Impact of Entrepreneurial Performance of Small Medium Hotels; the Basis for Industrial Clusters in Western Region of Ghana

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Abstract

This study talks about entrepreneurial performance of small medium hospitality industry and the impact it will bring to Western Region of Ghana if the hotel industry is clustered. Although there is an increase in knowledge that Small Medium Enterprises are centre of every industrial improvement, systematic plan of action aimed at supporting the SMEs have most often fail. Successful stories about SMEs exist but are rare and this causes pauses for concern. Many researchers have established that industry cluster brings several benefits effect in countries that are industrialized. The table indicates that the respondents totally agree that an entrepreneur performance is better in relation to one's determination to achieve, good customer service, initiative ability, possess no fear of failure attitude, cope comfortably with new situations and strong emphasis on the marketing of tried and true products and services are some of the strength of an entrepreneurs in Western Region. The study further revealed that, with a significant value of 0.00 at 5% significance level, the dependency of being able to recover one's start-up money on the source of the start-up money is justified. Therefore, taking into consideration the benefit associated with industry cluster, hospitality industries in Western Region stand to gain if cluster policies are implemented.

Keywords: Cluster, Entrepreneurs, Small and Medium Enterprise (SMEs), Small Medium Hospitality Industry (SMHI)

INTRODUCTION

For centuries, there has been an observation of favourable economic impacts of industry cluster (Ketels, 2006), and as defined by Peng and Bourne (2009), refers to the interaction of similar business ventures that are involve in healthy competition, social networking, cooperating and coexisting. Industry cluster is a tool used to analyse or recognise those areas of the economy in which other business sector has taken advantage of the situation and develop short and long term strategies to enable the growth of the regional economy (Porter, 1998). The industrial cluster is regarded to have an advantage comparatively if the output of productivity and growth of the cluster are higher in relation to other regions. In addition, the regions asset and collaborative efforts of the members afford cluster industries other advantages that are a result of shared geographic location and common goals (Beaudry & Breschi, 2003). Although complete number of businesses can be an advantage, industries that are regionally located may not show majority of regions' employment. When all these, such as workers, inventors, localities, government, education and others come together to support the cluster industries, it has a ripple advantage on industry cluster groupings (Muro & Katz, 2010) .

The term hospitality industry consists of several service providers including lodging establishments- (from budget to five star lodging), restaurants- (from fast food to fine dining), bars- (from casinos to drink sport) and local eateries- (from street food vendors to stall). Due to the interrelated activities of hospitality providers, one finds it difficult to assess it performance because each service depend on another. According to Gursoy, Maier, and Chi (2008) getting the best out of the employee has always challenged employees and the hospitality industry is no exception. Performance is not just dealing with poor performance, it's a holistic process that begins with getting the right people, educating employees on procedures to be followed and high quality service delivery (Armstrong & Baron, 2005).

Hospitality industry is regarded as the most expanding sector of the economy in Ghana, especially along the coastal belt. According to Kim and Kim (2009), it is of both academic and applied interest to understand the drivers of economic performance and this has necessitated the researcher to analyse the impact of hospitality cluster on western region hotel performance, the case of small medium hospitality industry entrepreneurs.

Ghana has been endowed with major natural resources that have been exploited for many years for economic growth and development (Acquah-Sam, 2014). Ghana's history of oil and gas exploration dates back to the 19th century and it has been one of Africa's fastest growing economies over the past decade and the recent discoveries of oil make this goal seem even more achievable (Sutton & Kpentey, 2012), but if such growth rates are to be maintained, Ghana will almost certainly need to undergo major advance with regards to industrial capabilities (Acquah-Sam & Salami, 2014; Sutton & Kpentey, 2012). Data on SMEs in Ghana is scarce but statistics from the Registrar General's Department suggest that 92% of companies that have registered are those that fall within the category of micro, small and medium enterprises (Ofori & Aryeetey, 2011). The SMEs in Ghana provide about 85% of employment, contribute about 70% to Ghana's Gross Domestic Product (Benzing, Chu, & Kara, 2009), and therefore has a significant impacts on the growth of the economy as well as income and employment. To this, it can be deduced that SMEs plays an important role to national development, whether the situation is geared towards an economy that is developed or a developing economy.

Aside being important sources of employment and income in many developing countries (Benzing et al., 2009) , the flexible nature of SMEs also give it a better adaptability to changes in market conditions thereby making it better suited to withstand any cyclical downturns (Oppong, Owiredu, & Churchill, 2014) . Again, the dispersion nature of SMEs across the nation also promote better distribution of income, and generate additional value in both raw materials and product, as well as bring about efficiencies in domestic market (Abor & Quartey, 2010). In view of this, several countries have encouraged the improvement of industry cluster whereby SMEs can increase in competences and competitive advantage against some of the world's best competitors through the sharing of resources, innovative capabilities and knowledge (Porter, 1998).

Literature Review

Cluster theory directs SMEs attention on removing hindrances, reducing challenges and inefficiencies to productivity growth (Porter, 1998, 2000), as the emphasis is not on market share but rather on ever changing improvements. Therefore, if a good economic cluster based development models are applied, it will provide a base for constant economic growth and lead to greater opportunities (Belussi, 2006; Martin & Sunley, 2003). As defined, cluster as ''a generic agglomeration of firms of different sizes operating in the same sector with a specific locality'' (Biénabe & Sautier, 2005; Martin & Sunley, 2003) emphasised the role of

local factors for competing in international markets and explained that the pooling of SMEs allows achieving economics of scale through procurement and marketing. Sternberg and Litzenberger (2004) defined cluster as a sector and spatial concentration of firms, (Martin & Sunley, 2010) industrial as ''socioeconomic entity characterised by a special group of people and economic agents confined in close proximity in a geographic region''. Porter (1998) also introduced a different approach for clusters, that is, the industrial clusters is the spatial property being crowded together, that are specialized suppliers, providers of services, similar firms or industries and related institutions (e.g. universities, trade agencies, trade associations) that compete within a particular fields but cooperate as well, or a ''cluster is a group of reciprocally connected companies and other associated institutions geographically located in a particular area, sharing of common attributes and are interrelated'' (Kuah, 2002). In most cases, industry cluster is made up of geographically confined concentration of related activities such as transactions, communications and share specialized infrastructure, labour market service and are faced with common opportunities and threats (Costanza et al., 2007; Kuah, 2002). Clearly it can be seen that geographically connected and similar activities in business relation and cooperation are the common characteristics of cluster. In effect, clusters are taken to mean a group of business enterprises and none business organisations for which the membership within the group is an important element of each members firm's competitiveness. Typically, clusters are made up of ''buyers/suppliers relationships, common pool of labours, technologies and distribution channels among others (Humphrey & Schmitz, 2000)

According to Bengtsson and Kock (2000) cooperative linkages among competitors also known as 'Co-opetition' have become a topic of interest in recent years. Co-opetition refers to situations in which firms compete in some aspect of the markets and simultaneously cooperate with the same companies (Nalebuff & Brandenburger, 1997). The use of competition and cooperation seems paradoxically though, the firms come together in cooperation (Das & Teng, 2000), and the co-opetition lead to sharing of uncertainties, reduction in cost and associated risk in terms of innovations, efficient structuring and management of the co-opetitive relationships such that a firm's competitive strategies are enhanced (Bengtsson & Kock, 2000).

This then leads to the performance of SME, as defined by (Kramer, 2011), is their capability to lead to creation of employment and wealth by business start ups, survival and sustainability. Accurate and appropriate analysis of performance is critical element in SMEs

(Kramer, 2011; Murphy, Trailer, & Hill, 1996). To Voss, Tsikriktsis, and Frohlich (2002), a systematic measurement of performance may sometimes be the single most useful tool at management's disposal to enhance a successful strategy. Another approach to organisational performance is to use measurement against purpose, using perpetual measures of the SMEs performance (Guest, Michie, Conway, & Sheehan, 2003).

SMEs performance is improved through sales and customer growth and this according to Chan et al 2004) has a positive effect on the performance of the SME but (Guest et al., 2003; Voss et al., 2002) also enumerated some indicators such as customer loyalty, technology development, profit development, capital development and working capital as positive indicators. This notwithstanding, networking among entrepreneurs has positive effect on the performance of SMEs too.

SMEs in Ghana now have greater expansion and variety across the sectors as Ghana's market size is changing gradually (Frederick & Dzisi, 2008) and opportunities around neighbouring countries and Africa as a whole are also beginning to look attractive for SMEs in manufacturing, banking, food processing, pharmaceutical, ICT, agro, service sector, telecommunication, among others (Moazzem, 2006). Globalization and relaxation of trade procedures have increased tremendously and the expectations of customers concerning competition between companies has also gone up. Due to the benefit attached to the togetherness, many countries have encouraged the development of entrepreneur SMEs industrial cluster where firms can develop competences and competitive advantage against the world's competitors through the sharing of resources, innovative capabilities and knowledge.

According to Porter as cited by (Ho, Lenny Koh, Karaev, Lenny Koh, & Szamosi, 2007) , the implementation of cluster increase the productivity of companies within the cluster, promote innovation, stimulate the formation of new businesses, which in effect expands and strengthens the cluster itself. This positive effect leads to learning, innovation and consequently in the upgrading of capabilities leading to the development of sustainable competitive advantages and to the stimulation of regional economic development, as cited by (Metcalfe & Ramlogan, 2008; Porter, 2000). Several indicators proves that the cluster concept could be used by SMEs entrepreneurs that are in less developed economies (Davidsson, Delmar, & Wiklund, 2006) and Western Region is not exceptional.

Research Approach

Western Region of Ghana is one of the regions that is densely populated and has a lot of hospitality industries such as hotels, restaurant, eateries, bars and other commercial eating places. The study employed the use of descriptive design to find out opinions of hospitality entrepreneurs performance in Western Region. A sample size of two hundred (200) respondents from the entrepreneurs operating hotels in the region were selected, thus, the researcher contacted Ghana Tourist Board for the various hospitality data within the region. Population in this study is the owners and managers of SMHI in Western Region of Ghana. This study used primary data through a survey questionnaire consisting of hospitality industry demographic and attitudinal variables from the small medium hospitality industries in the Western Region of Ghana. The purpose of using questionnaires survey was because of the direct response and feedback from the respondents that can be collected in short period of time and in an easier manner. The questionnaire was closed-ended or structured in order to ease the process of analyzing the data from respondents.

Results and Discussion

SME Entrepreneur's Performance in Western Region of Ghana (Statistics)

	N	Mean	Mode	Std. Deviation
Perseverance	200	3.15	3	0.762
Long term commitment	200	3.01	3	0.880
Do not give up easily in solving problem	198	3.09	3	0.801
Risk takers	200	3.08	3	0.850
Ability to think and judge quickly	200	3.20	3	0.814
Determined to achieve	200	3.28	4	0.868
Belief in owner business	200	3.15	3	0.794
Good customer service	200	3.25	4	0.890
Financially disciplined	199	3.25	3	0.735
Initiative	200	3.40	4	0.702
Selling/ marketing	200	3.25	3	0.768
Possess no fear of failure attitude	200	2.98	4	1.015
Self confidence	200	3.30	4	0.845
Controlling	200	3.20	4	0.930
Tolerance for uncertainty	200	3.15	3	0.884
Profit oriented	200	3.40	4	0.702

Shifts in customer needs and preference	200	3.24	3	0.601
Comfortable with new situations	200	3.03	3	0.990
A strong emphasis on the marketing of tried and true products and services	200	3.28	3	0.708
Changes in product or services	200	3.05	4	0.976
Shift in economic conditions	200	3.23	4	0.937
Shift in customer needs and preferences	200	3.45	4	0.807

The table indicates that the respondents totally agree that an entrepreneur performance is better in relation to one's determination to achieve, good customer service, initiative ability, possess no fear of failure attitude, self-confidence, controlling, profit oriented, changes in product or services, shift in economic conditions and shift in customer needs and preferences. The ability to persevere, commit long term, take risk, discipline himself financially, selling/marketing, tolerate uncertainty, do not give up easily in solving problem, to think and judge quickly, to believe in his/her own business, to cope comfortably with new situations and to shift in customer needs and preference, and strong emphasis on the marketing of tried and true products and services are some of the strength of an entrepreneurs in Western Region.

Chi-Square Tests

	Value	Approx. Sig.
Pearson Chi-Square	184.655	0.000
Phi	0.961	0.000
Cramer's V	0.961	0.000
N of Valid Cases	200	

With a Chi-square value of 184.66 and a Cramer's V value of 0.961, the table indicates that there is a very strong inter-dependence of the source of the businesses' start-up money and the ability to recover the start-up money. Also, with a significant value of 0.00 at 5% significance level, the table shows that the observed relationship is highly significant

indicating that the dependency of being able to recover one's start-up money on the source of the start-up money is justified but not due to chance. From the analysis above, one can deduced that performance of entrepreneurs in Western Region of Ghana stand a better chance of benefit if the small medium hospitality industry is clustered.

Benefits of Western Region Small Medium Hospitality Industry Cluster

Listed below are some of the possible benefits the SMHI will gain when cluster is implemented.

(Davidsson et al., 2006; Man & Lau, 2000; Zeinalnezhad, Mukhtar, & Sahran, 2010).

- Clustering of entrepreneur SMEs serves as entry point for other agencies looking for good business practices.
- One firm cannot achieve in varied market opportunities, hence the need for Cluster of entrepreneur SMEs.
- The pain of cost and risk barriers to trade is reduced due to entrepreneur SMEs cluster.
- The activities of entrepreneur SMEs are increased through productivity.
- Due to the strong domestic cluster foreign investors are attracted to the region.
- Clustering enable firms to grow faster, gain recognition within the market because they are sited near competitors and related industries.
- There is a reduction in sales personnel overhead expenses and increase sales generation because of SMEs entrepreneurs cluster.
- Clustering of SMEs encourage sales expertise contacts
- The activities of SMEs in cluster has promoted self employment
- Clustering of SMEs attracts financial institutions and fast growth, thus, entrepreneurs re-investing his /her profit.
- Another benefit attached to SMEs cluster is that, it allows the country to produce in sectors of high rapidity of change in terms of products, processes or markets.
- Clustering of entrepreneur SMEs encouraged trust as well as capacity building which eventually lead to other benefits associated to networks
- Clustering leads to the development of appropriate standards for responsible business practices

Conclusion and Recommendation

The driving force of economic development as well as issues relating to cluster formation and technological improvement are not given priority in Western Region, Ghana. The entrepreneur SME cluster development is a process that encompasses several businesses and institutional actors which calls for a general attitude towards improvement and cooperation. Basically, knowing and understanding advantages of cluster are the values to region only if that known knowledge leads to activities that grow economies and raise living standards among the people. If the knowledge base, which is the fundamental principles, is used as bench mark to cluster development, it will assist industry cluster to achieve collaboration efficiently and dynamic improvement will be seen among the SMEs. Again cluster can be used to close the information gap that small enterprises often have, and through this process boost individual firm and above all the performance of SMEs in Western Region. The study therefore suggest that more clustering are implemented in other part of the country and when this is done, will increase performance and strengthen SMEs position of a cluster as a whole. Again, the benefit of cluster listed above is an added advantage for Western Region if clustering of other SEMs is adhered too.
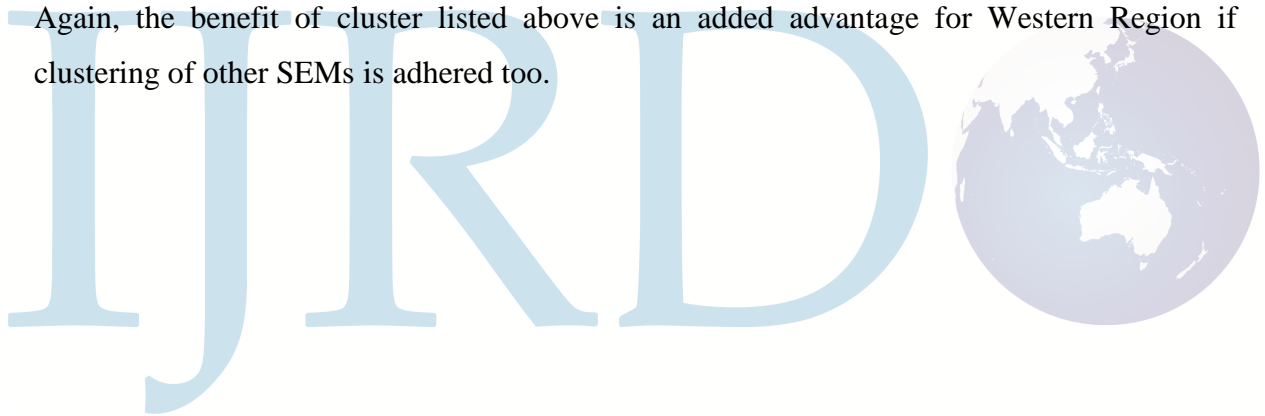
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