

## Innovations for reviving small-scale industries in Ghana

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### **Abstract**

*This research paper give emphasis to some of the innovations used in reviving small-scale industries in Ghana. It stresses on the point that if SMEs that has been labelled as the engine growth of the Ghanaian economy can adopt innovative ways in doing business, there would be great impact to Ghana. There is a general awareness and acceptance of the role SMEs play in socio-economic development in Ghana. The Small-Scale industries contributes greatly to Gross Domestic Product (GDP) in ensuring economic growth, employment, income stability and poverty reduction in most developing countries. In spite of the above roles, most of these industries are now collapsing because of the lack of innovations in conducting their businesses. The few who has been able to adopt innovated ways of doing business are experiencing business boom while the majority of them are struggling to break-even thereby classifying the small-scale industries as synonymous to a 'hand to mouth' industry. This study intends to achieve the following objectives; first is to pinpoint some of the innovations used in reviving SMEs, to identify some challenges faced in the adoption of innovation in small-scale business delivery in Ghana and to determine and make effective recommendations that would help to reduce or mitigate those challenges. To achieve the objectives slated, review of secondary data from documented reports and the internet, publications, journals and articles were used. The primary data was an in-depth guided interview with key stakeholders (revenue collectors, policy makers, small-scale business owners, members of the SMEs etc.)*

**Keywords:** Innovation, Small scale industries, SME, Ghana.

### **Introduction**

There is this growing recognition of the important role small scale enterprises play in the economic development of Ghana. They are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. Even in the developed industrial economies, it is the SME sector rather than the multinationals that is the largest employer of workers (Mullineux, 1997). Interest in the role of small-scale enterprises in the development process continues to be in the forefront of policy debates in most countries of which Ghana is not an exception. Governments all over the world have undertaken initiatives to promote the growth of SMEs for the betterment of their respective economies. (Feeney and Riding, 1997). SME development can encourage the process of both inter and intra-regional decentralization; and, they may well become a countervailing force against the economic power of larger enterprises. More generally, the development of SMEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation (Cook and Nixon, 2000). According to an OECD report, SMEs produce about 25% of OECD exports and 35% of Asia's exports (OECD, 1997). SMEs represent over 90% of private business and contribute to more than 50% of employment and of GDP in most African countries (UNIDO, 1999). Small scale enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of manufacturing employment of Ghana (Steel and Webster, 1991; Aryeetey, 2001). SMEs are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana. SMEs compete in rapidly changing markets and must respond to the challenges of globalization, technological advancement and other factors. To be able to work themselves out of poverty, to survive and to grow, SMEs need access to a range of services. In developing countries like Ghana, SMEs employ a significant portion of the total labour force. Many of these jobs exist in the informal economy, in poor, subsistence, and "survivalist" businesses that do not provide decent work and income. These businesses need to be developed so that the income and wages they generate can support a transition out of poverty

for their owners and workers. One way of strengthening small-scale enterprises is to improve and innovate their way through the difficult market they serve.

## Conceptual interpretations

Certain concepts like innovations and small-scale business in this paper needs to be interpreted. The definition of innovation has been an issue of interest both for researchers and for different industries as well as key stakeholders. It is pondered that definition of innovation may vary depending on the organizations involved and the industry they operate as the way the concept will define within an organization will vary from another. Innovation, according to the business dictionary is the process of translating an idea or invention into a good or service that creates value or for which customers will pay. To be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need. Innovation involves deliberate application of information, imagination and initiative in deriving greater or different values from resources, and includes all processes by which new ideas are generated and converted into useful products. In business, innovation often results when the company applies ideas in order to further satisfy the needs and expectations of the customers. In a social context, innovation helps create new methods for alliance creation, joint venturing, flexible work hours, and creation of buyers' purchasing power. Innovations are divided into two broad categories; *evolutionary innovations* (continuous or dynamic evolutionary innovation) that are brought about by many incremental advances in technology or processes and *revolutionary innovations* (also called discontinuous innovations) which are often disruptive and new. Innovation is synonymous with risk-taking and organizations that create revolutionary products or technologies take on the greatest risk because they create new markets. Imitators take less risk because they will start with an innovator's product and take a more effective approach. Examples are IBM with its PC against Apple Computer, Compaq with its cheaper PC's against IBM, and Dell with its still-cheaper clones against Compaq. The American association for quality gave a definition that, innovation as the successful conversion of new concepts and knowledge into new products, services, or processes that deliver new customer value in the marketplace. Another definition given was from Baregheh and co (2009) which they stated, "Innovation is the multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace." (Baregheh, Rowley, & Sambrook, 2009, p. 1334)

The other concept to explain here is small-scale business. Definitions of Small and Medium Enterprises (SME's) vary from country to country, depending on one or more of thresholds lay down in respect of investment, employment, turnover etc. The issue of what constitutes a small-scale enterprise is a major concern in the literature. Different writers have usually given different definitions to this category of business. SME's have indeed not been spared with the definition problem that is usually associated with concepts, which have many components. The definition of firms by size varies among researchers as well as writers. Others define SME's in terms of their legal status and method of production. Some attempt to use the capital assets while others use labour and turnover level. In Ghana, various definitions have been given for Micro, Small and Medium scale enterprises but the most commonly used criterion is the number of employees of the enterprise (Kayanula and Quartey, 2000). In using this definition, confusion often arises in respect of the unpredictability and cut off points used by the various official sources. According to the National Board for Small Scale Industries (NBSSI, 1990) SME's is defined in Ghana by applying both the "fixed asset and number of employees" criteria. It defines a small-scale enterprise as a firm with not more than nine (9) workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghanaian cedis and micro with employee less than five.

## Innovations for reviving small-scale industries

### 1. Technological innovations

Technological innovation is a part of the total innovation discipline. It focuses specifically on technology and how to embody it successfully in products, services and processes. Technology as a body of knowledge might be seen as a building block for technological innovation, serving as cornerstone to research, design, development, manufacturing and marketing. The advance of technology constitutes a development mega trend with huge potential. Technological innovation comprises activities that

contribute to the research, development and design of new products, services or techniques, or to improving existing products, and generates new technological knowledge. It is a process, product, managerial change and creation that improve company's productivity and quality, adding value to customer. Currently, technology innovation is a relevant factor in the business world and it has a greater importance when it is associated with variables such as competitiveness and the impact is greater because the trend of the variable of technological innovation makes in the future of business development is perceived. Technological innovation is one of the most fundamental and powerful forces affecting both economy and society. On the economic side, new technologies produce jobs or changes the nature of them, and through economic growth, improvements in productivity and strengthening of our international trade position. It enhances our standard of living. In the satisfaction of other societal needs, technological change can enhance the quality of life through new health care delivery systems by improving work environments through control of the environments and in a host of other ways. Technological innovation during the fifties was considered as a development only as isolated results of research development, currently it is considered as the process for dealing and resolving problems mainly focused on the market and its various agents, it involves the exchange of knowledge tacit and explicit that facilitates learning from different approaches (Hidalgo, Vizan and Torres, 2008). Proper management of technology is one of the keys to success in business today. The technology used by a company can be generated internally through research or it can be gotten outside. Therefore, in order to the company achieve and maintain a technological advantage that allows it to be competitive, it must maintain a position of market dominance from own research and development. The above due to the acquisition of the technology offered in the market is accessible to any competitor and therefore it does not use to provide the company with additional benefits (Pavón and Hidalgo, 1997).

## **2. Marketing innovations**

Marketing innovation is a process where a product or service is marketed and communicated to the target group by the support of ideas and process that were not used earlier. It can be done through changes in the product design, launching the product in unique place, promoting through unconventional method, uniquely pricing the product etc. In its simplest term, it is the execution of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. Marketing innovations are aimed at better addressing customer needs, opening up new markets, or newly positioning a firm's product on the market, with the objective of increasing the firm's sales. The ability to be able to adapt to consumer behavior and new technologies while maintaining a strong customer attention is essential to great marketing. Creating an incredible customer experience means giving consumers what they may not even yet realize they want. Increasingly there has been the need to innovatively market our products and service if we want to continue to be in business. This is indeed one of the ways to be competitive in a robust economy. The focal drive of innovation marketing is to open up new markets and eventually lead to an increase in the business sales. Innovation marketing also aims at newly positioning the business' products as well as addressing the customers' needs. As the dynamics of business keep changing on a daily basis, so are the marketing strategies. One of the main features that distinguishes innovation marketing is the fact that it signifies the company's or business departure from the old marketing strategies. Thus, innovation marketing should be able to highlight the progress in business by using new marketing methods that have not been used before. These new methods can be adopted from other businesses, basically by learning the market trends and adapting to change, or, it can be a totally new marketing idea brought in by the business. These new marketing methods can also be implemented on both new and existing products and services.

## **3. Innovative leadership**

Innovative leadership is a philosophy and technique that combines different leadership styles to influence employees to produce creative ideas, products, and services. The key role in the practice of innovation leadership is the innovation leader, which in most cases of small-scale industries is the entrepreneur or the sole proprietor. Innovative leadership can support achievement of the mission or the vision of an organization or group as an approach to organizational development. To adjust to new changes, the need for innovation in organizations has brought about a new focus on the role and impact of leaders in shaping the nature and success of innovative efforts. Without innovation leadership, organizations are likely to struggle. Innovative leadership is used in various giant companies including

MTN, GCB, GPHA, SSNIT, many others and the desired results are always achieved, and so small-scale industries are now embracing it for their resurgences. Small scales enterprises in Ghana have realized that surviving in the 21st century means changing, adjusting, and being more inventive than the competition. Some of the benefits of innovative leadership are high job satisfaction, higher job performance, high-quality group interaction and the fact that the greater the diversity, the greater the variety of ideas.

#### **4. Industrial symbiosis**

Industrial Symbiosis is a subset of industrial ecology and is an association between two or more industrial facilities or companies in which the wastes or by-products of one become the raw materials for another. In other words, it is the exchange of materials or waste streams between companies, so that one company's waste becomes another company's raw materials. A variety of by products are traded, such as steam, plastic waste, coca husk, coconut shell, sash, gas, heat, sludge, and others that can be physically transported from one company to another. Industrial symbiosis involves a collective approach to competitive advantage through the physical exchange of materials, energy, water and/or byproducts, or the shared use of assets, logistics and expertise. Industrial symbiosis brings about industrial synergy, which brings advantages to both parties, and is usually done for both commercial and environmental reasons. The companies involved may be close together or far apart, producing the same things or completely different ones, and the resources they share may consist of materials, energy or water. The norm behind industrial symbiosis is reasonably modest. That is, instead of waste being thrown away or smashed, it is rather taken and then forwarded for use as a 'new' input into another process by one or more other companies, providing a mutual benefit for both entities. A typical example is the sachet that generates a lot of plastic waste after drinking the sachet water. Now the plastic sachet is a raw material for a company that build bricks for road construction and another also uses the plastic sachets as a raw material for other items like bags. This in turn creates business opportunities, reduces demands on the earth's resources, and provides a stepping-stone towards creating a circular economy. Consequently, all synergies have some common benefits, which is that they reduce costs and generate new sales for the companies involved, as well as creating significant environmental benefits such as reduced landfill and greenhouse gases. The economic activity generated also has further social benefits with the creation of new businesses and jobs.

#### **5. Demand stimulation and generation**

Demand stimulation and generation is the focus of targeted marketing programs to drive awareness and interest in a company's products and or services. Commonly used in business-to-business, business-to-government, or longer business-to-consumer sales cycles, demand generation involves multiple areas of marketing and is really the marriage of marketing programs coupled with a structured sales process. Demand generation is an essential function that has gained prominence within business-to-business (B2B) enterprises significantly over a span of time. The main objective behind every sales and marketing strategies is to increase sales to speed up the revenue growth. Creating demand for service and product offerings comprise exploiting multiple offline and online means. By simplifying the procedure that comprises various areas if marketing teamed up with well-formatted sales procedures, business organizations can increasingly enhance their brands and bottom lines. Demand Generation is a holistic approach to marketing and sales cohesion within the company. Creating awareness is a vital component in the demand generation process and it often takes a continued effort and involves several features of marketing. There are multiple components of a stepped demand generation process that vary based on the size and complexity of a sale. Some of these components among others are building awareness, positioning relevance, supporting validation and mitigating customer evaluation. Marketing automation enables the demand generation process to automatically score, classify, segment, and nurture leads across multiple campaigns until they are ready to buy. Nowadays service providers of business-to-business (B2B) lead generation services have come up with unconventional tele prospecting demand generation methodology that is helping in uncovering qualified opportunities within organizations to mid-market accounts for direct or channel sales team.

#### **Recommendation**

The discussion above shows the strategic innovations used for reviving small-scale industries in Ghana. Some of the reasons why most of our small-scale industries die at their early stages are among others lack of adequate finance, improper bookkeeping and the lack of innovative ways in operating and managing those enterprises. To address the perennial crises that has bedeviled the small-scaled industries in Ghana, innovative ways are needed to be adopted in that regard. Small and medium-scaled enterprises should be a very serious concern and responsibility of the central government at the same time, the private sector should be made to contribute in its conservancy. The article spoke about the innovations for reviving small-scaled industries in Ghana and underlined demand stimulation and generation, industrial symbiosis, innovative leadership, technological innovations, marketing innovations and the likes as some of the innovative ways through which small-scaled industries in Ghana can be revived. Education of all stakeholders of the small-scaled industry is very important in this regard and should be taken seriously, as majority of our entrepreneurship community falls in that bracket. If the small-scaled industry in Ghana would be given a critical attention and would be helped to understand the importance of innovations in their respective trade lines, it surely can be a driver for Ghana's economic benefit.

## Conclusion

Innovation is crucial to the continuing success of any organization and the time for small-scale industries in the sub-Saharan Africa to embrace the concept is now. SMEs are the main support of the economy in a country, they contribute to sustainable economic development and they generate wealth thereby bringing about a wealthy nation. Innovation is an important entrepreneurial function for any business and this supports the statement, *"it's either you innovate or perish in businesses"*. It is not enough for the business to provide just any economic goods and services; it must provide better and economic ones. It is not necessary for a business to grow bigger, but it is necessary that it constantly grows better. If Ghana can focus and invest into the innovations that will help in the revival of small-scale enterprises, the returns of its contribution to national development would startle all and sundry. The focus of this paper is innovations for reviving small-scale industries in Ghana and the researcher has identified specific ways in which small-scaled industries can be revived innovatively to contribute to the national development of Ghana. How to sustain these innovative ways in reviving the small-scale industries in Ghana and the economic role of small-scale industries in Ghana are suggested areas of further studies.

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**DOI:** 10.21522/TIJMG.2015.05.01.Art022

**ISSN:** 2520-310X

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