

MAS 151

Business in Ghana

GHANAIAN BUSINESS & CULTURE

Outline

I. Characteristics of Ghanaian Businesses

II. The Concept of Culture

III. Ghanaian Businesses & Culture

IV. Culture Assimilator

I. Characteristics of Ghanaian Businesses

✚ Businesses in Ghana can be classified in various ways.

✚ The most common classifications are:

A. Formal and informal entities

B. Public and private entities

C. Micro, small, medium and large enterprises

A. Formal versus Informal Sector

✚ Formal sector

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- ✚ Formal business sectors are ones that are captured by the various **institutions of state as officially registered**.
- ✚ Ministries and agencies under which they are regulated, usually have oversight responsibility over them.
- ✚ Formal sector has an **organised system for employment** with clear job responsibilities.
- ✚ There is **formal and standardised** relationship between the employer and the employee.

B. Informal Sector

✦ Informal sector describes economic activity that takes **place outside the formal regulatory systems** (or regulations) governing economic transactions but may not necessarily be illegal.

✦ Generally, the term applies to **small or micro-businesses** that are established by **individuals and families** usually as means of selfemployment.

✚ The informal sector and its firms serve as a **safety net** for people unable to secure employment in the formal sector.

Informal Sector

✚ In other words, the informal business sector embodies economic activities that are conducted by **unregistered firms or by registered firms** but **hidden from taxation** (LaPorta & Schleifer, 2008).

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- ✚ It includes not only enterprises that are not legally regulated but also employment relationships that are not legally regulated or protected.
 - ✚ Conceptually, **informal employment** refers to as employment in the production of goods and services that are legal, but where there is noncompliance in some legal aspects of employment or the production process.

Informal Sector

✚ It is estimated that about **80 percent** of the Ghanaian workforce is employed in the informal sector.

✚ The sector is characterised by underemployment, uncondusive working conditions, uncertain work relationships and low pay and wages.

Informal Sector

✦ Majority of people working in the informal sector are living with **high income insecurity**.

✦ The trade unions are facing major challenges in attempt to organise workers in the informal sector to ensure that employees

are working in an environment with high job security and devoid of harm.

Public and Private Sectors

✚ Basically, there are two major sectors in every economy; the **public** and **private**.

† **Public sector** institutions and businesses are established and controlled by government or the state.

Private Sector

† **Private sector** is made up of entities outside the public sector and includes foreign investments.

† **Public/private partnership** (PPP) where ownership is shared between the state and the private individuals/companies.

C. Micro, Small, Medium & Large Enterprises (also called SMEs)

‡ Definition of these micro, small and medium & large enterprises is based on the **number of employees, turnover, and assets of the enterprises.**

‡ Definitions vary from country to country sometimes depending on the size of the economy.

‡ **Micro enterprises:** 1-5 employees and value of fixed assets up to \$5,000.

‡ **Small enterprises:** 6-19 employees and fixed assets up to \$10,000.

‡ **Medium enterprises:** 20-99 employees and fixed assets worth up to \$100,000.

‡ **Large firms:** 100 or more employees with fixed assets worth more than \$100,000.

Note that fixed assets exclude immovable property

Micro, Small, Medium and Large Enterprises (also called SMEs)

† World Bank's Definition since 1976

† SMEs are firms with fixed assets (excluding land) less than US\$ 250,000 in value

† UNIDO's Definition for Developing Countries

Large :firms with 100+ workers

Medium :firms with 20 - 99 workers

Small :firms with 5 - 19 workers

Micro :firms with < 6 workers

Micro, Small, Medium and Large Enterprises (also called SMEs)

✚ UNIDO's Definition for Industrialized Countries:

Large :firms with 500+ workers

Medium :firms with 100 – 499 workers

Small :firms with ≤ 99 workers

II. The Concept of Culture

✚ Culture consists of **shared elements** that provide the standards for perceiving, believing, evaluating, communicating, and acting **among those who share a language, a historical period, and a geographic location.**

✚ The collective **programming of the mind** that distinguishes the members of one group or category of people from others.

(Shavitt, Lee & Johnson, 2008; Hofstede 1980)

The Concept of Culture

✚ Culture can be studied in multiple ways—

✚ across nations

✚ across ethnic groups within nations

✚ across individuals within nations

Key Cultural Dimensions

A. **Individualism** and **collectivism** represent the most broadly used dimensions of cross-cultural comparison;

✚ In **Individualism cultures**, people tend to prefer independent relationships to others and value their personal goals than ingroup goals.

✚ In **collectivism cultures**, people tend to prefer interdependent relationship to others and value ingroup goals than personal goals.

(Hofstede, 1980; Triandis, 1989)

Key Differences between Collectivism and Individualism: General Norms and Family

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COLLECTIVIST	INDIVIDUALIST
People are born into extended families or other in-groups that continue protecting them in exchange for loyalty.	Everyone grows up to look after him- or herself and his or her immediate (nuclear) family only.
Children learn to think in terms of "we."	Children learn to think in terms of "I."
Value standards differ for in-groups and out-groups: exclusionism.	The same value standards are supposed to apply to everyone: universalism.
Harmony should always be maintained and direct confrontations avoided.	Speaking one's mind is a characteristic of an honest person.
Friendships are predetermined.	Friendships are voluntary and should be fostered.
Resources should be shared with relatives.	Individual ownership of resources, even for children.
Adult children live with parents.	Adult children leave the parental home.
High-context communication prevails.	Low-context communication prevails.
Frequent socialization in public places.	My home is my castle.
Trespasses lead to shame and loss of face for self and group.	Trespasses lead to guilt and loss of self-respect.
Brides should be young, industrious, and chaste; bridegrooms should be older.	Criteria for marriage partners are not predetermined.
The most powerful influence on girls' beauty ideals is girlfriends.	The most powerful influence on girls' beauty ideals is boys in general.

(Hofstede, 1980)

B. High-context and Low-context Cultures

✚ Context is the information that surrounds an event; it is inextricably connected to the meaning of that event.

✚ **High context culture** is one where most of the information is not explicitly communicated. “**information is internalised in the persons.**”

✚ **Low context culture** is the one where mass of the information is explicitly communicated. “**information is vested in the explicit code.**”

High Context

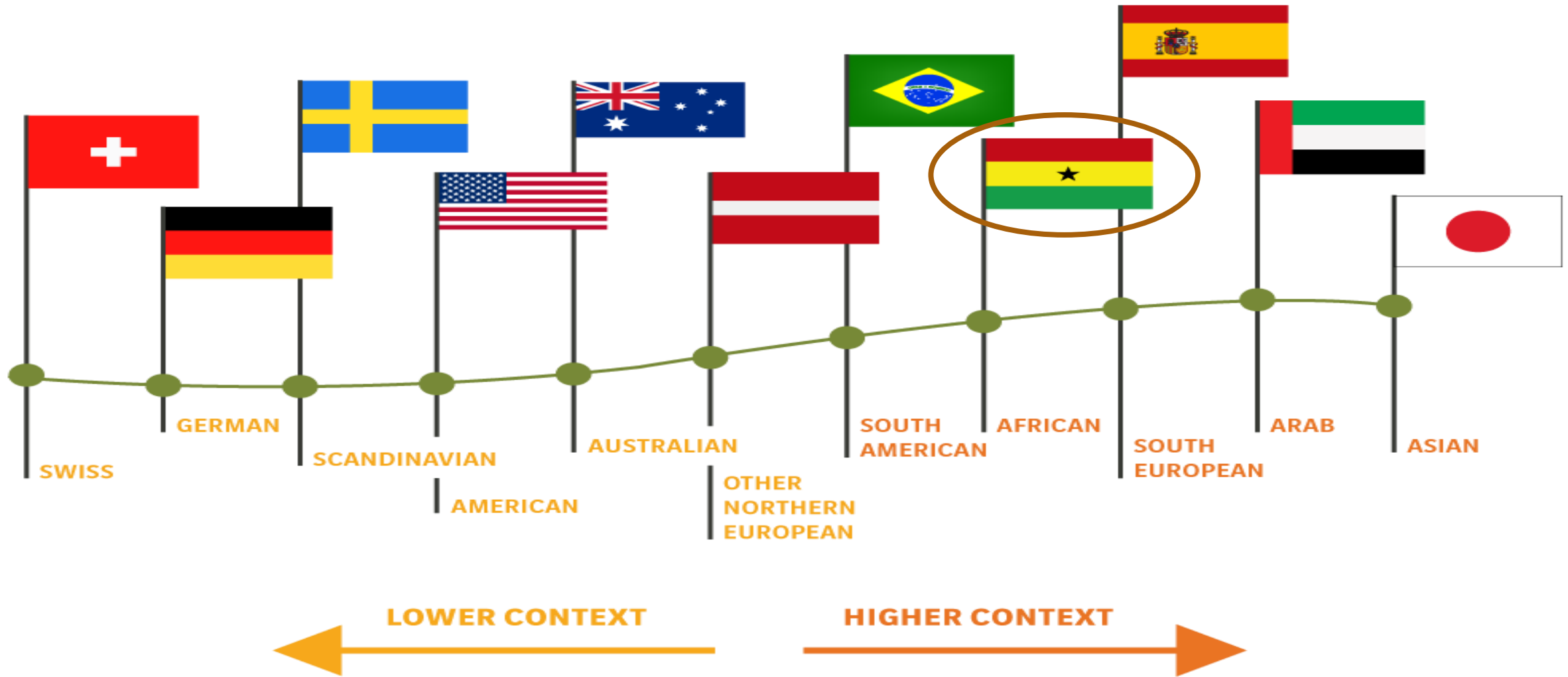
1. Indirect
2. Ambiguous
3. Maintain of harmony
4. Reserved
5. Nonverbal cues
6. Mostly collectivist

VS

Low context

1. Direct
2. Precise
3. Dramatic
4. Open/Outgoing
5. Emphasise words
6. Mostly individualist

HIGH CONTEXT VS. LOW CONTEXT CONTINUUM



- ✚ Country's culture can have a great impact on business practices.
- ✚ Despite globalisation, cultural influence on business should not be underestimated

For African-based firms to deal effectively across cultural lines, management of business organisations should value African management strategies as equally important as those practice by Western countries. -----Amoako-Agyei, (2009)

Ghanaian culture & Businesses

✦ Some key culture and principles that impact the activities of business management in Ghana.

✦ **Collective solidarity:** Business activities are often communal and interdependent.

✦ **Group significance:** Business goals are achieved in groups and personal achievements are underplayed.

(Amoako-Agyei, 2009)

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✚ **Harmony and social cohesion:** Emphasis is placed on peace and mutual respect.

✚ **Consensus:** Emphasis is placed on collective decision making and competition is discouraged, as is individuality.

✚ **Consultation:** Joint problem solving and honouring the collective wisdom of all team members.

(Amoako-Agyei, 2009)

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✚ **Greetings:** Emphasis is placed on personal greetings, as Ghanaians are warm and friendly.

✚ **Local Time (or “Ghanaian” Time):** Time standards are ambiguous. Time for **social events** may gain more commitment than **business time**.

✚ **Age and authority:** Advanced age is inherently equated with authority, business wisdom, rank, title, and experiences.

(Amoako-Agyei, 2009)

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✚ **Culture of forgiveness:** Inherent tendency to beg for forgiveness for infraction of rules.

(Amoako-Agyei, 2009)

IV. Cultural Assimilator Exercise

✚ The culture assimilator:

✚ an approach to cross-cultural training

✚ collection of real-life scenarios describing puzzling crosscultural interactions.

✚ explanation for avoiding the emerging misunderstandings.

(Amoako-Agyei, 2009)

Culture Assimilator

✦ Important emphasis on

- ✦ the **interpersonal attitudes** that address a contrast between the home culture and the target culture.
- ✦ the contrasting **values, customs or norms** of the other cultures.
- ✦ the various **social situations** that may be encountered at homes, schools, home, markets and workplaces.

Seller's culture Customer's culture

“In the Christmas Eve, Mr. Bruce decided to go for shopping for his family who recites in Ejisu. Early, in the morning he visited Adum, the central business district in Kumasi. He explored the market for products he intended to purchase. Mr. Bruce located a shop where he could purchase all his products he needed. He happily made an attempt to visit the shop. In front of the shop, were two women who were selling fruits. However, Mr Bruce did not talk to the women in front of the shop but immediately rushed to the shop, thinking that he will meet the shop owner. Unfortunately, the shop owner was not present at the shop but had shortly stepped out of the shop. Mr. Bruce then returned to the fruit sellers to enquire about the shop owner. After several minutes, one of the fruit seller replied him half-heartedly. Mr. Bruce became disturbed and

uncomfortable wondering reason(s) the fruit seller chose to reply him reluctantly”

What is a good analysis of the situation involving the delayed and half-hearted response to Mr. Bruce’s question?

Culture Assimilator Exercise

1. The women were impolite for not responding quickly to Mr. Bruce’s questions. (Please refer to X-1)
2. The women were furious that Mr. Bruce asked about the shop keeper. (Please refer to X-2)

3. Mr. Bruce should have greeted the women in front of the shop when he came to meet them before proceeding to the shop. (Please refer to X-3)

4. Mr. Bruce was rushing, and the women did not hear him asking the question. (Please refer to X-4)

Possible explanations

X-1. Normally, people may not answer to questions, which were not directed to specific individuals in many social situations. Therefore, it was not entirely conclusive that the women wanted to be impolite to Mr. Bruce by not immediately responding to the question. However, the women might have been waiting for other colleague to respond.

X-2. Everyone would be happy to be served to interact with others. It was unlikely that the women would be angry because Mr. Bruce merely asked a question about a shop keeper. They would rather acknowledge that Mr. Bruce needed to buy important things because it's a Christmas Eve.

Possible explanations

X-3. In Ghanaian culture greetings serve as a sign of mutual respect, which is highly valued in social situations. A person has to greet first before making any enquiry. It is believed that greetings maintain peace, keep relational conflicts to a minimum and promote business. Therefore, Mr. Bruce could have asked the women who responded to his question why they delayed in answering his question.

X-4. In the market since everyone was working, and the most important thing was working on the to get money, thus responding to individual's mere quarries were irrelevant to the women.