction being carried out. Bartlett and Buckvic (2010) further pointed that without trust among business partners, transaction cost will be exposed and with the possibility of the opportunistic, taking advantage. Also, the reliance or personal connections replace the unsigned market operation as a fundamental for doing business thereby increasing corruption among others in the process. SME's may overcome such barriers by having an institutional, regulatory support network service. The ideal services in the form of advice, provision of information and training may aid in controlling such barriers (Bartlett and Bukvic, 2010). Although there is dearth of literature on this category of growth barrier within the firm, however, this social barriers may emanate when SME firms or any of its partners is engaged in social vices such as theft or pilfering of items, corruption drug trafficking will tend to reduce the prestige of the firm thereby affecting its entire growth in the long run.

3.4 Barriers Internal to the Firm

Internal walls that are classified organizational barriers also hinder SME's growth. These include skills and knowledge, managerial capacity, mission statement and vision of company among others. Further, SME's owners need to be aware of the business life-cycle and be able to determine the stage their business has gotten to and the need to expand. However, if owners are unable to identify this stage, their business will stagnate without any growth or expansion. The internal barrier may also arise from the entrepreneur's reluctance to let go of control to the professional manager (Storey, 1994) as cited in Louis and Macamo (2011). The lack of managerial know-how places significant constraints on SME's development. Further, the dearth of management talent and skills prevalent in most countries has a magnified impact on SME's (Abor and Quartey 2010). Kaynula and Quartey (2000) assert that despite the numerous institutions providing training and advisory services, there is still the skills gap in the SME sector as a whole. This is because of the associated massive charge that comes with these training services and as such owners of these SME's do not recognize the need to upgrade the skills of their employees (Abor and Quartey, 2000). Similarly, Aryeetey *et al.* (1994) emphasised that small and medium size firms challenge in terms of technology in gaining access to appropriate technologies. Capacity limitations of the company, shortage in resources (human and capital) and its management may constitute barriers internal to the firm (Bartlett and Bukvic, 2001). Shakantu *et al.* (2007), Uriyo, *et al.* (2004) and Kapulula (2008) cited in Tsheliso (2012) on the other hand categorised the barriers to the development of SME's growth as: (i) Environment regulations, (ii) Inadequate infrastructure, (iii) business regulations, (iv) Tax and labour laws, (v) Skills shortage, (vi) Corruption, (vii) Political interference and (vii) choice of technology.

4 Research Methodology

In order to achieve the purpose of this study, an integration of in-depth literature review supported by semi-structured interviews was adopted. The research design commenced with the structured interview with prior arrangement with the interviewees via both telephone and e-mails. A relatively small number of construction professionals were engaged as a pilot study since this study is an ongoing Ph.D. study which is expected to consider a larger population size at the later stage of the study. Nine professionals in all were interviewed via purposive sampling with each interviewee having eight minutes duration and was recorded and transcribed. The interview was guided by a schedule and was one-on-one in nature due to the constraint involved in assembling together all the targeted population. Among the population interviewed were Project Managers, Construction Managers, and Quantity Surveyors and General Managers in charge of small and medium-sized construction firms. Interviewees also had enough time to enquire further about the study and also expressed their candid views through their answers. Descriptive analysis was adopted using the main and sub-themes from the interview schedule. Further, the ongoing Ph.D. study intends to use a mixed method, however, to enable the interviewer to elaborate further the questions to interviewees; the study made use of the qualitative strategy specifically the use of interviews.

5 Findings and Discussions

These exploratory findings are consistent with the literature regarding the fundamental features of employee relations. The way in which organisations maintain employee relations is often informal nature. All companies could articulate the principal theme, possess objectives and techniques for the management of employee relations within their organisations (Dainty *et al.*, 2002).

The initial interview that engaged three project managers ensued at the project office during their lunch break. Two of the Project Managers coincidentally had six years of experience with the one having years experience working with small and medium-size firms. All the Project Managers unanimously agreed and remarked that small and medium-size firms encounter challenges especially in the sourcing of fund from financial institutions. Further, the respondent indicated that the prerequisite and requirement needed by such financial institutions are so difficult to be fulfilled and as such it renders the job creation and perhaps envisages novelty that will emanate from the project to be facilitated by such funds nullified. The Project Managers (PM) stated that growth is also hindered internally as a result of poor human relation among project teams which hampers targets and goals are thereby hindering entire growth within the firm. The respondents further noted that these poor human relations among project team ensue when there is prejudice by management as well as the lack of harmony within the organization. The second session of the interview engaged Construction Managers (CM) and Quantity Surveyors (QS). The Construction Managers on the front-line of the project execution phase affirmed that though assessing capital pose a challenge for Small and Medium-size firms, its impact is really only felt by new entrant firms into the business. Quantity Surveyors, on the other hand, remarked that assessing of financial capital by SME's is a critical challenge for both new entrant and existing firms. Both Construction Managers and Quantity Surveyors indicated that stringent legal policy and legislation impose an additional challenge for small and medium-size firms to growth thereby creating flexibility for large companies to expand. The respondents further stated that unbearable taxation system among drives most SME's into liquidation. The CM and QS added that there are internal attributes within SME firms that pose challenges to growth and as such those characteristics are unique to each firm.

The final session of the interview engaged General Managers of Small and medium-size firms. This session of the interview brought to light general administrative challenges that avert growth such as the lack of requisite skills need to embark on a particular task, lack of experience and knowledge, lack of dynamic management structure in place to drive growth rather than focusing on profits after project and finally lack of periodic employee development training programmes. The General Managers also remarked that majority of SME's are owned by either a family or run by individuals. As a result, there is no proper structure of control. This is because the owners mostly interfere with the decision taken once that is not in their interest as such this hinders growth. Further, the respondent added that assessing of credit facility from the banks for their operations has always been a challenge.

6 Conclusions

The purpose of this paper is to examine the challenges encountered by small and medium-sized construction firms in Ghana. In order to achieve this purpose semi-structured interviews were conducted among construction professionals on various sites, and this was supported by a desk-top study on the theme. Evidence from the data gathered on the populations shown that small and medium-size firms do encounter challenges to growth were as a result of both internal and external factors. The study further revealed that internal challenges to the growth of SME's included lack of good management procedures such establishing good human relations policy among teams to stimulate goals and targets to be met to enhance the growth of firms. Also, lack of available managerial skills among SME's posed as a challenge as well as owners of SME's inability sponsor for training programmes to upgrade their staff due to the associated huge charges involved in such programmes.This study further identified another significant challenge as the assessing to financial credit loans and bonds from banks and other financial institutions facing construction SME's in Ghana. This is because most of the requirements demanded by the bank and other financial institution were not so easy to be met by the firms. Also, because the majority of these SME's were new entrants into the business, they do not have any collateral in order to help them assess any credit facility. In addition, this study also concludes that the stringent institutional, legal policy imposes additional challenges to small and medium-size firms' on growth. This includes high taxation system, the huge start-up cost for firms including licensing and registration requirements that also hinder the growth of construction SME's in Ghana.

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