ASHESI UNIVERSITY COLLEGE

SCALING-UP FROM START-UP TO BIG BUSINESS: A CASE STUDY OF ZOOMLION GHANA LIMITED AND DABEN CLEANSING SERVICES LIMITED.

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By

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DECLARATION

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature:……………………………………………………………………

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Date:…………………………..

I hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis projects laid down by Ashesi University College.

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ABSTRACT

Small businesses form about 92% of businesses in Ghana. There is a lack of understanding as to why most firms stay stagnated in business several years after inception. This paper presents the results of a case study conducted on two waste management companies in Ghana; Daben Cleansing Services Limited and Zoomlion Ghana Limited.

The purpose of the case study was to identify and analyse the major challenges that prevent most start-ups in Ghana from scaling-up to large businesses. The research also proposes ideas that can facilitate the up-scaling of small businesses to large businesses and finally makes some policy recommendations.

The result of the research indicated that the reason why some businesses are unable to scale-up could be attributed to the fact that decisions are often personalised by the owners instead of involving experts to take decisions and run the business in a manner that will be in the best interest of the business. Also, most businesses focus too much on the external challenges and fail to identify the internal challenges that could be worked on to improve the business.

Lessons from the case study are that owners of businesses should learn to commit the management of the business to experts, see challenges as opportunities to improve the company, make use of partnerships, must be innovative and invest in research and development. Better implementation of policies by authorities must also be ensured.

Keywords: Small businesses, scaling-up, large businesses, waste management, challenges.

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1 INTRODUCTION

1.1 Background

Ghana is in an entrepreneurial age; in which most of its youth, especially the youth graduating from the country's bourgeoning university system, are being motivated to start businesses. It is believed that this has the potential to serve as a panacea to the ever worrisome subject of graduate unemployment in Ghana. (Owusu-Ansah & Poku, 2012).

This is an interesting development since small businesses already in the economy are not doing badly and have contributed significantly to the economic development of the nation. "The development of SMEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty eradication" (Cook and Nixon, 2000 as cited by Abor and Quartey, 2010).

Small and Medium Enterprises (SMEs) form about 92% of businesses in Ghana (Abor & Quartey, 2010). About 85% of the nation's manufacturing employment are from SMEs and contribute about 70% to Ghana's GDP (Abor & Quartey, 2010).

It is believed that the dominance of SME's in developing countries, in this case Ghana, implies that they have a very vital role to play in stimulating growth, generating employment and helping to alleviate poverty. (Abor & Quartey, 2010)

Given the scenario described above the pertinent question that naturally arises is whether SMEs are really the answer to the development needs of Ghana or is scaling up to big businesses a better option?

Countries such as South Korea, one of the Asian Tigers by being supportive of large businesses in the private sector has been able to grow its economy (Hermes, 1997).

Large businesses apart from being more productive also enjoy economies of scale[1]. "Economies of scale give big companies access to a larger market by allowing them to operate with greater geographical reach" (Investopedia, 2013). More reasons for rising from small business to big business are discussed later in this paper.

In this perspective, useful lessons can be learnt from the Asian Tigers (which include, Honk Kong, Singapore, South Korea and Taiwan) who half a century ago were also developing countries with economies dominated by small-scale businesses.

Through exports and rapid industrialization, these Asian Tigers have joined the ranks of the world's richest nations and constantly sustained high levels of growth in their economy since the 1960s (Investopedia, 2013).

Certain characteristics that have facilitated economic well-being among the four Asian Tigers include focus on exports, an educated

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[1] Economies of scale can be defined as "the increase in efficiency of production as the number of goods being produced increases" (Investopedia, 2013). Firms that enjoy economies of scale have their average cost per unit reduced with increased production since fixed costs are distributed over the increase in quantity of goods.

populace and high savings rate (Investopedia, 2012). The presence of all these characteristics is also necessary to facilitate the up-scaling of small businesses.

Economists believe that the main growth drivers of the Asian Tigers are exports. A country like South Korea believes that the support of its large conglomerates is very crucial to their growth (driven by exports) due to their substantial contribution to production in the private sector which results in an increase in their exports (Hermes, 1997).

"The South Korean private sector was very much organised on the basis of conglomerate structures. A limited number of very large conglomerates were actively involved in various economic activities, thus controlling an important part of the total production of the private sector" (Hermes, 1997).

"The government actively stimulated the development of these large conglomerates. The idea was that this would lead to an optimal use of economies of scale and external effects due to the strong mutual dependence between industries. In this way, the conglomerates would internalise existing coordination problems" (Hermes, 1997).

The focus here is therefore not necessarily on industrialization, but on the need to encourage up-scaling of small businesses to large business due to the cost-reducing benefits of producing on a large scale, which is a characteristic of industrialization and profitable exports just as this enabled the Asian tigers, like South Korea to join in the ranks of the world's richest economies.

Apart from enjoying economies of scale such as lower costs, ability to sell to large markets and specialization, large production volumes generated by large-scale businesses enhance a nation's economic indicators such as the Gross Domestic Product (GDP)[2] and Gross National Product (GNP)[3]. When high production volumes are exported net exports increase which leads to a greater GDP.

"Large firms tend to export more. Also, businesses that export are found to be more productive and profitable than non-exporting firms" (Rubini, et al., 2012). This helps explain that with encouragement of large businesses, a country is likely to boost its economic indicators such as its GDP and GNP due to large production volumes and exports.

1.2 Definition of Start-ups and Small Businesses

A start-up can be defined simply as a company that is in the first stage of its operations (Investopedia, 2012). Business Dictionary (2012) defines a start – up as an enterprise in the early stage of its life-cycle "where the entrepreneur moves from the idea stage to securing financing, laying down the basis structure of the business, and initiating operations or trading."

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[2] "A measure of the total output of goods and services in terms of income earned within a country's boundaries" (Nafziger, 2006).
"It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory" (Investopedia, 2013).
GDP = C + G + I + NX
where:
"**C**" is equal to all private consumption, or consumer spending, in a nation's economy
"**G**" is the sum of government spending
"**I**" is the sum of all the country's businesses spending on capital
"**NX**" is the nation's total net exports (i.e. NX = Exports - Imports)
Source: (Investopedia, 2013)
[3] "An economic statistic that includes GDP, plus any income earned by residents from overseas investments, minus income earned within the domestic economy by overseas residents" (Investopedia, 2013).

It is important to establish what is meant by small businesses in the context of this dissertation as the definitions and sometimes terminologies vary across industries, countries, and among authors.

The definitions are formed on various bases such as capital assets, skill of labor, legal status, method of production and turnover level. There is also the economic definition of small businesses by the Bolton Committee (1971) (Kayanula & Quartey, 2000).

In Ghana, small businesses are often referred to as Small and Medium-scale Enterprises (SMEs) and are defined by the number of employees in the business and sometimes by the number of fixed assets owned by the company.

The Ghana Statistical Service (GSS) describes an SME as one that has up to 9 employees whereas the National Board for Small Scale Industries (NBSSI) in Ghana defines an SME as one with not more than 9 workers and fixed asset not exceeding 1,000 Ghana cedis.

Thus, a small business in Ghana can simply be defined as a business with not more than 9 employees and fixed asset not exceeding 1000 Ghana cedis (equivalent to 10million old Ghana cedis[4] and US$508.8152; using the 2013 dollar exchange rate[5]).

Small businesses in developing countries such as Ghana fall under two main categories. These include the rural and urban enterprises. Urban enterprises have sub-categories which consist of 'organized' and

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[4] 1 GHS (new) = 10,000 GHC (old)
[5] 1 USD = 1.96535 GHS (Bank of Ghana, 2013)

'unorganized' enterprises. Organized enterprises are those businesses which have registered offices and paid workers, whereas unorganized enterprises employ few and sometimes no salaried workers (Kayanula and Quartey, 2000 as cited by Abor and Quartey, 2010).

The workers in unorganized urban enterprises are mainly artisans who work in open structures and temporary wooden structures or at home and these workers are usually family members or apprentices (Kayanula and Quartey, 2000 as cited by Abor and Quartey, 2010).

Rural enterprises on the other hand, are essentially made up of family groups and individual artisan with the women often engaging in food production from local crops (Abor & Quartey, 2010).

Major activities engaged in the small businesses sector in Ghana range from food processing, soap making, textile, clothing, bricks and cement, mining, and agro processing to chemical-based products and mechanics.

Small businesses are also mostly owned by females who run these businesses as a sole-proprietorship and often face a lot of challenges with finance because they are not able to raise enough capital to serve as collateral to qualify for loans. This problem is very common among small businesses in developing countries.

This paper conducted a case study on two companies, one large business and one small business that wishes to scale-up, but has failed to due to challenges. The information acquired through the interviews held in

both companies were analysed to identify similar/varying challenges that they both face, what the two separate companies do differently and how it has affected their different levels of success. Useful lessons were afterwards drawn and recommendations made for young entrepreneurs, business owners and policy makers.

Zoomlion Ghana Limited and Daben Cleansing Services Limited were the companies selected for this research; both of which are waste management companies operating in the formal sector in Ghana.

The definitions of small businesses may vary across industries as has already been mentioned earlier in this paper. For instance, the definition of a small business given by the Ghana Statistical Service (GSS) and the National Board for Small Scale Industries (NBSSI) of Ghana is a business with not more than 9 employees and fixed asset not exceeding 1000 Ghana cedis (equivalent to 10million old Ghana cedis[6] and US$508.8152; using 2013 dollar exchange rate[7]).

This definition does not really suit the waste management industry which is the industry within which the 2 companies being used as a case study for this paper operate. With the need of equipment such as trucks, the asset base required to operate in the formal sector of this industry is more than a thousand Ghana cedis.

Hence, since there is no available definition for small businesses pertaining to this industry, the Bolton Committee (1971) economic

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[6] 1 GHS (new) = 10,000 GHC (old)
[7] 1 USD = 1.96535 GHS (Bank of Ghana, 2013)

definition of a small business is used to overcome this definition problem and also to suit the context of this paper.

According to the Bolton Committee (1971) economic definition, a business is considered as small based on the following criteria:

(i) It has a comparatively small share of their market place;

(ii) It is managed by owners or its part owners in a personalised way, and not necessarily through the medium of a formal management structure;

(iii) It is self-governing, i.e., it does not form part of a large business.

Zoomlion Ghana Limited has been in operation for barely 6 years as compared to Daben Cleansing Services Limited which has been in operation for about 20 years.

Zoomlion apart from being able to employ as many as about 85,000 workers and operating nation-wide also extends its services beyond the borders of Ghana. It operates in three out of eleven sub-metros in the Accra Metropolitan Assembly. Other countries in which it operates include Togo, Angola and Guinea and it still has plans of extending its services further to other countries such as Nigeria, Sierra Leone and Liberia. It is assisted by competent heads and management team and nine-member board of directors (Zoomlion Ghana Limited, 2012).

Daben on the other hand operates in only one out of eleven sub-metros of the Accra Metropolitan Assembly (AMA) after several years of inception (Dorgbetor, 2010). It has not been able to extend its services to other areas due to its small size and capacity. Even though it has a quite

formalised management structure, it is independent, i.e., it does not form part of a large business.

Given that these two companies are Ghanaian owned businesses operating within the same sector and under the similar economic conditions within the same country, the case study conducted on both companies rendered a good basis for a comparative analysis to be done to identify what both businesses have done differently to outmanoeuvre the challenges they face in their operations.

At the end of the study useful lessons are drawn from the successful company, i.e., Zoomlion Ghana Limited; with regards to what it is doing right and what has enabled it scale-up to its current level.

1.3 Problem Statement

There is still a lot of misunderstanding about why start-ups in Ghana remain as small businesses several years after inception. Apart from the usual capital, logistic and managerial challenges that plague most entrepreneurs, it seems strange that scaling up is such a headache for Ghanaian businesses although it seems a desirable objective.

There are several advantages in scaling-up, some of which may be peculiar to Ghana and some of which are more general in scope. This may be a compelling reason why scaling-up to large business from small business should be encouraged in Ghana.

For instance, Ghana's proximity to neighbouring countries that are at a lower stage of development, but have high demand for basic goods serves as a great business opportunity. These countries can serve as a

market for Ghana-made products and services because the whole of the African region seems to be growing faster compared to the rest of the world.

"Africa's economies are growing faster than any other region of the world. True, the starting base was low, but about 10 African economies have been growing consistently at more than six per cent for more than six years" (Stein, 2011). "Africa, the world's oldest continent, now has more of the world's fastest-growing economies than any other" (Robertson, et al., 2011).

The consequence of the difficulty in scaling up is that most Ghanaian businesses are small, employ few people and are not necessarily competitive internationally since they cannot enjoy economies of scale associated with large-scale production.

This research identifies and analyses the major challenges that prevent most start-ups in Ghana from scaling-up to large businesses, with particular reference to why some failed, what those who scaled-up to large businesses did differently and the challenges of small businesses currently in operation. It also proposes ideas that can facilitate the up-scaling of small businesses to large businesses.

1.4 Research Question
- Why do start-ups in Ghana remain stagnated in growth and hardly ever scale-up to big businesses?

1.5 Research Objectives
- To analyse the different challenges small businesses face;

- To find out why some small businesses fail, what others who scaled-up did differently, and the constraints encountered by those currently in business;

- To establish the policies and conditions that enables start-ups transform from small businesses to large businesses;

- To recommend strategies start-ups should employ in order to scale-up to large businesses.

1.6 Relevance of the Research

- To provide useful information to entrepreneurs on how to transform their young businesses to big businesses;

- To provide useful information to policy makers on strategies they can employ to facilitate the up-scaling of small businesses to big businesses in order to aid with the nation's economic objectives.

- To add new knowledge to literature on the advantages of operating on a large scale.

1.7 Outline of Dissertation

The rest of this paper unfolds as follows: Section 2 reviews several literatures on the topic, Section 3 outlines the methodology for the research, and Section 4 discusses the findings. Conclusions and recommendations are made in Section 5.

2 LITERATURE REVIEW

2.1 Introduction

Most available literature seem to investigate and discuss the challenges of small business growth in developing countries and what policies and conditions are necessary to facilitate their growth. They however fail to mention how the small businesses can outmanoeuvre existing challenges and still manage to scale up to large businesses; which is one of the objectives of this paper.

This section reviews existing literature, both empirical and theoretical studies on motivations for starting businesses in developing countries, the relationship between firm growth and firm size, challenges of small businesses and reasons why they fail to grow, why we should have large businesses and encourage exports, reasons why businesses exit, determinants of post-entry survival and, how microeconomic performance affects business performance.

Additionally, to help the reader of this research better understand and appreciate the case study of the companies being used for this research, this session includes an overview of the Waste Management Industry in Ghana given that the two companies both operate in this industry.

2.2 Motivations for Starting Businesses

Motivations for starting a business could influence its growth prospects. One reason for having more small businesses to large businesses in Africa may be due to the fact that necessity entrepreneurship; which is not really keen on its growth prospects is more prevalent in African countries.

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Acs (2007) in his article about the importance of entrepreneurship to economic growth distinguishes between two different motivations for starting businesses, ie, "necessity entrepreneurship," which is having to become an entrepreneur because you have no better option, and "opportunity entrepreneurship," which is an active choice to start a new business based on the perception that an unexploited, or underexploited business opportunity exists' (Acs, 2007).

Acs (2007) confirms in his article through his analysis of data gathered by Global Entrepreneurship Monitor (GEM), a multi-country survey group, that the latter motivation, that is, "opportunity entrpreneurship" has a positive and significant effect on economic growth.

Findings from Benzing & Chu's (2009) article in making a comparison of the motivations of small business owners in Africa show that most entrepreneurs in Africa are motivated by the desire to increase their income, which can be likened to "necessity entrepreneurship" other than "opportunity entrepreneurship" as mentioned in Acs' article. This can be attributed to the low income and weak job market in LDCs.

On the other hand, developed countries, which are characterised by high living standards, are mostly motivated by 'opportunity entrepreneurship'. They are motivated by high order needs that pull them into a new venture. The article makes mention of the fact that one factor that differs opportunity entrepreneurship from necessity entrepreneurship is their growth aspirations. "Opportunity entrepreneurs expect their

ventures to produce more high growth firms and provide more new jobs"
(Acs, 2007).

2.3 Relationship between Firm Growth and Size

Several studies have proven that young businesses grow significantly more quickly than older businesses. In as much as several research in both Africa and Latin America support this claim (example of such studies are Parker, 1995; Mead and Liedholm, 1998 as cited by Nichter and Goldmark, 2009), this correlation between firm age and growth is still very debatable and complex.

For instance, in the 1980's a debate began concerning Gibrat's law which suggests that firm growth is not dependent of size. Evans (1978) disproved Gibrat's law in his study of 100 manufacturing businesses as he found that "the variability of firm growth, and the probability that a firm will fail decrease with firm age" (Evans, 1978).

"Firm growth decreases at a diminishing rate with firm size even after controlling for the exit of slow-growing firms from the sample and therefore Gibrat's Law fails although the severity of the failure decreases with firm size" (Evans, 1978).

Nonetheless, McPherson (1996) states that small businesses are not more likely to fail than larger ones once other factors have been controlled for. He goes on to state that certain small businesses are at least as efficient as larger businesses in the same sector.

Bechetti and Trovato (2002) identify in their study that growth is affected not only by size and age, but also by state subsidies, export

capacity and credit rationing. They also find that the theory of independence of business growth from the initial size and other factors, ie, Gibrat's law holds only for large businesses and not for small and medium sized businesses under financial restrictions when there is difficulty in accessing external finance in a "bank-oriented" financial system.

One possible reason that could back the claim of young businesses growing relatively faster than old businesses could be that some old businesses fail to make adequate investment in current or up-and-coming technology. As a result, their productivity levels are overtaken by the younger businesses who invest in new technologies. That notwithstanding, the reality is that a business' growth fluctuates as it has both positive and negative experiences throughout its operations (Nichter and Goldmark, 2009).

Even though the most literature above claim young businesses grow faster than old businesses there are several challenges that inhibit their growth which are discussed in the next session of the literature review:

2.4 Challenges of Small Businesses and Reasons Why They Fail to Grow

Several studies have proven that small businesses have limited access to capital as compared to large businesses. This is usually attributed to several reasons which include lack of collateral and partiality against small businesses by financial institutions:

"An IFC study of 10,000 firms across 80 countries found that credit is mentioned more frequently by smaller firms as a constraint on growth" (Schiffer and Weder, 2001 as cited by Nichter and Goldmark, 2009).

"MSEs in developing countries apply for and receive formal bank loans relatively infrequently; they thus typically rely on other types of credit such as trade credit, overdrafts, and informal loans" (Bigsten et al., 2003 as cited by Nichter and Goldmark, 2009).

"Even after MSEs overcome the start-up hurdle, a lack of credit frequently hinders their growth during earlier years, because younger firms tend to find financing even more difficult than older firms" (Schiffer and Weder, 2001 as cited by Nichter and Goldmark).

Bigsten and Söderbom (2006) discovered in their study that physical capital by most businesses in Africa is low due to uncertainty other than because of severe credit constraint. The explanation that was given for lack of credit not being a major factor for low levels of investment over the last decade was that only few businesses could identify strong investment opportunities at that time.

Similarly, Steel and Webster (1992) in their research to find out how small businesses in Ghana respond to adjustment also discovered that the most critical constraint of potentially dynamic small businesses was lack of access to finance for working capital and new investment.

Small and medium businesses often have less-educated owners than larger businesses (Orlando and Pollack, 2000; Soderbom and Teal,

2001 as cited by Nichter & Goldmark, (2009)). "Educational disparities across firm size are especially striking at the university level" (Alvarez and Crespi, 2003 as cited by (Nichter & Goldmark, 2009)). With this trend, larger businesses tend to fare better in their operations.

Owners of small businesses often learn on the job, instead of gaining work experience before starting their own businesses (Nichter & Goldmark, 2009). The success of a business could be influenced by the work experience of its workers. Unluckily, entrepreneurs in some developing countries hardly get the opportunity to gain any significant work experience.

For instance, in a country like Ghana, MSE owners and workers have an average of only five years of work experience as compared to about ten years of their colleagues in larger businesses (Barr, 1998 as cited by Nichter & Goldmark, 2009).

Most small businesses in developing countries are said to be operated by women. However, it is observed that small businesses owned by men tend to do better than those owned by women. This is mainly because the women often encounter challenges in growing their businesses due to several reasons such as having to combine their work duties with household duties, innumeracy, illeteracy, and lack of business skills.

This finding concerning differences in performance of businesses with respect to gender is confirmed in Benzing and Chu's (2009) article. It

is stated in the article that 'female entrepreneurs were less motivated to create a business legacy or external validation' (Benzing & Chu, 2009).

In developing countries, informality is very common. Informality refers to businesses that have not been registered, but obtain revenue through the production authorized good and services (Nichter and Goldmark, 2009). ILO (2004) reports that the share of the informal sector in the non-agricultural economy is nearly 80% in Africa (Nichter and Goldmark, 2009).

Informality reduces a business' chances for growth. This is because as such businesses grow they become visible which creates a disincentive to expand beyond a certain level (Snodgrass and Biggs, 1996 as cited by Nichter and Goldmark, 2009).

"Informal firms may therefore need to 'keep their heads down', ruling out large size and rapid growth, as well as close relations with formal firms" (Winter, 1995as cited by Nichter and Goldmark, 2009).

Informal businesses in addition to slow growth also face greater difficulties in obtaining formal credit and assistance from law enforcement agencies and courts.

This finding is consistent with a study conducted in Côte d'Ivoire on the growth of businesses by Sleuwaegen and Goedhuys (2002). They discovered in their study that formality results in a positive outcome on growth of businesses. This proposes that formal businesses are more proficient in their operations for the following two reasons: a wider range

of production factors and choice of input suppliers are enjoyed (Sleuwaegen and Goedhuys, 2002).

2.5 Why We Should Have Large Businesses and Encourage Exports

There are several reasons why large businesses should be encouraged in economies, even though several literature are of the view that small businesses help with economic growth and do better or equally as well as large businesses. There is the advantage of economies of scale, higher productivity levels and a higher likelihood to survive.

As productivity increases for large businesses, the labour market allocates more workers toward the most productive businesses, and this reinforces the importance of large businesses for aggregate productivity growth (Biesebroeck, 2005). Labour productivity differs by businesses size mainly due to differences in physical capital endowment invested in different businesses (Teal, 1999).

Export marketing literature supports the view that business size is positively related to export intensity. Although the empirical findings have been mixed, a number of theoretical arguments are used to support this proposition, i.e., international marketing economies of scale, limited managerial and financial resources of small businesses, decision maker's risk perception. Based on a large survey of the Italian manufacturing industry, the article falsifies the proposition and challenges some widely held assumptions in export marketing literature (Bonaccorsi, 1992).

"Exporters are found to be more productive than non-exporters, and the more productive firms self-select into export markets, while exporting does not necessarily improve productivity" (Wagner, 2007).

Exporting leads to efficiency gains, that is, learning by exporting (Bigsten & Söderbom, 2006). One reason why potential gains from exporting is relatively high for Africa is because of past high trade restrictions and large technological gap with developed countries (Bigsten & Söderbom, 2006).

Apart from engaging in a larger market through exporting, it also maximizes the scope for increased discipline of competition and learning opportunities through contact with foreign customers (Bigsten & Söderbom, 2006). However due to the high cost involved in entering the export market, most businesses in Africa are not able to enter the export market to benefit.

A possible solution to this may be the creation of incentives for businesses to enter the export market, and also the reduction of entry costs for the export market (Bigsten & Söderbom, 2006).

2.6 Reasons Why Some Businesses Exit

According to a study conducted in Ghana by Frazer (2005), less productive businesses are the ones found to be going out of business. "A 1-standard-deviation increase in firm productivity is associated with a 1.8% decrease in probability of firm exit over the subsequent 2-year period. Given that, within our sample, the average exit rates were 6.3 % over a 2-year period, this result is significant" (Frazer, 2005).

Frazer (2005) discovered in his study that large businesses as well as older businesses are less likely to exit. He also discovered that exporting businesses were unlikely to exit as businesses which switched from exporting to non-exporting businesses were more likely to exit.

Harding, et al., (2004) in their study on survival and success among african manufacturing businesses also ascertained that the main determinant of exit is business size,i.e., small businesses tend to have much higher exit rates than large businesses. Productivity influences survival of large businesses, but not small businesses. They also find that among the surviving businesses, the old businesses grow slower than young businesses and this is attributed to market constraints existent in Africa that limit growth of businesses.

2.7 Determinants of Post- Entry Survival

There are several factors identified by various authors as relevant and essential for the survival of new entrants of an industry. Such factors include innovation, entry selection process, evolutionary learning and the use of advanced technology.

"Selection intensity is more closely related to survival rates. Learning is related to survivor growth" (Baldwin & Rafiquzzaman, 1995). Audretsch & Mata (1995) states that the likelihood of new entrants to survive under industries where innovative activity is required is lower than in industries where this requirement is lower. New businesses that are able to adjust to such an environment and offer viable products will eventually experience higher rates of growth and a higher tendency to survive.

A study conducted in Europe by Rubini et al (2012) also reiterates the importance of innovation as an important factor to the growth of businesses. The study mentions innovation and export as the characteristics of large businesses.

In view of this, barriers to trade and research and development (R & D) were mentioned as the main culprits that slow down business growth. The reason being that countries that face higher trade costs provide fewer opportunities for businesses to become large whereas reduced spending on R&D also impedes businesses growth, leading to the existence of smaller businesses (RUBINI, et al., 2012).

 Trade and innovation are described as interlinked, in the sense that a reduction in trade cost stimulates innovation since the reduction in trade cost enhances the growth of businesses, thus making it easier for businesses to bear the fixed cost of R&D (RUBINI, et al., 2012).

In sum, the view being put across by the article By Rubini et al (2012) is that different barriers, i.e. trade costs, innovation costs and tax distortions influence a business' decision to export and be innovative and this eventually determines a country's business size distribution.

In nearly all the European countries that were studied, reducing innovation costs had a much greater impact than reducing trade costs. A percentage reduction in innovation cost led to a more than proportionate change in business growth, whereas a percentage decrease in trade costs increased business growth less proportionately.

This suggests to policy makers, specifically those who need to find a trade-off between the reduction of certain barriers and the potential returns from doing so that focusing on reducing the barriers to innovation would yield a much greater impact (Rubini, et al., 2012).

2.8 Macroeconomic Environment and Business Performance

The general state of the economy has direct impact on the availability of profitable business opportunities. During economic crisis, the overall small and medium business sector expands due to an increase in survivalist-type activities; however, individual small businesses tend to stagnate in growth during such periods (Liedholm, 2002 as cited by Nichter and Goldmark).

"An econometric study found evidence of a push and pull dynamic in Nicaragua: individuals become self-employed and start up microenterprises during bad economic times, and then leave for salaried jobs when the economy is strong" (Pisani and Pagan, 2004 as cited by Nichter and Goldmark).

Gertler and Gilchrist (1991) also found that the sales of small businesses decline at a faster pace than large business sales for a period of more than two years. Additionally, they found that bank lending to small businesses reduce during credit market imperfections, while it increases for large businesses. Also small businesses tend to be more sensitive to lagged movements in GNP than large businesses.

Macroeconomic and relative price volatility is also a vital concern for the growth of small businesses. "A recent survey of small businesses in

Ghana found that entrepreneurs perceived their three greatest problems to be inflation, high interest rates, and depreciation of the local currency" (Robson and Obeng, 2008 as cited by Nichter and Goldmark). Credit market failures also inhibit small business growth as the owners during such periods are unable to obtain sufficient capital to expand or grow their businesses.

Conversely, a study conducted in Indonesia by (Berry,Rodriguez and Sandee, 2002 as cited by Nichter and Goldmark) found that small businesses tend to be more resistant than larger businesses during economic crisis. "During the East Asian economic crisis, many small-scale businesses fared better than larger companies in Indonesia (Berry,Rodriguez and Sandee, 2002 as cited by Nichter and Goldmark). "Microenterprises were the most likely to repay their loans to Bank Rakyat Indonesia" (Patten, Rosengard and Johnston, 2001 as cited by Nichter and Goldmark).

2.9 Waste Management in Ghana

2.9.1 Background
The seventh Millennium Development Goal set by the United Nations aims at ensuring environmental stability by 2015. Waste management forms a foremost part of environmental sanitation, however the manner in which waste management issues are handled in most developing countries is not that encouraging, and of which Ghana is no exception (Agyepong, 2011).

"According to UNICEF, in Sub –Saharan Africa, two-thirds of the people do not have access to improved sanitation" (Agyepong, 2011).

Ghana for instance has a population of about 23 million people that generate about 4.5 million metric tons of solid waste in a year.

So far, there has not been adequate increase in necessary logistics for the delivery of effective and efficient waste management services. Given the rapid rate at which urban population is increasing as a result of urbanisation the issue of urban waste management will become even more challenging for most governments in developing countries (Agyepong, 2011).

2.9.2 Private Sector involvement in Solid Waste Management in Ghana

Organised solid waste management began in 1898 with the establishment of the Accra City Council. In 1925, pushcarts were the means by which public dustbins were emptied. They were later replaced with large carts which were drawn by mules after which special sanitary vehicles were introduced (Oteng-Ababio, 2009).

In 1929, the use of incinerators was also introduced. In the late 1950s, existing arrangement started getting inefficient as a result of increasing population which led to a total breakdown of the only incinerator in the country by the year 1970. This brought about piling up of refuse in the low-income areas (Oteng-Ababio, 2009).

To resolve the issue, the City Council, in collaboration with the Federal Republic of Germany established the Waste Management Department (WMD) in 1985. Consequently, solid waste collection was either by house-to-house (HH) (also referred to as door-to-door) or communal container collection (CCC) in low density areas of urban centres

and the high density areas respectively. Commercial rates were charged for house-to-house services whereas a cross-subsidized rate was implemented for the communal container collection. These two systems still remain the two waste collection systems in Ghana (Oteng-Ababio, 2009).

2.9.3 Waste Management in Ghana at present

At present, the main method of waste disposal in Ghana is land filling. The country has only two engineered landfill sites situated in Tamale and Kumasi. Two new ones are being constructed in Sekondi-Takoradi and Tema. Common waste disposal methods for most cities and towns include dumpsites (Agyepong, 2011).

Other methods which include incineration, waste conversion to energy and anaerobic digestion are used at a very minimal level; they still remain under tentative stages. However, a few companies seem to be pursuing the idea of composting as a means of waste management (Agyepong, 2011).

The policy that guides waste management practices in Ghana is the Environmental Sanitation Policy of 1999. This policy was passed to allow private sector involvement in Solid Waste Management which is also referred to as the public-private partnership (PPP) in waste management (Oteng-Ababio, 2009).

The policy came into being as a result of the authorities of waste management realising that their capacity was not enough to serve the

sanitary needs of the increasing population and also given that their financial burden was increasing (Oteng-Ababio, 2009).

The purpose of this policy was therefore to improve revenue mobilization, extend coverage, and improve service delivery. Currently, the private sector handles more than 80 percent of waste management issues in Ghana (Agyepong, 2011). Also, private sector involvement has led to about 25% improvement in waste collection (Oteng-Ababio, 2009).

This policy was however revised in 2010 by the Accra Metropolitan Assembly (AMA) as a result of the unusual and disorganised way by which several waste management companies were going about their activities in the industry. Waste management companies were criss-crossing each other and this greatly affected the manner in which waste was managed in the city (Dorgbetor, 2010).

To address this issue, the authorities of the Accra Metropolitan Assembly came up with the implementation of a new refuse collection system termed as the Fee and Performance Base Solid Waste Collection System. This system involved the awarding of waste management contracts to waste management contractors through a tendering process for specific areas and each contractor was held responsible or the cleanliness of those areas (Dorgbetor, 2010).

To facilitate the effectiveness of this arrangement each household, organisation or dweller within that area was required to register with an accredited waste management contractor for a particular sub metro for refuse be collected regularly (Dorgbetor, 2010).

Currently, Zoomlion which is one of the companies under review for this study has won three out of eleven sub-metros in Accra. Daben on the other hand has won one out of eleven sub-metros. The remaining sub-metros are catered for by other waste contractors such as Liberty Waste Limited, Jekora Ventures, J. Stanley Owusu and Co., Meskworld Limited, Asadu Royal Limited, Yafuru, Almanuel, Catrol, and Aryeetey Brothers Company (Dorgbetor, 2010).

The two main institutions in charge of waste management in Ghana include the Ministry of Local Government and Rural Development and District Assemblies (MLGR&D). The District assemblies handle the local and community level, whereas the ministries cater for the waste management service needs at the national level (Agyepong, 2011).

2.9.4 Challenges of private participants in the waste management industry

Private participants in the waste management industry encounter several constraints that affect their service delivery and effectiveness in their demarcated areas and eventually their business growth as well. These constraints range from regulatory issues right down to political issues.

Agyepong (2011) in his write up about the barriers of private participants in the waste management industry categorises the challenges in the industry into seven main areas. These areas include regulatory framework, public attitude, rapid urbanisation and poor urban planning, capacity of human resources, finance, weak research support, and politics.

One other major challenge identified by other literatures on private participation in waste management is the failure on the part of government and customers to fulfil their obligations.

2.9.4.1 Failure on the part of government and customers to fulfil their obligations

This aspect seems to be the major hurdle in the industry. Oteng-Ababio (2009) in his study on private sector involvement in solid waste management (also known as PPP in waste management) in Accra concluded that PPP is ineffective when there is failure on the part of a stakeholder to deliver. The main stakeholders in this context include the government (authorities), the public and waste contractors.

For instance, the purpose of encouraging private participation was to improve waste management since the authorities lacked the capacity to do so. However, contractors fail to carry out their services regularly due to non-payment for work done. Consumers also get reluctant to pay for inefficient services (Oteng-Ababio, 2009).

Moreover, the government fails to properly coordinate waste management activities and fully implement the laws meant to be applied in the industry. Coordination is however reported to have improved since the revision of the Environmental Sanitation Policy by the government in 2010 (Dorgbetor, 2010 & Agyepong, 2011).

An audit carried out in 2011 by the auditor general's department to assess the effectiveness of the AMA in waste management however revealed that the authorities did not properly regulate and coordinate waste management activities in the Metropolis (Auditor General, 2011).

This implies that the authorities still need to improve their efficiency in regulating and coordinating activities in the industry.

2.9.4.2   Poor Regulatory framework

In addition to non-implementation of policies and failure to monitor waste management activities effectively, another concern that affects private participation in the waste management industry is the existence of several guidelines, legislation, policies and instruments that pertain to waste management in Ghana (Agyepong, 2011).

A number of them include; Environmental Assessment Regulations 1999 (LI 1652), Ghana Landfill Guidelines (2002), Guidelines for the Management of Healthcare and Veterinary Waste in Ghana (2002), Handbook for the preparation of District level Environmental Sanitation Strategies and Action Plans (DESSAPs), Local Government Act 1990 (Act 462), Manual for the preparation of District Waste Management Plans in Ghana (2002), National Environmental Quality Guidelines (1998), just to mention a few (Agyepong, 2011).

Such a vast range of legislation makes operating in the waste management sector very cumbersome. Some of the authorities feel their position is being undermined with the participation of private participants in the waste management industry since they no longer have monopoly in the industry and therefore tend to sometimes frustrate private participants with these legislations (Agyepong, 2011).

2.9.4.3 Attitude of the general public toward solid waste disposal

Some citizens fail to see the essence of proper waste disposal and are therefore unwilling to pay for collection and waste disposal. Also, waste separation, recycling and reuse of waste are not often practised in the country. This makes the implementation and practice of modern methods of waste management difficult (Agyepong, 2011).

2.9.4.4 Rapid urbanisation and poor urban planning

With the rapid rate of population growth in urban areas coupled with insufficient data, planning for effective waste management is difficult. In addition to this problem, most urban areas have a poor layout which makes access to them very difficult for waste contractors (Agyepong, 2011).

2.9.4.5 Human capital

Ghana has no institution that is dedicated to training people to become experts in the field of waste management. Even though some universities offer programs that deal with some aspects of waste management, the training is not exhaustive enough to raise experts in the field (Agyepong, 2011).

Also, most people also do not see the waste management industry as reputable and therefore the sector is left to be handled by unskilled persons. Given that the industry requires quite a huge amount of capital to be effective, small operators cannot thrive in the industry (Agyepong, 2011) .

2.9.4.6   Lack of research support

Ghana lacks a lot of research institutions, let alone, one dedicated to waste management. The purpose of research is to be abreast of and gain insight into the best practices in a particular field at each point in time. Private participants who wish to implement best practices or the latest practices therefore have to invest in their own research and development segment for their businesses (Agyepong, 2011).

2.9.4.7   Finance

Financial support received from government is highly inadequate to suffice for the cost incurred by waste contractors. This coupled with delay in payment of subsidies by government makes it difficult for waste contractors to seek funding from financial institutions which could help them meet their capital and operational requirements for the industry. There are also no tax reliefs and incentives in the procurement and management of equipment (Agyepong, 2011).

3 METHODOLOGY

3.1 Introduction

This study can be described as both exploratory and descriptive. Its exploratory nature is due to the fact that the study sought to discover and know why start-ups in Ghana remain stagnated and fail to scale-up to big businesses. At the same time, finding out what others did or how they managed to outmanoeuvre the challenges that may exist in scaling up to big businesses makes it descriptive. This research employed a qualitative method of study using a case study; which was conducted using semi-structured interviews.

The case study was conducted on two businesses; Zoomlion Ghana Limited and Daben Cleansing Services Limited as pointed out in the earlier chapters. The case study was conducted to make a comparison of the two companies on the basis of how they manage the challenges they face in their operations. Test interviews were administered in two other waste management companies to help structure the final interview questions. These companies were J Stanley-Owusu Group and Asadu Royal Company.

The results are used to advise young entrepreneurs and policy makers on what measures they need to enable small businesses to scale-up to large businesses. This chapter discusses the research tools and methods of data collection employed for this study. It explains how the data was collated and from whom it was collated. It also explains the sample area and sample size as the limitations that were encountered during the data collection process.

3.2 Scope of Study

Zoomlion Ghana Limited is a massive waste management as well as environmental sanitation business wholly Ghanaian-owned. It operates not only in Ghana, but in other parts of Africa which currently include Togo Angola and Guinea. Negotiations are far advanced for the company to start operations in other African countries such as Nigeria, Sierra Leone and Liberia (Zoomlion Ghana Limited, 2012).

The Company was formed under the company's Act with registration number CA22256 in January 2006. Zoomlion began its operations in 2006 with few employees and has now grown over the past four years with eight (8) subsidiaries. It now has a total core staff of 3,000 and manages about 85,000 project staff under the National Youth Employment Program (NYEP) initiated by the government of Ghana (Zoomlion Ghana Limited, 2012 & Agyepong, 2011).

Daben Cleansing Services Limited has been operating in the Teshie-Nungua Metropolis for 20 years now with an estimate of about 50 employees. It was established in 1989. It began it operations in 1989 as a pan-latrine business evolved into a waste management company in 1999, when private participation was allowed in the solid waste management. It still has not expanded its operations to other areas in addition to this metropolis several years after inception. This could be attributed to the fact that the company has not been able to build its capacity, hence its inability to serve a larger market.

Reasons for choosing Zoomlion Daben

The two companies fit well into the context of the research. The reasons are that firstly, both companies operate the same kind of business. Secondly, Zoomlion Ghana Limited fits the description of a large company since it has a large workforce of as many as over 85,000. Also, Zoomlion's exponential growth over a six-year period makes it an interesting company to research into as it has the potential of serving a great model for young entrepreneurs. Daben Cleansing Services Limited on the other hand, fits in the context of a small business according to the economic definition of a small business by the Bolton Committee (1971). According to the Bolton Committee (1971) economic definition, a business is considered as small based on the following criteria:

(i) It has a comparatively small share of their market place (Daben serves one out of eleven sub-metros of the Accra Metropolitan Assembly (AMA));

(ii) It is managed by owners or its part owners in a personalised way, and not necessarily through the medium of a formal management structure (Even though it has appointed someone as the general manager, decisions are still taken based on the discretions and wills of the persons that formed the company);

(iii) It is self-governing, i.e., it does not form part of a large business (Daben operates a single line of business which is solid waste management).

Given that these two companies are Ghanaian owned businesses operating within the same sector and under the similar economic conditions within the same country, the case study conducted on both

companies rendered a good basis for a comparative analysis to be done to identify what both businesses have done differently to outmanoeuvre the challenges they face in their operations. At the end of the study useful lessons are drawn from the successful company, i.e., Zoomlion Ghana Limited; with regards to what it is doing right and what has enabled it scale-up to its current level.

3.3 Types and Sources of Data

The data for this research is acquired from both primary and secondary sources. The primary data was obtained through interviews whereas secondary data was acquired through existing literature on the topic and companies under review which were found both online and in academic journals.

The primary data refers to direct information from various interviewees selected from the two companies concerning how they managed challenges they faced in attempting to scale-up and some of the factors that inhibit their growth and in running their businesses. The literature review gives general information on the topic and gives useful insight into the matter and also provides a guide to know which aspects to focus on during the interviews for the case study.

For instance, throughout the literature, some key areas that have been mentioned include: motivations for starting businesses; challenges of small firms and reasons why they fail to grow; why we should encourage large businesses; determinants of post-entry survival and how the general waste management environment affects the success of the business. The

interview questions were therefore guided by the thematic areas stated above.

3.4 Description of Sample Area

Information based on the thematic areas was attained from the two businesses, i.e., Daben Cleansing Services Limited and Zoomlion Ghana Limited. Information from Daben was obtained through scheduled interviews with the interviewees (the general manager/ financial administrator and one member of the board of the company) at their office located at Teshie-Nungua, Accra-Ghana.

With Zoomlion, all interviews were scheduled with interviewees (staff of the company of various departments) at their head office located in Adjiringano, East-Legon, Accra-Ghana. However, one interviewee, a former chairman of Zoomlion board of directors, who is presently the director Great Consolidated Diamond Limited (another line of business of the mother company of Zoomlion, Jospong Group) had to be interviewed in his office located at Ridge, Accra-Ghana.

3.5 Sample Sizes

The sampling technique used in this research was purposive sampling, specifically, the snowball sampling method[8]. This means that the interviews were scheduled with people based on their ability to produce information relevant to the research. At the same time, selection was based on who was recommended as suitable for the kind of information needed and based on the availability of the person – snowball sampling. In all, 14 people were interviewed. They comprised of key people in

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[8] A sampling method whereby sample participants are selected based on referral from prior participants (Trochim, 2005).

management as well as various departmental heads. Detailed demographics are given about the interviewees in the next chapter.

3.6 Methods of Analysis

Since the data for this research is purely qualitative, descriptive content analysis was employed as the method of analysis for the data obtained. A comparative analysis[9] was done of the two companies after the results were attained. Also, results were compared to previous trends in existing literature to serve as a guide in interpreting the results.

3.7 Limitations of the Research

One major challenge of this research was the availability of the interviewees and their willingness to sit in for interviews during the times of visit. This affected the sample size as some of the chosen interviewees did not turn up due to some emergencies.

Resource constraints (time and cost) were another limitation in this research as several trips had to be made in order to sit in an interview with interviewees. There were instances that interviews had to be conducted on phone due to time constraints.

Some information was withheld due to the issue of confidentiality. Also, given that some interviews had to be abridged due to time constraints, there is likelihood that information obtained may not be the complete story.

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[9] The analysis of text documents. The analysis could be either quantitative or qualitative. Its major purpose is to identify patterns in the text (Trochim, 2005).

Lastly, the issue of bureaucracy in one of the companies to get approval to schedule interviews with members in the organisation delayed the entire data collection process.

3.8 Ethical Considerations

The following ethical issues were considered in conducting the case study to ensure quality and integrity of this paper:

- Approval was sought from appropriate authorities of the various companies before interviews were scheduled and conducted;

- Confidentiality and anonymity of interviewees for the study is respected;

- Interviewees were allowed to participate in the study voluntarily;

- As much as possible, it was ensured that accounts given of the study and analysis made were independent and unbiased.

4   FINDINGS & DISCUSSION

4.1 Introduction

This chapter presents and discusses the findings from data collected. It points out findings to address the research question, "why do start-ups in Ghana remain stagnated in growth and hardly ever scale-up to big businesses?" The findings are based on data collected through a case study[10] carried out on Zoomlion Ghana Limited and Daben Cleansing Services Limited.

Interviews were the form of data collection methods employed to obtain information from both companies. The interview questions were

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[10] "An intensive analysis of an individual unit (as a person or community) stressing developmental factors in relation to environment" (Mirriam-Webster, 2013).

structured to help attain the research objectives; to analyse the different challenges small businesses face; to find out why some fail, what others who scaled-up did differently, and the constraints encountered by those currently in business; and finally to establish the policies and conditions that enables start-ups transform from small businesses to large businesses.

Findings are therefore organised based on the answers obtained through the interviews conducted addressing each objective of this research.

Information gathered through conducted interviews is analysed and discussed later in this chapter. The findings are analysed by identifying themes, similarities and differences in relation to information gathered from both companies. The discussions are also made in light of theoretical and empirical propositions put across in the literature review and other existing literature relating to this topic.

Some of the areas for the discussion include; motivations for starting businesses in developing countries, the relationship between business growth and business size, challenges of small businesses and reasons why they fail to grow, why we should have large businesses and encourage exports, reasons why businesses exit, determinants of post-entry survival and finally, how microeconomic performance affects businesses performance.

4.2 Demographics of Interviewees

Before the details of the findings, analysis and discussions are made, it's important to have general information on the demographics of interviewees from whom information was gathered. The demographics of the interviewees are presented in five main components; percentage of interviewees from each company, gender, educational level, level of management and duration of employment with the respective companies.

The research was based on purposive sampling, meaning questions were posed to specific interviewees based on their area of expertise or position in the company. Also, the snowball sampling technique was employed, i.e., interviews were scheduled based on recommendations and suggestions made by participants indicating who is willing and appropriate for the study.

Figure 1: Pie chart showing proportion of interviewees from Zoomlion and Daben

Organisational Representation

Daben 14%
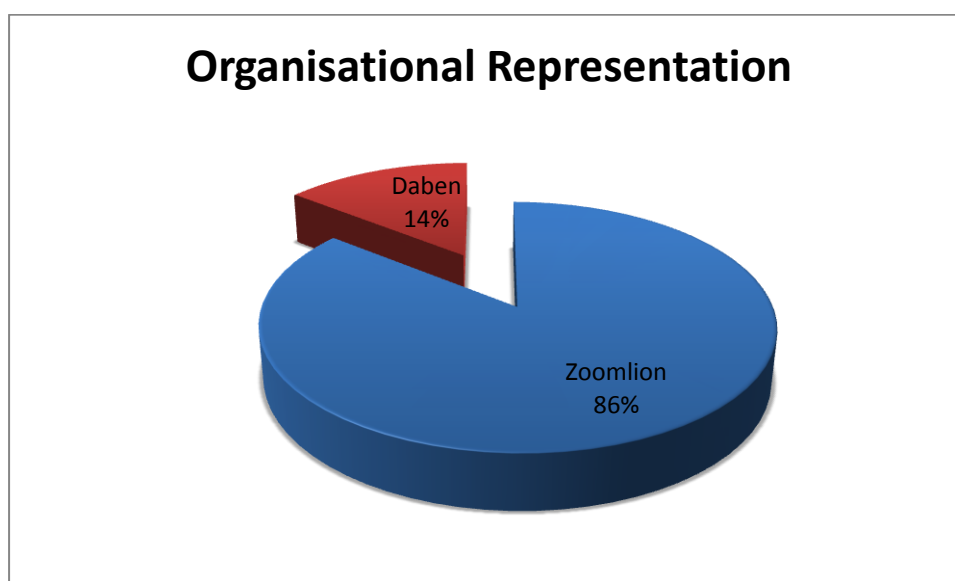
Zoomlion 86%

Source: Field data

In total, 14 people were interviewed for this study. The 14% slice in the above chart represents two out of 14 people that were interviewed from Daben, whiles the remaining 86% represents 12 people interviewed from Zoomlion. Daben has a total of about 55 workers and a flat organisational structure – this comprises three Board of Directors, one General Manager/Finance Administrator, eight office staff, and about forty-three site workers.

Due to the nature of the interview questions one Board member and the General Manager/Administrative Officer were interviewed since they have been in the company long enough and had the necessary information to give about the company concerning their challenges in trying to scale-up.

Zoomlion on the other hand, has a complex organisational structure with about six departments – operations, research and development, communications, monitory and evaluation, accounts and human resource department. Hence, interviews were scheduled with a representative from each department to know how each of them contributed to the success of the business. However, the monitory and evaluation department had its entire staff ready and willing to provide information (this made a total of five respondents from this department).

In addition, two more business executives of the company were referred as pertinent to the research and were therefore scheduled for interviews. These included a long-serving former board chairman of Zoomlion and a chief consultant of Zoomlion.
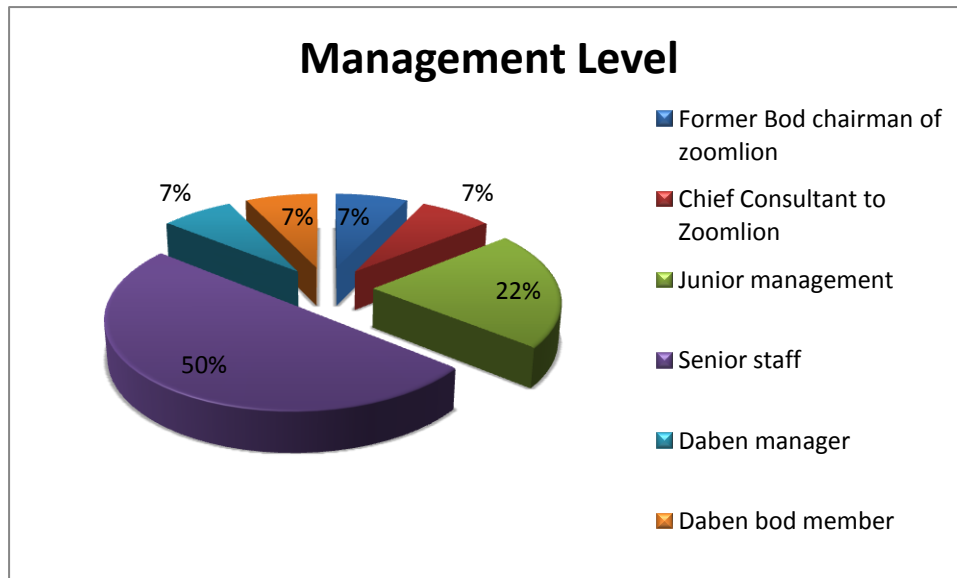
Source: Field data

The chart above shows a representation of the various management levels of the interviewees. This indicates that information gathered from the interview was not biased and was a fair representation of the opinions and knowledge from various levels. Daben however had a representation from only the senior level management as they were the most appropriate people in the company with information pertinent to the study.

Figure 3: Pie chart showing proportion of male and female interviewees
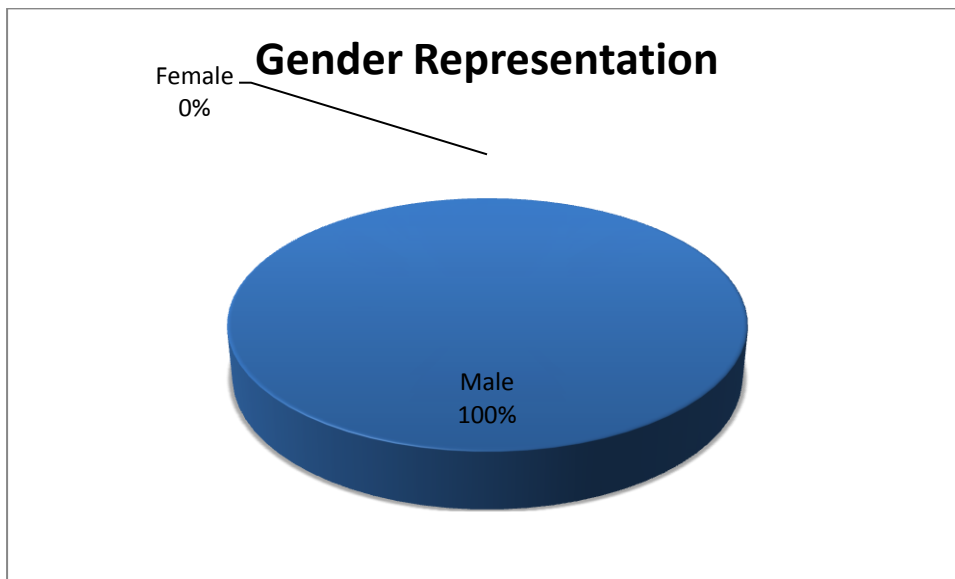
Source: Field data

All fourteen interviewees were male. This however was unlikely to have an effect on the outcome of the information required for the research given t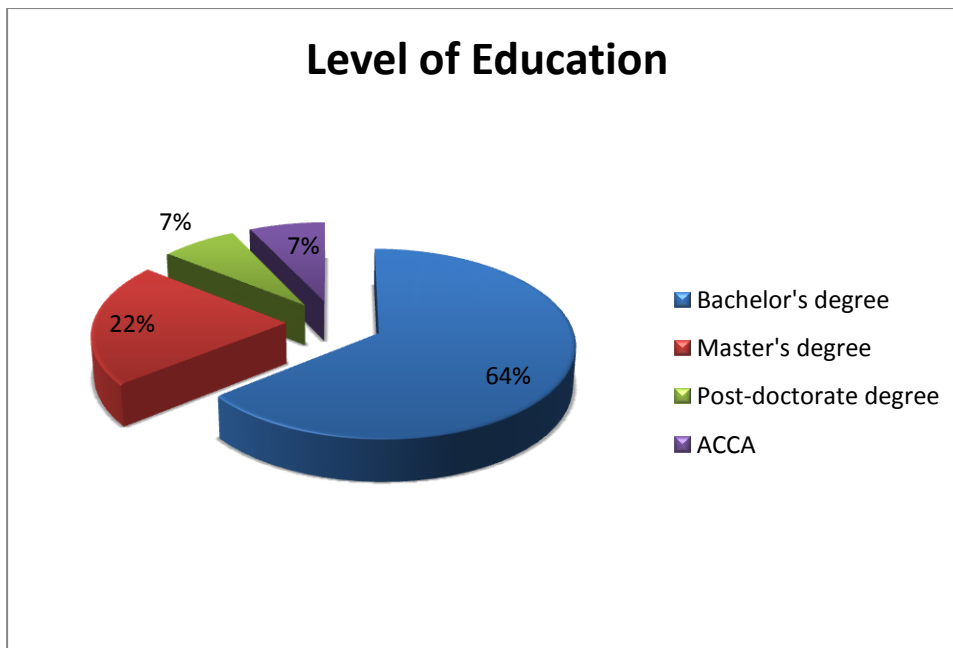hat interviewees were selected based on their expertise and ability to provide information pertinent to the topic and related questions for each company and not gender.

Figure 4: Pie chart showing level of education of interviewees

Level of Education

- Bachelor's degree
- Master's degree
- Post-doctorate degree
- ACCA

7%
7%
22%
64%

Source: Field data

Out of the total number of 14 interviewees, 64% had attained a bachelor's degree and 36% had attained higher educational levels as indicated in the chart above. This indicates that the interviewees had a good understanding of the topic, were very capable of providing relevant information and making good contributions for the study. The two interviewees that represented Daben had both attained a bachelor's degree – this was the lowest educational level attained among all the interviewees. This confirms one of the propositions made in the literature, that Small and Medium businesses tend to have less-educated owners than larger businesses (Orlando and Pollack, 2000; Soderbom and Teal, 2001 as cited by Nichter & Goldmark, (2009)). Further implications of this are discussed later in this chapter.

**Figure 5: Pie Chart showing duration of employment of interviewees from Zoomlion**
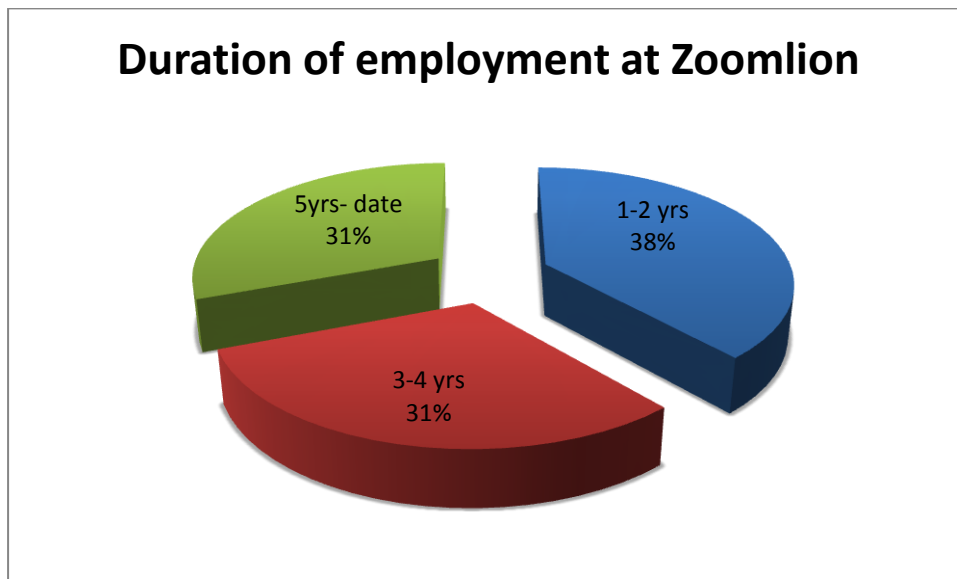
Source: Field data

Zoomlion has been in existence for only 6 years. This means that the maximum duration for an interview was 6 years. The chart shows that there was a fair representation of employees that have been in the company at various times.

Figure 6: Pie Chart showing duration of employment of interviewees from Daben

Duration of employment with Daben

11yrs - date
50%

at least 10 yrs
50%
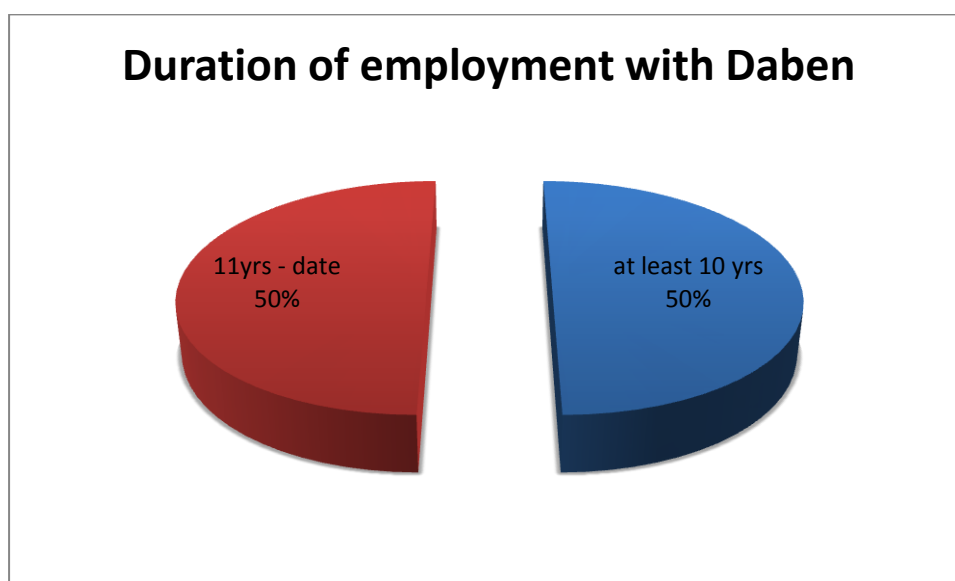
Source: Field Data

Daben has been in existence for about 20 years. The chart shows that there was also a fair representation of interviewees from this company with regards to their duration of employment with the company. One interviewee, i.e. the General manager/ Finance Administrator has been in the company for at least 10 years, whereas the other interviewee, i.e., the Board Executive as well as a co-founder of the company has been with the company since its inception. This makes both interviewees well poised and appropriate for the interview given that they both had served long in the company and therefore had relevant information for the research.

It was significant to have interviewees who had been with both companies since its inception as they have first-hand information on what the challenges of the companies were during their start-up period.

4.3 Interview Session with Daben Cleansing Services Limited

The main purpose of the interview session with this company was to find out the challenges that had inhibited the company from scaling-up several years after its inception.

The first question was asked to acquire information on the company's profile; which has already been accounted for in the earlier chapters.

The next question was meant to find out what the environmental context was at the time the company began, i.e., 'how was the environmental context when your company began'? The response to this question was that the environment was politically stable and private sector entry was being encouraged at the time.

The next question was to find out what the motives of the owners were when the company was being formed. The answer to this was that their mission was to transform the state of sanitation in the society. They had identified a gap in the society and saw the need to fill the gap, hence the formation of the business.

The following question was to find out if the company had the intention of merging or building relationships with other companies (local/international) to facilitate the success of the business. The answer to this question was that the directors of the company had not really considered taking such decisions, but is however; open to any company or organisation that may want to work with them.

The question that followed was posed to find out whether the company inculcated technological improvements and innovation in its activities and also whether they invested in research and development. The response was that even though they had no department within the company dedicated to research and development, the directors themselves often did their own research to ensure that any new technology that arose and was likely to improve the company's performance was inculcated. They also mentioned that it was quite difficult to get innovative in the industry as getting innovative sometimes requires some amount of capital that is often not be readily available.

The subsequent question was asked to find out what the challenges of the company are in scaling-up. Daben realises that there is the need to grow as a company in order to be more efficient in its operations. However, one of the interviewees pointed out a number of issues that serve as barriers to the growth of the company;

    i.   The capital intensity of the industry makes it difficult to scale-up as a huge amount of capital is needed which is not readily available.

    ii.   There are only few dumping sites in Ghana which are located far off from the various points of collection which affects their transportation costs.

    iii.   Due to financial challenges encountered, the company resorts to the use of home-use vehicles to run their operations as it cannot afford brand new ones. This results in operational

inefficiency due to several repairs that need to be carried out on the home-use vehicles that break down frequently.

iv. Delayed payments by government and customers are a major part of the reason why the company cannot scale up. According to the interviewee, the company has been set back in its operations due to failure on the part of the government to make payments rendered to the government over a long period of time. This has caused a major difficulty for the business in terms of its finances.

v. Authorities at the assembly level fail to implement an increase in the fees charged even during inflation periods. This affects their profit margin in such times.

vi. The manner in which waste management activities were conducted used to be unorganized. Waste contractors were made to operate based on appointments, which were not really as formalised as the new policy where contractors are given demarcated areas based on a tendering process.

4.4 Interview session with Zoomlion Ghana Limited

The purpose of the interview with Zoomlion was to find out what they are doing right as a company and what has led to their fast growth. In addition to the two key interviewees, i.e., the chief consultant of the company and the former long-serving chairman of the company, interviews were scheduled to acquire information on how various departments in the company also contribute significantly to the growth of the business. The sequence of the interview was not based on any chronological order, but based on availability of persons scheduled for the

interviews. The account of the interview is given in the subsequent paragraphs.

"What are some of the challenges that Zoomlion encountered in trying to grow as a company?" The responses that were given to this question are summarised as follows:

i. Getting the government and citizenry to realise that waste management is very important;

ii. Getting the appropriate equipment and infrastructure in place for operations;

iii. Planning and efficiency (planning properly for the future);

iv. Sticking to the vision and getting the buy-in of stakeholders (i.e. government, the company's workforce and the general public);

v. Training workers in the field of waste management;

vi. Building in-house expertise;

vii. Scheduling and routing is also another challenge

What has Zoomlion done differently to outmanoeuvre these challenges?

i. Focused vision of the CEO and willingness to stay committed to it.

ii. Ability to respond to capitalise on opportunities

iii. The value of external relationships

(These were the responses of the chief consultant)

The former long-serving board chairman confirmed some responses from the chief consultant Zoomlion. According to him some of the problems of Zoomlion during its beginning stages are the following issues:

- Setting control systems;

- Creating a structured system;

- Detaching the company from its owners;

- Managerial expertise

- Haulage (roads and network; not allowing for quick turnaround)

Why Zoomlion has scaled-up to its current level:

- Long-term planning and staying through that plan.

- Realised the need run the business in a non-personalised way and commit the operations and decisions to the hands of experts.

- Identifies niches and serving that niche.

- The company is amendable to change

What has been your source of funding since the time the company began till date? The response to this question was that "Zoomlion gains support from its other subsidiaries". It also relies on loans from financial institutions.

The next session of the interview process gives an account of the contribution of the various departments of Zoomlion to the organization's success:

Research and Development Department

This department is the main research arm in the company. They employ the use of data collection techniques to gather information for the company. It creates databases for monitoring and planning in supporting other departments and subsidiaries with relevant information for programmes and projects.

Monitoring and Evaluation Unit

Monitoring and Evaluation (M & E) monitors the progress of the programs and projects that are being run by the company. The unit undertakes frequent field visits, conducts interviews, investigations, and employs other data collection methods as may be appropriate to improve efficiency and effectiveness of Zoomlion's operations. The unit ensures the standards of operations are adhered to in service delivery.

Finance

Finance Department is generally in charge of all matters related to financing and funding of various programmes and projects that are ran by the company. It is subdivided into units which include the fuel section, procurement unit and stores. The Fuel Section handles and administers the fuel allocation for the fleet of vehicles in the company, the Procurement Unit is involved in the procurement of equipment, logistics acquisition and supply chain and the Stores section deals with the logistics, supply and allocation to other departments and subsidiaries based on requisition.

IT Department

This department deals with the running of management information systems that have been set in place to ensure smooth running of the company IT department helps to enhance communication and shared information among staff by the provision of requisite gadgets and communication equipment. This department run the main server of the company and are in charge of securing all data that circulates the company's network.

Operations

It is the main department in charge of running the programmes and projects of the company smoothly. It carries out effective monitoring and evaluation of service delivery in the countries that the company operates. It is in charge of implementing a customer feedback system to respond to the needs of clients.

Communications department

This department is in charge of Corporate Social Responsibility (CSR) of the company. It is in charge of increasing public awareness of the programmes and projects being run by the company, takes care of publications concerning the company all forms of media work.

Estate department

Estate department helps keep and maintain all company property to a high standard. They ensure all legal documents on company lands and buildings are complete and secure.

Human resource department

The Human Resource Department is in charge of developing the capacity of staff. HR is also involved in running a comprehensive performance based reward system. It also runs an Emloyee Performance Management System (EPMS) that measures if staffs are meeting their work targets.

Transport Department

It is in charge of the general fleet management procedures that help the company to maintain, allocate, control and ensure proper usage of vehicles. Under this department is the technical unit which ensures that

vehicle are always available for operations. It schedules fleet for regular maintenance servicing to ensure smooth running of vehicles.

4.5 Analysis and Result Discussion

This section analysis the information gained from the research in themes, contrasts and finds similarities in both companies.

Motivations for Starting businesses

It was identified that both businesses were established due to the fact that an unexploited opportunity existed, i.e. 'opportunity entrepreneurship' as described by Acs (2007). Again, Acs (2007) stated in his paper that one thing that differentiates 'opportunity entrepreneurship' from 'necessity entrepreneurship' (their motive for setting up businesses is so they could earn a living) is their growth aspirations.

It is however very evident that the growth aspirations of the two businesses vary by far. From the interviews, the reason for this may be due to the fact that the passion and commitment level of the leaders vary.

Relationship between firm growth and size

Zoomlion's exponential growth over the past six years confirms what most research says about young businesses growing faster than old firms. This can be attributed to the extensive research and innovative skills that Zoomlion inculcates in its operations.

Challenges of small businesses and reasons why they fail to grow

Responses from both companies indicated that access to capital can be a problem for both small and large firms alike. This is because bank interest

rates are high and stringent requirements by banks before giving out loans discourages a lot of entrepreneurs.

As discussed in the literature, another reason why some businesses do better than others is due to educational disparities. Zoomlion invests a lot in expert management and competent staff. Whereas a bachelor's degree was the highest level of qualification at Daben, this was the average level of education among the core staff at Zoomlion.

Why We Should Have Large Businesses and Encourage Exports

Clearly, Zoomlion's size as a business has been very advantageous to it – in gaining international contracts and credibility in the local market. Size also gives companies credibility in money lending from financial institutions.

Determinants of Post-entry survival

The main factor mentioned in the literature for post entry survival is innovation. One reason for Zoomlion's success is its high level of innovation and investment in research and development. On the other hand, Daben had no department dedicated to research and development.

Industry Challenges

There are several challenges that arise in the waste management industry in Ghana. As stated in the literature review, some of these challenges include, delayed payment by government and private customers, poor regulatory framework, attitude of general public toward waste disposal, rapid urbanization and poor urban planning, human capital, lack of research support, and finance. Most of the data collected during the

interview sessions consented to these challenges mentioned in the literature.

Despite all these challenges, one major understanding gathered from all information acquired throughout the research is that Zoomlion responds to challenges differently and capitalizes on opportunities that these challenges present. It focuses on building good internal structures to neutralize or combat the external pressures. Zoomlion has several other businesses it engages in aside its core business of waste management. Each one of its businesses capitalize on opportunities and challenges in the waste management industry. Here are some examples:

- The Institute of Sanitation and Waste Management is meant to bring solution to the issue of lack of human expertise in waste management in Ghana;

- Zoom Alliance (lends waste management equipment to other waste management contractors) is set up to improve the effectiveness and efficiency of other waste management contractors that lack capacity to serve their demarcated areas efficiently;

- Its engagement in other businesses targeted at private individuals helps to neutralize the effect of delayed payment by government which could have affected the revenue of the company;

- The tricycles concept of waste collection was adopted due to the realization that some remote areas could not be accessed by the big trucks, which left such areas being catered for by the informal sector who disposed off waste indiscriminately;

- It also liaises with international organizations in the waste and sanitation industry in countries such as Germany and South Africa to tap into their technical knowledge, collaborate with them and build capacity. It engages with other businesses in China for Modern equipment and also DANIDA in Denmark for research into biogas systems.

5   SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The objective of this paper was to identify major challenges that prevent most start-ups in Ghana from scaling-up to large business with particular reference to why some failed, what those who scaled-up to large businesses did differently and the challenges of small businesses currently in operation. It also sought to propose ideas that can facilitate the up-scaling of small businesses to large businesses.

At the end of this research, it has been discovered that, apart from the often heard financial constraint as a problem for most stagnated growth in businesses, the reasons why some businesses do not do well and are unable to grow is due to the leadership of the businesses.

Decisions are often personalised by the owners instead of involving experts to take decisions and run the business in a manner that will be in the best interest of the business. Another reason that was identified was complacency and failure to build good relationships and synergies both locally and on an international level.

Most businesses also focus too much on the external challenges and fail to identify the internal challenges to work on them. Lastly, small businesses often fail to invest in research and development.

Despite the fact that one of the things that account for Zoomlion's exponential growth may be the collaboration the government had with it to implement the National Youth Employment Program (NYEP), it still works very hard independently by building strong internal structures to sustain the company. Some of such is its ability to take advantage of

opportunities. It also recognizes the importance of relations which help in capacity building.

The case study on Zoomlion has proved that there are several advantages that accrue to operating on a large scale. With the fast rate at which population is increasing in Ghana, particularly in urban areas, scaling-up as a business is really important in the waste management industry as that will help them have the right capacity to serve their demarcated areas more effectively and efficiently. Large businesses are able to gain external presence and attain international favors more easily because they have more references for their previous contracts.

The main lesson for young entrepreneurs is capitalizing on the opportunities that challenges present, building good internal structures, employing competent management, investing in innovation, research and development and building relationships to build capacity.

Waste management is a huge problem in Ghana, thus scaling-up is critical in this industry. Size helps develop capacity and this will help manage the problem more effectively and efficiently. Owners of businesses should learn to commit the management of the business to experts. The government must grant subsidies to businesses in the industry to aid them improve their capacity to become more effective in their operations and help resolve the issue of waste management in the country. Also, to facilitate more efficiency in the waste management activities, urban planning should be taken more seriously. The authorities should see to it that all policies are well adhered to.

5.1 Further Research

Even though scaling-up comes with several advantages, it sometimes becomes very challenging keeping the success of the business. There are also instances where companies bring about their own downfall through their own successes (Icarus Paradox). Further research should focus on identifying ways by which success can be maintained and not decline.

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7   APPENDIX
Interview Questions

Company Profile

- How long has this company been operating (in which year was it registered)?

- What kind of business is it? (Sole-proprietorship, partnership, limited liability)?

- What is the core business operation of the company?

- What was the motivation for starting this business – did you identify an opportunity to meet a gap or was it based on the necessity to survive?

 Environmental Context when the company started

- Economic; Political; Legal/ regulatory; Socio-cultural context

Internal and External Relationships

-     Any plans of building relationships with a local organization or international organization to facilitate the success of the business?

Technology, Innovation, Research and Development (R&D)

- What innovative techniques are employed in the business to make you distinct from others?

- How has this contributed to the success of this organization and does this give you an advantage over others?

- Which factors inspire your innovation techniques – what factors do you consider in choosing a particular technique?

Accounting and Financial Management

- Their financing structure over the years (debt, equity and dividend policy)

- Any issues with access to capital?

- Low physical capital and why (is it due to lack of investment opportunities or capital constraints)?

- What source of fund was and is used to start/ finance the business? (Did you have savings already before starting the business?)

Macroeconomic factors

- Do you benefit from state subsidies?

- To what extent are you affected by inflation?

Challenges/other issues

- Any major challenges/ constraints encountered in scaling up?

- What factors are liable to cause you to exit?

- Does the size and age of the firm aid directly in its growth? (How is your size and age advantageous or disadvantageous to your growth?

- Is scaling up in this industry critical to your company?