

Government Export Promotion Organisations and SME Internationalisation: A case study of Ghana's Non-Traditional Export Sector.

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Declaration

I declare that the work presented in this thesis was conducted by me, unless otherwise stated.

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Abstract

Internationalisation has been identified as one of the major dimensions of firm growth (Peng and Delios, 2006). Karadeniz and Gocer, (2007) argue that exporting activities, for instance, increase profitability, improve trade balances, and help eradicate poverty and unemployment in both developed and developing countries. SMEs are becoming increasingly international and have been reported to contribute between 25-35% of the world's exports in manufacturing (Andersson and Flores, 2008). However, available literature suggests that there are still many SMEs in both developing and developed countries that do not export, or do not contemplate doing so. Although, it is worth pointing out that exporting is not that financially intense and involves fewer financial and commercial risks as a foreign markets' entry mode compared to some forms of direct investment (Lages and Montgomery, 2004; Agndal and Chetty, 2007). In this regard, many researchers (Lu and Beamish, 2001; Oviatt and McDougall, 1994) have recognised the important role played by SMEs in international markets.

There is strong advocacy for support for SMEs in the area of export assistance by a section of researchers', policy makers and corporate entities. The European Commission report (2015) indicates resource constraints put SMEs at a disadvantage within international markets. The Commission maintains that few SMEs in Europe export beyond the EU. The Commission argues that increasing the internationalisation of SMEs and helping them to access markets outside the European Union is crucial for Europe's competitiveness, economic growth and innovation. In Ghana and many developing countries, SMEs dominate the economic environment; hence, such assistance to small businesses will go a long way to boost the fortunes of the country. It is by this notion that governments all over the world implement export promotion programmes, (EPPs) in order to provide support to augment the internal capability of SMEs.

However, a review of the theoretical and empirical literature reveals that, for various reasons most SMEs are not making use of the promotion services for various reasons, even though the service is actually instituted for them. Some researchers have argued that EPOs in developing countries such as Ghana do not have free hands to operate and that political party cronies and a few companies with government connections are those

most able to access export promotion facilities and services. This study investigated and analysed 42 qualitative interviews conducted in Ghana to provide a clear understanding of the role of such assistance in the exporting activities of Ghanaian SMEs in the Non-Traditional Export sector. The qualitative data collected from 30 SMEs and 12 key organisations associated with export promotion and SMEs development in Ghana shows that export promotion has had a positive impact on SMEs internationalisation, performance and growth. However, the challenges faced by EPOs affect service delivery as well as the diversity of the service. Moreover, lack of effective coordination and integrated approach of rendering services by organisations such as the Ministry of Agriculture, the Ghana Standard Authority and the various EPOs has resulted in numerous challenges and sometimes prevention of fruit and vegetables from Ghana entering the international market. The study suggests that, effective coordination of these organisations and together with government commitment to support service providers are vital for annexing market share in the developed European Union (EU) and the US markets.

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Acronyms

AfDB	African Development Bank
AGI	Association of Ghana Industries
AGOA	African Growth and Opportunity Act
ECOWAS	Economic Community of West African States
EDAIF	Export Development and Agricultural Investment Fund
EPA	Economic Partnership Agreement
EPO	Export Promotion Organisation
EPP	Export Promotion Programme
EPR	Economic Recovery Programme
FAGE	Federation of Association of Ghanaian Exporters
EXIMB	Export and Import Bank
GAVEX	Ghana Association of Vegetables Exporters
GCCI	Ghana Chamber of Commerce and Industry
GEPA	Ghana Export Promotion Authority
GFZB	Ghana Free-zones Board
GOG	Government of Ghana
GPHA	Ghana Port and Harbour Authority
GSA	Ghana Standard Authority
GSS	Ghana Statistical Service
LEAP	Livelihood Empowerment against Poverty Programme
MASLOC	Microfinance and Small Loans Centre
MoTI	Ministry of Trade and Industry
NGO	Non-Governmental Organisations
NBSSI	National Board for Small Scale Industry
NTE	Non-Traditional Export
OECD	Organisation for Economic Co-operation and Development
RPEDG	Regional Project on Enterprise Development Ghana
SME	Small and Medium-sized Enterprises
TRAQUE	Trade Related Assistance and Quality Enabling

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1.0 Introduction

1.1 Introduction and Background

Export Promotion Organisations (EPOs) are established in many countries by the government with the underlying assumption that export provides substantial benefit to the domestic economy (Lederman, Olarreaga, and Payton, 2010). The majority of Export Promotion Programmes (EPPs) are operated and supported by governments in most countries; for instance, in Canada, Japan, Spain, the Netherlands, the UK and the US; while the private sector provides the bulk of the assistance in other countries such as Austria and Germany (Seringhaus and Botschen, 1991; Naidu, Cavusgil, Murthy, and Sarkar, 1997). There is disagreement in the literature as to who should handle EPPs. Researchers (such as Wilkinson and Brouthers, 2006) believe that governments stand to benefit when firms are exporting and that it is prudent for the government to handle export assistance programmes in order to assist firms that want to internationalise. Others (such as Lederman *et al.*, 2010) argue that EPPs are more effective when organised by the private sector with financial support from the government or through strong commitment and collaboration between the government, the private sector, and educational institutions (Naidu *et al.*, 1997; Seringhaus and Botschen, 1991).

Although EPPs all over the world have one common objective, which is to support exporting firms, the types of export assistance offered by countries vary, depending on the critical needs of their industries. In many developing countries, the focus is on fostering technological advancement, improving credit access and maintaining quality standards (Naidu *et al.*, 1997; Alvarez, 2004). However, in developed countries such as the US and the UK, the focus of such programmes includes establishing foreign trade offices, creating business contacts and providing a continual flow of information for firms (Wilkinson and Brouthers, 2000). Comparatively, Small and Medium-sized Enterprises (SMEs) are more constrained by limited resources and capabilities for acquiring information on foreign markets, which makes them less likely to venture into exporting without government support (Reid, 1981; Seringhaus and Botschen, 1991; Wilkinson and Brouthers, 2006; Ayyagari, Demirguc-Kunt and Maksimovic, 2011; Freixanet, 2011).

Thus, EPPs are mainly intended for SMEs and their impact on export performance is typically higher among SMEs than larger firms (Zia, 2008). Moreover, EPPs are needed more when export barriers are high (Lederman *et al.*, 2010). SMEs, according to the Resource-based View (RBV), lack the capacity and resources to develop international markets on their own without government support (Haahti *et al.*, 2005; Piantoni *et al.*, 2012). Ghana Export Promotion Authority (GEPA) is the main government agency that provides export assistance to exporters. The activities of the Ghana Chamber of Commerce and Industry (GCCI) - as well as other export associations, development partners and non-governmental organisations (NGOs) - support the services provided by GEPA. The government of Ghana's economic policy to diversify the country's export sector, from one that depends on a few traditional commodities such as; cocoa, gold, timber and now oil, led to the promotion of the Non-Traditional Export (NTE) sector. The EPOs have played an important role in increasing the number of SMEs that are involved in export in Ghana. Detailed figures of the NTE sector are provided in Chapter 2, Section 2.4. Although there are challenges facing the EPOs, the services they provide to SMEs have had a positive impact on SME activities within the NTE sector as far as their international operations are concerned.

1.2 Research Aim and Objectives

The aim of this study is to contribute to a better understanding of the SME internationalisation process and export initiation, and the impact of government export promotion on the internationalisation process. Both the research objectives and questions were formulated after reviewing existing literature and government policy documents. A conceptual framework (see figure 5.1) was then developed to show the interplay between the environment of EPOs and the internationalisation process of SMEs. The specific objectives are as follows:

1. To investigate the factors influencing SME internationalisation in Ghana and increase understanding of the process by which SMEs access international markets and challenges they face in doing so.
2. To contribute to a wider understanding of the impact of internationalisation (exporting) on SME performance and growth in developing countries.
3. To analyse the impact or effect of EPPs on the exporting activities of Ghanaian SMEs.

4. To discuss the various challenges that EPOs in Ghana face when executing their mandate and make recommendations to address them while exploring how these challenges impact the services which EPOs provide to SMEs
5. To investigate the services provided by EPOs in Ghana, the level of awareness of these services and the level of usage of these services by SMEs.

1.3 Overview of Research Methodology

The current study ascribes to the paradigmatic choice of an interpretivist worldview. As already stated, the aim of this study is to contribute to a better understanding of the SME internationalisation process and export initiation and the impact of the government's export promotion on the internationalisation process. As a qualitative study, the understanding of issues involved in the topic has been gained by interviewing officials of EPOs and SMEs. The views of the respondents are interpreted with emphasis on meaning rather than measurement, as in positivism (Morgan, 2006; Bryman, 2007; Creswell and Clark 2007). As a qualitative study, the experiences, opinions and perspectives of the participants are important data sources when it comes to answering the research questions raised. In other words, the views of the various stakeholders on SME internationalisation and success are important in answering the research questions. The views and opinions of officials of EPOs, as well other government agencies, directly or indirectly involved in promoting SME internationalisation were sought. These human experiences, perspectives and social relationships could only be studied from their own frame of reference (Wright, 2006).

This study is an exploratory study as it seeks to explore the role government export assistance plays in the exporting activities of SMEs in Ghana. The study conducted 42 interviews using semi-structured, open-ended questionnaires, which involve government, quasi government institutions, development partners, private organisations and SMEs. The government institutions include the Ministry of Trade and Industry (MoTI), GEPA, and the National Board for Small-scale Industry (NBSSI). Quasi government institutions include GCCI. Some export associations, which serve as advocacy and promotion organisations, were also interviewed. Another promotion and advocacy organisation interviewed was the Association of Ghana Industries (AGI). (See the full list in Appendix 1). In all, 12 key organisations and 30 SMEs were interviewed between 2015 and 2016.

The SMEs were drawn from the Accra, Tema and Kumasi and Tamale metropolises. These cities are the major business hubs in the country and most of the exporters are located in them. Respondents from the organisations were used as key informants in order to tap their expertise in the field. Besides the interviews, the study also used documentary evidence from published works and government documents to cross check information received from interviewees. Furthermore, direct observations were made by visiting various sites such as the airport and the cargo division of Ghana Port and Harbour Authority (GPHA) to collect first-hand information on shipment, packaging and other exporting activities. With the help of NVIVO 10 software, the study used content analysis to analyse the empirical evidence after detailed transcribing of the interviews with express scribe. This allowed greater analytical depth and detailed interpretation, showing similarities and differences in responses from interviewees.

1.4 Structure of the Thesis

This section presents how the thesis has been structured. The thesis is made up of ten chapters. An introductory chapter; background of the study area; a literature review on the theories underpinning the study and firm internationalisation; a literature review focusing on export promotion and SMEs internationalisation. The rest of the chapters include; a conceptual framework and formulation of research objectives and questions; the research methodology used; results of the research finding of key informants; results of the findings of SMEs; the discussion chapter; conclusions and finally, recommendations for future research (refer to Figures 1.0 on the research process and indicate how the chapters are interrelated). The detailed structure of the thesis is described as follows: this first chapter of the thesis is a general introduction to export promotion programmes and the role they play in the exporting activities of SMEs. This section also discusses the benefit of EPPs and justification for the provision of EPPs to SMEs. This is followed by a section which presents both the research objectives and the research questions. The next sections present an overview of the research methodology, the structure of the thesis and a summary of the chapter.

Chapter 2 provides the context of the study. It examines the geographical setting of the study as well as the socio-cultural, political and economic context. It discusses the different political regimes of Ghana and the evolving economic strategies pursued by various governments from the post-colonial era to the present-day. It discusses how the economy

has been transformed from a raw material production economy to import substitution, then protectionist to most recently, a fully liberalised economy. The next section of the chapter discusses the SMEs sector, covering the various definitions of the SME sector and the acceptable definitions in Ghana. The following section discusses SME characteristics, financing challenges and lastly, SMEs and the Non-Traditional sector of Ghana.

Chapter 3 outlines the various established theories of internationalisation of a firm and factors influencing the initial decision to export. It then explores some critical success factors, as well as barriers or challenges to successful export activity. Finally, it discusses the issue of internationalisation and SME performance. Chapter 4 reviews a variety of literature on export promotion and firm internationalisation. It reviews empirical evidence on EPPs and their influence on SME internationalisation. The chapter then focuses on studies that have evaluated awareness and usage of promotion instruments and the satisfaction of exporters with the services of EPOs, as well as the various challenges faced by the EPOs featured in this study.

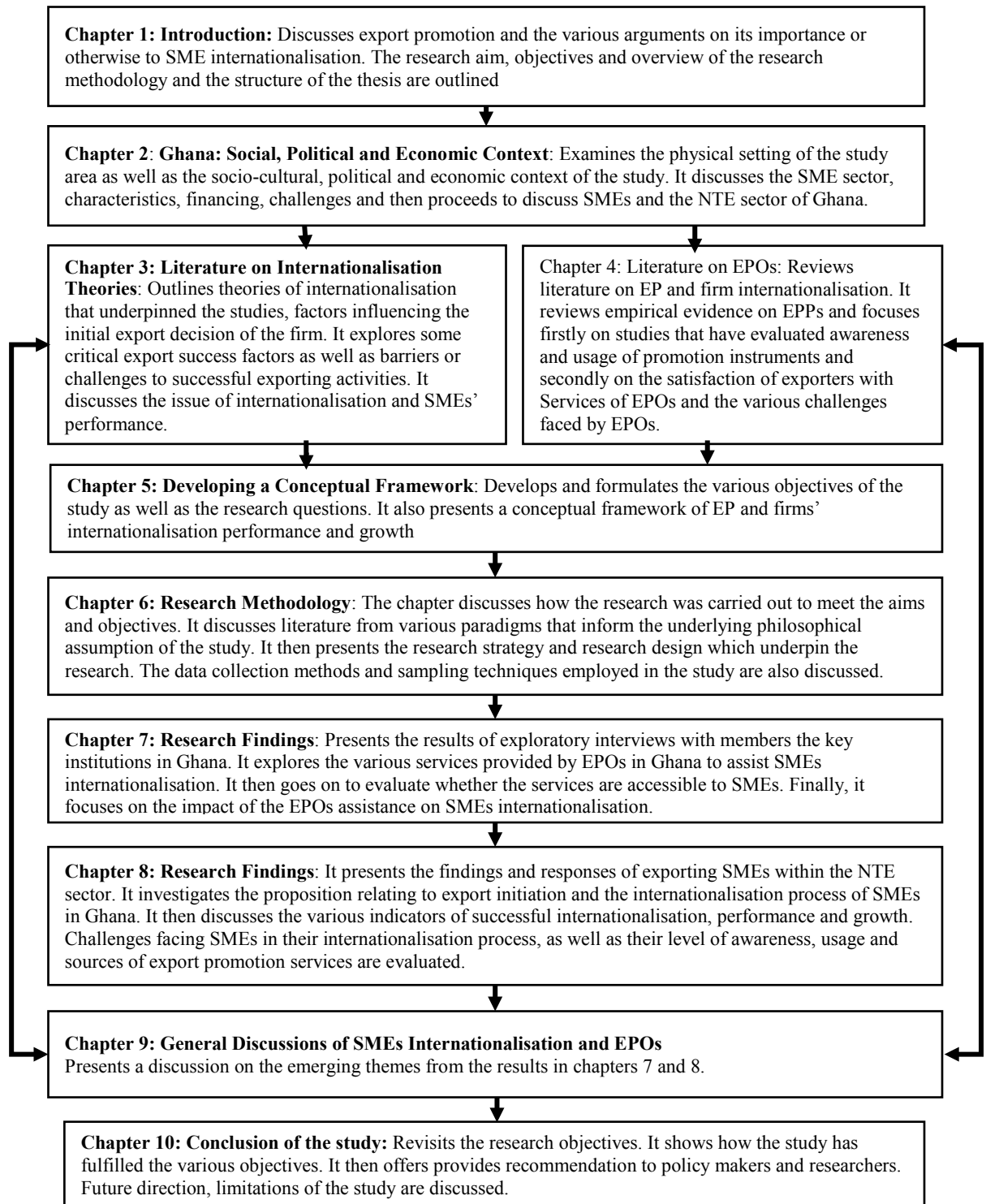
Chapter 5 develops and formulates the various objectives of the study and the research questions. It also presents a conceptual framework of export promotion and a firm's internationalisation performance and growth. Chapter 6 discusses how the research was carried out in order to meet the aims and objectives of the study. The chapter discusses literature on various paradigms that inform the underlying philosophical assumption of the study. It also presents the research strategy and research design which underpin the research. Lastly, the data collection methods and sampling techniques employed in the study are discussed in this chapter.

Chapter 7 presents the results of exploratory interviews carried out with key institutions in Ghana. It explores the various services provided by EPOs in Ghana to assist SMEs with internationalisation and evaluates whether the services are easily accessible to small firms. The impact of the assistance on SMEs internationalisation is then evaluated. It subsequently focuses on what constitutes successful internationalisation, and thereafter, the various challenges facing EPOs are discussed. Finally, the chapter concludes with evaluation of the level of awareness of the promotion instruments.

Chapter 8 presents the findings and responses of exporting SMEs within the NTE sector. The chapter then investigates the proposition relating to export initiation and the

internationalisation process of SMEs in Ghana. Thereafter the chapter investigates the various indicators of successful internationalisation, performance and growth. Challenges facing SMEs in their internationalisation process, as well as their level of awareness, usage and sources of export promotion services are evaluated. Chapter 9 presents discussion on the emerging themes from the results of Chapters 7 and 8. Chapter 10 revisits the research objectives and questions to show how the study has fulfilled the stated objectives by answering the research questions raised. It then offers recommendations to policy makers and researchers. Future direction and limitations of the study were also presented in this chapter. Figure 1.0 below shows the organisation of the thesis.

Figure: 1.0. Organisation of the thesis



2.0 Ghana: Breaking through the International Market; Social, Political and Economic Context

2.1 Introduction

This chapter discusses the context of the study. It examines the geographical location of the study area as well as the socio-cultural, political and economic context. Providing such detailed background analysis of the study area or geographical location will facilitate a total understanding of efforts that various regimes and governments have made to develop trade through gradual ideological drift, starting from a state run economy, to a liberal and free market economy, which seeks to involve the private sector as an engine of growth. This gradual shift in economic activity by the state has propelled the country's growth and development from a post-independent agrarian economy to a vibrant mixed economy in which industry, manufacturing and services contribute an appreciable percentage to the country's GDP (Killick, 2010). It will also facilitate an understanding of how, both political and economically established institutions, link with the socio-cultural setting of the people in the country to produce an economic opportunity that has progressed a third world country, to one of lower-middle income, following independence (IMF Staff Report 2013).

Although Ghana has currently achieved a middle-level income status, some researchers such as Robson and Freel (2008), have argued that the dysfunctional macroeconomic environment of post-colonial Ghana is partly to blame for the weak performance of the country's economy. The abysmal performance of the country's export sector is better understood in the political/legal, economic and socio-cultural contexts that facilitate and, at the same time, constrain economic activities within the country.

This chapter is divided into sections. Section 2.2 below, will discuss the national context which will look at the physical characteristics of the country. It will also address the socio-cultural setting and political/legal context from early post-colonial to present-day Ghana, as well as the economic environment. This will range from the post-colonial economic policy of a state-run economy, to the import substitution policy of most of the military regime, to the current liberalised free market economy.

This will be analysed in detail. The differing regimes and governments in the history of Ghana have had varying degrees of impact on the economic fortune of the country. The SME sector has played a pivotal role throughout all these regimes. Section 2.3 discusses SME development and growth, while section 2.4 discusses the SME sector and the NTE sector in Ghana.

2.2 The National Context of the Study

Ghana is located in the middle part of the West African coast and shares borders with three Francophone countries. Bordered to the north of the country is Burkina Faso, to the west by Cote D'Ivoire, and to the east by Togo. To the south of the country lies the Atlantic Ocean and Gulf of Guinea (Figure 2.1). The total area of the country is 238,540 square kilometres (91,690 square miles) (Dickson and Benneh, 1988; Benneh, Agyepong, and Allotey, 1990).

Figure 2.1: Map of Ghana showing commercial cities



Courtesy of General Libraries, the University of Texas at Austin

The country experiences tropical weather conditions, which come with two broad climatic seasons: the dry season and the rainy season. The dry season runs from October to March while rainy conditions span April to September. The northern part of the country experiences severe Hamattan winds because of the dry desert wind that blows from the north east of the country and lasts from December to March. Annual rainfall ranges from about 1100mm in farthest northeast to about 2100mm in the southeast with an average low temperature of 20.5 degrees Celsius (69-degree Fahrenheit) and average high temperature of 26 degree Celsius (79-degree Fahrenheit) (Dickson and Benneh, 1988; Benneh. et al., 1990; SRID, 2001). The northern part of Ghana is savannah grassland with

few trees, predominantly the shea tree, which produces the shea butter, one of the non-traditional exporting commodities. The middle part of the country has a tropical climate with its attendant rain forest that supports the thriving wood processing and furniture industry. The coastal regions also have savannah grassland, which is associated with the handicraft industry. Important natural resources that form the traditional export commodities include manganese, bauxite, gold, and timber. Recent oil explorations in the country also indicate the country has oil in commercial quantities (Government of Ghana 2007). The Volta River lies in the centre of the country formed by the confluence of both the Black Volta and the White Volta. These rivers have served as the source of the hydroelectric power at Akosombo and Bui, which supply the bulk of the country's energy requirement, as well as that of some neighbouring countries.

2.2.1 Demographic and Socio-cultural Setting

The current population of Ghana stands at 27,043,093 with an annual population growth rate of 2.7-3.0% (GSS Report 2014). Ghana, like most African countries, is a multicultural, multi-religious and multi-ethnic nation made up of five main ethnic groups (Asante and Gyima-Boadi, 2004). The Ga-Adangbes and the Guans occupy the middle and eastern parts of the coastal belt respectively, while the Akans, which is the dominant group, occupy the central part of the country as well as the western parts of the coast of the country (Dickson and Benneh, 1988). The eastern part is occupied by the Ewes while the Dagbane occupies that northern sector. The subdivisions of each ethnic group share common heritage, history, and language. The national culture is, therefore, a mixture of the culture of these major ethnic groups. With the exception of a few tribal conflicts, the various ethnic groups coexist peacefully and contribute to the variety of production that forms the basis of the NTE. In all, 11 commodities have been selected from different parts of the country which have been promoted by the government, through government established agencies and private associations, in order to achieve the five-billion-dollar export revenue target by 2017, set by the government (GEPA report 2015). According to Asante and Gyima-Boadi, (2004), the Akans, as the dominant tribe in the country, have also controlled the country's economic activities. It is, therefore, not surprising that most of the SMEs and the private informal sector are concentrated in and around the middle and the southern part of the country.

The socio-cultural setting of Ghana is based on kinship, whereby each individual has a close network of association with family members, extended family members, communities and tribes (Asante and Gyima-Boadi, 2004). This network, either weak or strong, is widely used in Ghana to develop the norms, values and behaviour that society regards to be acceptable. As a result, in the opinion of Acquah (2008), the individual has extended rights as well as extended obligations. There is, consequently, a mixed influence accruing from the family and extended family system. The system expects well-resourced family and extended family members to support the less endowed individuals, which hampers innovation and self-dependence, but at the same time, provides resources such as seed money or initial capital for most SMEs given the difficulty small businesses go through to secure bank credit (Buame, 2012).

2.2.2 Political/Legal Context

Under the British colonial administration, political institutions were established to oversee the smooth running of the colony (McLaughlin and Owusu-Ansah 1994). The legislative council sought to introduce a blend of the English Common Law system and established a traditional rule through the chieftaincy institution which was used to administer the northern sector of the colony. The infrastructural development plans of colonial administration emphasised transport infrastructure, mainly involving considerable development expenditure on roads, harbours and railways (McLaughlin and Owusu-Ansah 1994). This facilitated agricultural production, timber, cocoa and extraction of precious minerals such as gold, bauxite and manganese. The colonial administration emphasised agricultural production and mineral extraction mainly to feed parent industries in the United Kingdom. Cocoa was the main agricultural cash crop; while gold, manganese, bauxite and aluminium were minerals, which were in abundance in the colony. Colonial institutions were, therefore, developed to facilitate the production of these raw materials, (McLaughlin and Owusu-Ansah 1994). Road networks to other parts of the colony, particularly the then Northern Territories were less developed (Aryeetey, Baah-Nuakoh, Duggleby, Hettige, and Steel, 1994). Manufacturing goods and other consumables were mainly imported into the colony for local consumption. The economy was dominated by large foreign trading businesses and mining companies. Local entrepreneurial capacity and entrepreneurial activities were low and were neither harnessed nor developed and were limited to retail and rural agricultural businesses (Aryeetey et al., 1994).

Post-independent Ghana, under its first President, Dr Kwame Nkrumah, initially embarked on infrastructural development to attract foreign investment; however, this development strategy failed to yield the needed foreign investment. Dr Kwame Nkrumah then resorted to socialist state participation and dominance as an ideology. The state adopted a protectionist trade regime dominated by state-owned enterprises and, as a result, the domestic indigenous sector and the entrepreneurial class were regarded as too small and a threat to the political system and, as such, not encouraged (Aryeetey et al., 1994). Most of these State-Owned Enterprises (SOEs) failed to produce the needed growth and development that independent Ghana was looking for, due to mismanagement and corruption within the system (McLaughlin and Owusu-Ansah 1994).

After the overthrow of Dr Nkrumah in 1966 by the National Liberation Council (NLC), the NLC ruled the country for over three years before returning the country to civilian rule in the 1969 election, which ushered in the second republic under Dr K.A. Busia. Prior to returning the country to civilian rule, the NLC government merged the Ministry of Rural Industries with the Ministry of Industries. SOEs were developed further to strengthen the industrialisation drive as well as the rural development agenda. Furthermore, as a way of encouraging and developing small local businesses and building the people's entrepreneurial capacity in order to drive economic development, a decree was passed reserving certain areas of trade for indigenous Ghanaians (McLaughlin and Owusu-Ansah 1994).

Although the second republic was short lived due to its overthrow by the Supreme Military Council (SMC), it was argued that the government showed a positive signal of developing and working with the private sector (McLaughlin and Owusu-Ansah, 1994; Gyimah-Boadi and Jeffries 2000). Immediately after the general election, Dr K.A. Busia and his Progress Party (PP) government demonstrated their commitment to an open market economy by abolishing all import controls and encouraging private sector participation in economic development. They also instituted development levies to support economic development. In addition to this, the establishment of the Ghanaian Business Promotion Act (Act 334) demonstrated commitment to entrepreneurship and small business development (Ninsin, 1989). The PP government was overthrown in 1972, after fewer than three years in office through a military coup, and the state-led development agenda continued. After several years of pursuing state-led development

through the establishment of state-owned enterprises (which mostly collapsed through mismanagement), embezzlement and corruption, the country was ushered into another military regime under Colonel Ignatius K. Acheampong as the head of state and leader of the SMC government. The SMC government, after overthrowing the second Republic, reversed most of the free market policies which had been implemented by the Progress Party government. The SMC government established a good working relationship with the Trade Union Congress (TUC) and abolished the development levy instituted by the previous government, re-valued the Cedi and instituted policies to kick-start its self-reliance policy (Gyimah-Boadi and Jeffries, 2000).

The SMC established Regional Development Corporations (RDCs), which implemented government policies and development plans in all regions. Economic activities were centrally planned with central government control. Macro-economic policies used included import controls, price control and subsidisation of basic imported goods. These led to a total collapse of the economy and the private sector was relegated to the background with no agenda for entrepreneurial development (Gyimah-Boadi and Jeffries 2000). Export was at its lowest level, inflation was at its highest level and there was poor financial management, declining production and high levels of corruption (World Bank Report 1984). There was a palace coup when the economic situation and standard of living of ordinary citizens was at an all-time low. This brought in SMCII; however, continuing deterioration of the economy and perceived corruption led to the overthrow of SMCII by the Armed Forces Revolutionary Council, (AFRC), led by Flt.Lt. J.J. Rawlings in June 1979. Political power was handed back to a civilian government, which brought in the third republic in September 1979 (McLaughlin and Owusu-Ansah 1994).

Before power was relinquished to the elected government, the AFRC sent an unequivocal message that "people dealing with the public in whatever capacity are subject to popular supervision and must abide by fundamental notions of probity and, therefore, have an obligation to put the good of the community above personal objective" (McLaughlin and Owusu-Ansah 1994: p 196). The AFRC was of the opinion that the country's political leaders, at least those from within the military, had not been accountable to the people. The People's National Party (PNP) of Dr Hilla Limann was inaugurated on 24 September 1979, to mark the beginning of the Third republic. The PNP was thus expected to measure up to the new standard advocated by the AFRC (McLaughlin and Owusu-Ansah 1994).

The most immediate threat to the Limann administration and the third republic, however, was the AFRC, particularly those officers who organised themselves into the "June 4 Movement" to monitor the civilian administration. Nevertheless, Rawlings and his associates remained a latent threat, particularly as the economy continued its decline. The Limann Administration inherited an economy which was on the brink of collapse. The administration quickly sought the assistance of the International Monetary Fund, (IMF) and acted on the institution's advice to rebuild the economy (Dzorgbo, 2001).

The first budget for the fiscal year 1981, presented by the government, estimated the Ghanaian inflation rate at 70% for that year, with a budget deficit equal to 30% of the gross national product. The Trade Union Congress claimed that its workers were no longer earning enough to pay for food and basic needs. The workers' agitations resulted in numerous industrial strikes, many of which were considered illegal by the government. This industrial action resulted in further lowering of productivity and therefore, national income. In September, the government announced that all striking public workers would be dismissed. These factors rapidly eroded the limited support the government was enjoying among civilians and soldiers. The PNP government fell on 31st December 1981, in another coup led by Flt. Lt J.J. Rawlings and his Provisional National Defence Council (PNDC). A five-year development plan, which was drafted by the PNP government, did not see daylight due to the overthrow of the administration (Dzorgbo, 2001).

The PNDC government made the Ghanaian public understand that, the overthrow of the PNP government was to save the country from total collapse and corrupt administration that did not operate in the interests of ordinary Ghanaians, and that they, on the other hand, wanted power to reside with the masses (McLaughlin and Owusu-Ansah 1994). In-keeping with Rawlings' and his PNDC government's commitment to populism as a political principle, the PNDC began to form governing coalitions and institutions that would incorporate the populace at large into the machinery of the national government. Various committees were created to ensure that those at the bottom of society were given the opportunity to participate in the decision-making process. These committees were to be involved in community projects and community decisions, and individual members were expected to expose corruption and "anti- social activities" (McLaughlin and Owusu-Ansah 1994).

The PNDC government also established public tribunals outside the normal legal system, to prosecute those accused of anti-government acts and corruption. While the foundations

of these socio-political institutions were being laid, the PNDC was also engaged in a debate about how to finance the reconstruction of the national economy (Davies, 2008). By December 1981, when the PNDC came to power, the inflation rate was over 200%, while real GDP had declined by 3% per annum for seven years. As well as cocoa production, diamond and timber exports had dropped dramatically. Gold production had also fallen to half its pre-independence level (McLaughlin and Owusu-Ansah 1994). The PNDC government was of the opinion that the way to resolve these problems was to stabilise the political situation and to improve the economic conditions of the nation radically. At the end of its first year in government, the PNDC announced a four-year programme of economic austerity and sacrifice that was to be the first phase of an Economic Recovery Programme (ERP)/ Structural Adjustment Programme (SAP). The PNDC had the notion that if the economy was to improve significantly, there was a need for a large injection of capital, a resource that could only be obtained from international financial institutions of the West. Meanwhile, the PNDC was subjected to the influence of contrasting political philosophies and goals. A section of the government rejected the idea of going to the World Bank and the IMF, but the PNDC secretary for finance and economic planning, Dr. Kwesi Botchwey, felt the need to justify World Bank assistance to Ghana in 1983.

Phase one of the ERP/SAP started in 1983, with the goal of stabilising the national economy. In broad terms, the government wanted to reduce inflation and create confidence in the nation's ability to recover. By 1987, progress was evident. The rate of inflation had dropped to 20%, and between 1983 and 1987, Ghana's economy reportedly grew at 6% per year (McLaughlin and Owusu-Ansah, 1994; Frontani and McCracken 2012). Official assistance from donor countries to Ghana's recovery programme averaged US\$430 million in 1987, and there was more than double that amount in pledges by the international communities and development partners in the preceding years. The PNDC administration also made a remarkable payment of more than US\$500 million in loan arrears dating back to 1966. In recognition of these achievements, international agencies had pledged more than US\$575 million to the country's future programmes by May 1987. With these accomplishments in place, the PNDC inaugurated Phase Two of the ERP, which envisioned privatisation of state-owned assets, currency devaluation, and increased savings and investment. This was to continue until 1990 (Frontani and McCracken 2012; McLaughlin and Owusu-Ansah, 1994). The era saw massive private sector participation in economic development as well as greater entrepreneurial activities. The country then

sought to reduce its over reliance on traditional export commodities (cocoa, timber, gold). Liberalization of the economy led to an increase in private sector participation, both local and foreign.

The strongest challenge to the National Democratic Congress (NDC) government and previous administrations had been leadership and democracy (Boafo-Arthur, 2007). In the decade since 1983 SAP and ERP had cut public sector spending and privatised or closed most state-owned enterprises, achieving adequate growth between 1981 and 1991. From 1992 to 2000, growth fell below 5%, leading to increasing poverty. Post-election deficits discouraged investment, until 1997 when the government, impressed by the Asian “tigers”, launched Vision 2020 for vigorous export growth (Boafo-Arthur, 2007). However, whereas a skilled labour force, high savings/investment ratio, and low national debt had accounted for rapid growth in Asia; political uncertainty, high propensity to consume, lack of savings and human capital formation prevailed in Ghana. Agriculture suffered from cuts in subsidies for inputs and extension services while low producer prices and unstable currency reduced cocoa production. Mining and forestry did show 10% growth, but few linkages with manufacturing were built. While the NDC government provided stability by paying the national debt, the NPP government was able to renegotiate terms and obtained debt relief for the country. For sustained growth, Ghana needs more developmental leadership, commitment to human capital formation and an end to corruption (Boafo-Arthur, 2007).

Under international and domestic pressure for a return to democratic rule, the PNDC allowed the establishment of a 258-member Consultative Assembly made up of members representing geographic districts as well as established civic or business organisations. The assembly was charged to draw up a draft constitution to establish a fourth republic, using PNDC proposals. The PNDC accepted the final product without revision, and it was put to a national referendum on 28 April 1992, in which it received 92% approval. On 18 May 1992, the ban on party politics was lifted in preparation for multi-party elections. In January 1993, the elected NDC government led by J.J Rawlings and the elected parliamentarians were sworn into office to start the fourth republic. The fourth republic under the NDC, a socialist democratic party and the New Patriotic Party (NPP), a liberal democratic and liberal conservative party have implemented numerous programmes, policies and interventions to build a strong and resilient economy, spearheaded by the private sector. The NPP government, under John Agyekum Kuffour,

during the swearing in ceremony in January 2001 declared his 4-year term as a “golden age of business”. The president maintained that the private sector would be the engine of economic growth and development while the government created the enabling environment. The NPP administration's domestic policy in the first term was marked by fiscal and monetary stringency on the economic front, aimed at stabilizing a national economy that had stagnated, and was in decline. The administration's social vision was focused on unleashing the entrepreneurial, creative and innovative potential of Ghanaians as a means of creating wealth and hence dealing with the social challenges facing them. This socio-economic vision was captured in the Five Priority Areas Programme, which included the pursuit of good governance, modernisation of agriculture for rural development, private sector participation, enhanced social services and vigorous infrastructure development. The Kufuor NPP administration is said to have received the most financial assistance of any in the history of Ghana, due essentially to donors' distrust of the military governments before it, as well as those in government with some military connections (Ghanaweb.com 2009). Kufuor and the NPP administration's foreign policy was underpinned by what he termed “economic diplomacy”. It is within this context that in Africa in general, and in West Africa in particular, a good neighbour policy was pursued, which saw Ghana, under Kufuor and the NPP government, brokering peace in Liberia, Sierra Leone, Ivory Coast and Guinea-Bissau, among other African states.

On the global stage, Kufuor and NPP government actively sought the establishment of a just and equitable international social and economic order, while promoting and safeguarding the interests of Ghana through bilateral and multilateral agreements. Kufuor's stature as a statesman, democrat and credible spokesman for Africa found expression in his invitation to major international meetings and conferences including: the founding summit of the Africa Union (AU), G8 Summits in Sea Island, Georgia and Gleneagles, Scotland, and the World Economic Forum (Ghanaweb.com 2009). The NPP government under J.A. Kufuor launched the Microfinance and Small Loans Centre (MASLOC) with a seed capital of US\$50 million that would make micro loans available to the productive population and the small business sector. The government also introduced the Livelihood Empowerment Against Poverty Programme (LEAP), which provides direct cash transfers to poor households in the country who could not support themselves. For the first time in Ghana's history, the cost of borrowing dropped to an all-time low (GoG report 2005).

2.2.3 Economic Context

Ghana's economy could be classified as a mixed economic system with the main economic sectors being: Agriculture, Services, Industry and Manufacturing respectively, in terms of size. Since the introduction of the ERP in the 1980s, Ghana has achieved some successes in the development of its economy (Fening, Pesakovic, and Amaria, 2008). Ghana is currently among the most promising economies in West Africa and on the continent and has recently been growing faster than the average of these two groupings. After a slowdown in economic activity in 2009, the economy picked up in 2010 and grew in real terms by 7.7% and in 2011, real GDP was estimated to have increased sharply to 13.7% (7.5% excluding oil) aided by oil revenues and the strong export performance of cocoa and gold in both volume and price (AfDB 2012). However, there is a lot to be done and the private sector is required to play a leading role in the accelerated economic development of the country. The economy could be broadly divided into formal and informal sectors, with the informal sector providing over 90% of total employment in the country. The Ghana Statistical Service (GSS) refers to the sector as composed of small-unregistered enterprises and wage employment in unregulated and unprotected jobs (GSS, 2005).

Differences in the climatic conditions in the country support numerous economic activities as well as various agricultural products (GSS, 2005). The coastal belt zone, given its proximity to the Atlantic Ocean, produces fish. In addition, the soil nature of the adjoining land supports the cultivation of staple foods such as: maize, pineapples, coconuts, cassava, palm oil, palm kernels and poultry. Salt production in the coastal areas is of commercial quantity, which is mainly exported to neighbouring countries such as Burkina Faso, Mali and Niger while palm oil is exported not only to neighbouring countries, but also to some European countries and America (GSS, 2005). In addition, the soil supports production of pineapples, which are cultivated in commercial quantities and exported to some European countries and North America.

The middle belt also produces cocoa beans, timber, coffee, palm oil and other foodstuffs. Cocoa beans and timber have been the major sources of foreign exchange earnings for the country since colonial times. The production process of the cocoa beans is labour intensive, as local and indigenous farmers own most of the farms. The Ghana Cocoa

Marketing Board is responsible for the marketing of the raw product (dried cocoa beans). Migrant workers from the northern belt of the country and neighbouring countries largely provide farm labour. Cocoa is the major exported agricultural commodity in Ghana. The revenue from cocoa in the year 2011 was USD1.9B, which amounts to 7% of the GDP (AfDB 2012).

The African Development Bank (AfDB) is of the view that the country stands to gain from the recent increase in food prices and agricultural commodities in world markets. Hence, efforts to develop agricultural production, including agro-processing, would yield considerable economic gains. To ensure higher yields in the agriculture sector, the government is investing significantly in agricultural research and provision of the relevant infrastructure to enhance high productivity in the sector. Notwithstanding, agricultural productivity is largely determined by the prevailing weather conditions and still rain fed with a limited irrigation system to support yield (AfDB 2012). Nyanteng and Seini (2000) observe that the cocoa industry, just as with any other agricultural production, is still based on a smallholder farm system with the government playing a supportive role by providing services to boost production and marketing. The sector still lacks adequate agro-processing technology and developed infrastructure to add value to most of these products. Mineral extraction also takes place in the middle belt. Minerals such as gold, bauxite manganese, diamond and limestone are extracted in commercial quantities by large scale mining companies mainly owned by foreign investors and small-scale mining companies owned and operated by indigenes.

Large quantities of the minerals are exported with no prior treatment (GOG report 2003). Export of minerals accounts for over 37% of total exports; with gold contributing over 90% of the total mineral exports. Despite the important contribution of the sector to GDP, the sector employs only 0.69% of the working population. The significant growth of the industry has led to an increase in foreign investors who dominate the sector (AfDB 2012). Key challenges faced by the industry include illegal mining operations known as “galamsey” operations on company concessions, irregular and increasing cost of electricity supplies and most recently, high tax rates. Measures are underway to register and regulate the activities of the illegal mining in order to reduce its negative impact on the environment (GOG report 2003). In the middle belt, the industrial sector is quite diverse, with timber processing industries dominating this part of the country, producing various timber products for export and the local market. In 2010, Ghana exported timber

products worth US\$180 million (47% to other African countries, 21% to European countries and 17% to Far Eastern countries). However, the contribution of this sector to GDP has declined, as measures are implemented to prevent forest degradation and ensure sustainable management of these resources. The northern sector, by contrast, produces cash crops as well as staple food for local consumption. Cash and exported commodities such as Shea butter, cashew, tomatoes and yam are part of the NTE Commodities. These commodities are produced in large commercial quantities and exported to Europe and America, as well some African countries. A government policy to diversify the economy (to reduce its dependence on the few traditional commodities) has identified some non-traditional commodities and has targeted 5billion USD growth by the end of 2016. The NTE sector is dominated by SMEs (GEPA report 2010), which is discussed in further detail under the non-traditional sector in section 2.4 of this chapter. Another important sector that contributes greatly to the non-traditional sector is the handicraft sector. This sector provides a lot of job opportunities for youth, as well as contributing to the country's GDP through export earnings, for instance, the "Kente" cloth, which is mostly exported to the US and Europe. In addition to this, pottery and sculptures are produced in the northern part of the country and exported to Europe and Asia. These handicrafts portray the rich Ghanaian culture and values (GEPA report 2010).

2.3 Small and Medium-sized Enterprises Development and Growth

2.3.1 Background

It is worth noting that the focus of researchers, practitioners and governments in the early stage of the 1970s was on large companies and corporations as well as multinationals. These companies were believed to be the "movers and shakers" of economic growth. In the middle of 1970 however, this perception changed to focus on the activities of the small firms and the small business sectors. The publication of "Small is Beautiful" by E.F Schumacher in 1973 marked the paradigm change of the previous notion about large companies and multi-nationals. Although this work did not explicitly champion the Small Business sector, his promotion of "smallness within bigness" was found to demonstrate less enthusiasm toward large organisations. The publication of Birch's (1979), " The Job Generation Process" marked a defining moment in the emergence of SMEs. Early researchers and policy makers have concentrated all their efforts on large multinationals and corporations, which were considered as a source of employment, economic growth

and innovation. Though Birch's work has been criticised on methodological grounds, Storey's (1994) study actually laid bare the genuine contribution of the SME sector in terms of economic development, such as employment creation and general contribution to Gross Domestic Product (GDP).

2.3.2 Definitions of SME

The term SME has been defined differently by different authors and internationally recognised bodies and, as such, there is no a single definition for it (Storey 1994). Firms are different in terms of levels and sizes and as far as capitalisation, sales and employment are concerned. Hence, definitions that employ a measure of size such as the number of employees, profitability, turnover and net worth might result in all firms in that sector or region being classified as small while the same size definition, when applied to a different sector or region, might give a different result (Storey 1994). In research conducted by Underhill Corporate Solution in 2011 for the National Credit Regulation (NCR), South Africa, noted that, SME definition can be broadly categorised into two, "Economic" and "Statistical" definitions. Under the "Economic" definition, they continue to say that any firm that meets the following criteria is considered small:

It possesses a relatively small share of the market.

- It is managed by owners, or partly by owners, in a manner that personalises it and not through the medium of a formalised management structure to manage it.
- It is independent; such that it is not part of a larger enterprise.

Contrary to the above the "Statistical" definition is used in three main areas:

- Quantifying the size of the small firm sector and its contribution to Gross Domestic
- Product (GDP), employment and export.
- Comparing the extent to which the SME sector's economic contribution has changed over the period.
- In a cross-country comparison of the SMEs economic contribution.

Underhill Corporate Solution was quick to point out that, there are some weaknesses in the above definitions. The economic definition that SMEs are managed by its owners or partly by owners in a personalised way and not through the medium of a formal management structure is incompatible with its statistical definition of a small manufacturing firm, which might have up to 200 employees. Different recognised bodies

and researchers have established different definitions of SMEs. According to The United Nations Industrial Development Organisation (UNIDO), the definition of SMEs is an important issue for policy development, formulation and implementation and depends primarily on the purpose of classification (UNIDO 2006). For policy development, UNIDO generally advises countries to take into account the quantitative and qualitative indicators for SME definition to differentiate between SMEs and large companies. Despite the controversy surrounding the definition of SME, there is some level of commonality in all the definitions. SMEs are defined generally with reference to the number of employees or turnover band (UNIDO 2006). The UNIDO also defines SMEs in terms of the number of employees by giving different classifications for industrialised and developing countries (see Elaian, 1996). The definition for industrialised countries is given as follows:

- Large - firms with 500 or more workers.
- Medium - firms with 100-499 workers.
- Small - firms with 99 or fewer workers.

The classification given for developing countries is as follows:

- Large - firms with 100 or more workers.
- Medium - firms with 20-99 workers.
- Small - firms with 5-19 workers.
- Micro - firms with fewer than five workers.

Table 2.1 below summarises the UNIDO definition.

Table 2.1 United Nations Industrial Development Organisation's definition of SMEs

Industrialised Countries Criteria	Workers	Developing Countries Criteria	Workers
		Micro	Fewer than 5
Small	99 or less	Small	5-19
Medium	100-499	Medium	20-99
Large	500 or more	Large	100 more

Source: Elaian, (1996)

In the UK, the Bolton Committee was set up in 1971 in an attempt to overcome the definitional problem. The Committee formulated an economic and statistical definition

of a small firm. The economic definition classed a firm as being small if it satisfies the following three criteria:

- It has a relatively small share of their market place.
- It is managed by owners or part owners in a personalised way.
- It is independent, in the sense of not forming part of a large enterprise.

The Bolton Committee applied different definitions to different SMEs operating in different sectors of the economy. Whereas SMEs in manufacturing, construction and mining were defined in terms of their number of employees, (in which case, 200 or less qualified the SME to be a small firm) those in the retail, services, wholesale, etc., were defined in terms of monetary turnover (in which case the range is £50,000-200,000 to be classified as a small firm). SMEs in the road transport industry are classified as small if they have five or fewer vehicles. There has been criticism of the Bolton definitions. This centres mainly on the apparent inconsistencies between defining characteristics based on the number of employees and those based on managerial approach (Elaian, 1996). Another defect in the Bolton Committee definition is the treatment of the small firm sector as being homogeneous. Table 2.2 below summarised the Bolton committee definition of SME.

Table 2.2: Bolton Committee Definitions of a Small Firm

Sector	Statistical definition
Manufacturing	200 employees or less
Construction, mining and quarrying	25 employees or less
Retailing, miscellaneous services	Turnover of £50,000 or less
Motor trades	Turnover of £100,000 or less
Wholesale trades	Turnover of £200,000 or less
Road transport	Five vehicles or less
Catering	All excluding multiples and brewery-managed houses

Source: Bolton Committee Report (1971)

However, the inconsistencies and shortcomings in the Bolton Definition of SME have been addressed by the definition of the UK Company Act 2006 section 382 which defined SMEs for the purpose of accounting requirements. Under the Act, a small company is defined as a company with a yearly turnover of under £6.5 million, a balance sheet total

of no less than £3.26 million, and no more than 50 employees. Alternatively, a medium scale company has a turnover of no more than £25.9 million, a balance sheet total of no more than £12.9 million and no more than 250 employees.

Table 2.3 below summarises the definition of U.K. Company Act 2006.

Table 2.3: Definition of section 382 of the U.K. Company Act 2006

Sizes	Yearly Turnover in millions	Balance Sheet Total in millions	Number of Employees
Small	fewer than £6.5	Not fewer than £3.26	Not more than 50
Medium-Sized	Not more than £25.9	Not more than £12.9	Not more than 250

Source: UK Company Act 2006

The European Commission (EC) also defines SMEs as companies with no more than 500 employees. This definition came into force in 2005 and a new category of micro enterprises was introduced as a company with fewer than 10 employees, whilst a small-sized enterprise is defined as an enterprise which employs between 11 and 99 employees and those enterprises with a headcount of not more than 499 are considered as medium. Thus, the SME sector is comprised of enterprises (except agriculture, hunting, forestry and fishing), which employ fewer than 500 workers. In effect, the EC definitions are based solely on employment rather than a multiplicity of criteria. Secondly, the use of 100 employees as the small firm's upper limit is more appropriate, given the increase in productivity over the last two decades (Storey, 1994). Finally, the EC definition did not assume the SME group is homogenous; that is, the definition makes a distinction between micro, small, and medium-sized enterprises. However, the EC definition is too all embracing to be applied to a number of countries. Table 2.4 below summarises the E. C's definition for SMEs.

Table 2.4: The European Commission (EC) Definition of SME

Criteria	Number Employees	Turnover	Balance Sheet Total
Micro	0-9	Not Exceeding 2 million Euros	Not Exceeding 2 million Euros
Small	10-99	Not Exceeding 10 million Euros	Not Exceeding 10 million Euros
Medium	100-499	Not Exceeding 50million Euros	Not Exceeding 43 million Euros

Source: European Commission 1996 and 2005

In South Africa, the most widely used definition is that of the National Small Business Act 102 of 1996, as amended by the National Business Amendment Act of 2003 and 2004 which defines five categories of businesses in South Africa. However, the fifth category is not discussed here as it is beyond the scope of this study. The definition uses the number of employees per enterprise size category combined with the annual turnover categories and the gross assets excluding fixed property. The definitions for the various enterprise categories are given as follows:

- **Survivalist enterprise:** The income generated is less than the minimum income standard or the poverty line. This category is considered pre-entrepreneurial, and includes hawkers, vendors and subsistence farmers. In practice, the survivalist enterprises are often categorised as part of the micro-enterprise sector. The turnover of enterprises that fall under this category is less than the Value Added Tax (VAT) registration limit (which is; R150 000 per year). These enterprises usually lack formality in terms of registration. They include, for example, minibuses, taxis and household industries. They do not employ more than five people.
- **Very small enterprise:** These are enterprises employing fewer than 10 paid employees, with the exception of mining, electricity, manufacturing and construction sectors, in which the figure is 20 employees. These enterprises operate in the formal market and have access to technology.
- **Small enterprise:** The upper limit is 50 employees. Small enterprises are generally more established than very small enterprises and exhibit more complex business practices.

- Medium enterprise: The maximum number of employees is 100, or 200 for the mining, electricity, manufacturing and construction sectors. These enterprises are often characterised by the decentralisation of power to an additional management layer (see Falkena, Abedian, Blottnitz, Coovadia, Davel, Madungandaba, Masilela and Rees, 2001).

Table 2.5 below summarises the South Africa NSB definition as seen in Falkena *et al.*, (2001).

Table 2.5: South Africa National Small Business Act 102 definition of SME

Enterprise Size	Number of Employees	Annual Turnover in SA Rand	Gross excluding properties	Assets fixed
Micro	fewer than 5	fewer than R150,000	fewer than R100,000	
Very Small	Fewer than 10 & 20 depending on industry	fewer than R200 000 and R500 000, depending on industry	fewer than R150 000 and R500 000, depending on Industry	
Small	fewer than 50	fewer than R2 million and R25 million, depending on industry	fewer than R2 million to R4.5 million, depending on industry	
Medium	fewer than 100 & 200 depending on industry	fewer than R4 million to R50 million, depending on industry	fewer than R2 million to R18 million, depending on industry	

Source: Falkena *et al.*, (2001).

2.3.3 The Ghanaian Situation

There are numerous definitions for SMEs in Ghana, however the most commonly used definition of SMEs in Ghana is the one that uses the number of employees of the enterprise (Kayanula and Quartey, 2000). In applying these definitions, however, there are some controversies regarding the arbitrariness and cut off points used by the various official records (Kayanula and Quartey, 2000). The GSS in its industrial statistics considers small businesses as enterprises that employ fewer than 10 people while those that employ more than 10 people are classified as Medium and Large-Sized Enterprises. Kayanula and Quartey, (2000) noted that GSS in its national account ironically considers enterprises with up to five employees as an SME. The Ghanaian government, in an effort to ensure effective growth and development of the micro and small enterprises sector,

established the National Board for Small Scale Industries (NBSSI) by Act 434 of 1981. The board is mandated to promote growth and development of SMEs in Ghana. The National Board for Small Scale Industries in Ghana utilises both ‘fixed assets and the number of employees’ as the criteria to define small-scale enterprise. According to the NBSSI, enterprises with employee strength of one to five and with fixed assets not exceeding 10,000 USD (excluding land and buildings) are considered as micro, while that of 6-29 employees with fixed assets not exceeding 100,000 USD (excluding land and buildings) are considered as small (Steel and Webster 1991; Osei, Baah-Nuakoh, Tutu, and Sowa, 1993). In defining small-scale enterprises in Ghana, (Steel and Webster 1991; Osei *et al.*, 1993) used an employment cut-off point of 30 employees. However, small-scale enterprises were classified into three categories.

These are micro - employing fewer than 6 people; very small- employing 6-9 people; and small - between 10 and 29 employees (Osei *et al.*, 1993). A more recent definition is the one given by the Regional Project on Enterprise Development Ghana (RPEDG). RPEDG classified firms into micro enterprise for those with fewer than 5 employees; small enterprise for those with 5-29 employees; medium enterprise for those with 30-99 employees, and large enterprise defines those with 100 and more employees (Teal, 2002). The Bank of Ghana under the Funds for Small and Medium Enterprises Development (FUSMED), defined micro and small enterprises as businesses with assets between five million Cedis and 25 million Cedis in constant 1988 prices (US \$20,000 and US \$100,000 equivalent) respectively (Boch-Ocansey, 1996).

Table 2.6: SMEs definitions in Ghana

Source of Definition	SME Definition
Ghana Statistical Service (GSS)	Firms with fewer than 10 employees are considered as small and those with more than 10 employees are medium or large
National Board for Small Scale Industries (NBSSI)	Micro enterprises are defined as enterprises employing 1-5 workers with fixed assets (excluding realty) of a value not exceeding \$10,000 and Small-Scale Enterprises as those that employ between 6-29 persons or have fixed assets (excluding realty) of a value not exceeding \$100,000
Osei <i>et al.</i> , (1993)	Firms with fewer than 6 employees are considered as micro while those employing 6 to 9 workers are considered very small and those with employees of 10 to 29 are considered as small and 30 employees and above being medium or large
Regional Project on Enterprise Development Ghana (RPEDG)	Firms with fewer than 5 employees are considered as micro and those with 5 to 29 employees are considered as small and those with 30 to 99 being medium
Bank of Ghana under the Funds for Small and Medium Enterprises Development (FUSMED)	Defined micro and small enterprises as businesses with assets of 5 million Cedis and 25 million Cedis in constant 1988 prices (US \$20,000 and US \$100,000 equivalent) respectively.

Researchers are advised to use a definition of SME which is more appropriate to their particular “target” group, thus there is a need for an operational definition (Abor and Quartey, 2010). Hence, the operational definition of SME in this study is that of the Regional Project on Enterprise Development Ghana manufacturing survey report, table 2.6.

2.3.4 SME Financing and Economic Development

A large volume of literature has already considered the inability of SMEs to obtain external finance. Some researchers have argued that the acute financial problem facing SMEs is largely due to their inherent informational opacity (Beck, Demirgüç-Kunt, and Levine, 2005; Berger and Udell, 2006; Guiso and Minetti, 2010). Moreover, given the constrained access to external finance, the majority of smaller firms prefer to draw on internal sources of finance, such as retained earnings and accruals (Xiang, Worthington, and Higgs, 2014). Consequently, there is a consensus in the literature that SMEs can be severely opaque. The information asymmetry associated with the SME sector affects the decisions of potential lenders or investors (Xiang *et al.*, 2014). Several existing studies have already focused on the issue of discouraged borrowers (Jappelli, 1990; Cavalluzzo, Cavalluzzo, and Wolken, 2002; Kon and Storey, 2003; Chakravarty and Yilmazer, 2009), a situation whereby businesses require debt finance but do not choose to apply because they believe that lenders and investors would turn them down. There is significant evidence that effective and reliable access to finance can help SMEs create jobs. At aggregate level, (Pagano and Pica 2012) there is a positive and significant relationship between financial development and job creation in developing countries. In the US, for instance, bank deregulation and subsequent financial liberalisation led to decreases in unemployment and increased labour market participation, especially among low-skilled workers (Beck, Levine and Levkov, 2010).

Although other business environment constraints are important factors affecting SMEs, these are often interrelated with finance. Even when these interactions are controlled as well as they can be in a cross-country setting, access to finance or rather, lack of it seems to emerge consistently as one of the most important and robust underlying factors constraining SME growth and development (Ayyagari, Demirguc-Kunt and Maksimovic, 2008). Beck *et al.*, (2005; 2008), argue that financial development helps reduce the effect of financing obstacles on SME growth (with a disproportionately beneficial effect for SMEs) and financial development exerts a disproportionately large positive effect on the growth of industries that are naturally composed of more SMEs. Quasi-experimental evidence confirms the effect of credit constraints for SME growth. Analysing detailed loan information on 253 Indian SMEs before and after they became eligible for a directed subsidised lending programme, Banerjee and Duflo, (2008) found that the additional credit resulted in a proportional increase in sales rather than a substitution for other non-

subsidised credit, indicating that these firms were credit constrained before receiving subsidised credit.

Going even further down the size scale, De Mel, McKenzie, and Woodruff (2008) used a randomised experiment in Sri Lanka to test the productivity of capital by providing small grants to a group of micro-entrepreneurs and comparing their returns with a control group. These researchers found annualised returns of 55% to 63%. It is important to note that this evidence is suggestive of credit constraints and not evidence in favour of credit subsidies given the partial equilibrium and short-term character of the analysis. Alleviating financing constraints of SMEs and levelling the playing field between firms of different sizes is thus an important channel through which financial deepening can have direct and indirect impacts on firm and aggregate growth.

The literature has identified different channels through which financial development affects SMEs and ultimately, aggregate growth. Firstly, the availability of external finance is positively associated with the number of start-ups, which is an important indicator of entrepreneurship as well as firm dynamism and innovation (Aghion, Fally and Scarpetta, 2007; Ayyagari, Demirguc-Kunt and Maksimovic, 2011). Secondly, finance also allows existing firms to exploit growth and investment opportunities, and to achieve larger equilibrium size (Beck, Demirguc-Kunt and Maksimovic, 2006). Finally, firms can safely acquire a more efficient productive asset portfolio where the infrastructure of finance is in place, and they are also able to choose more efficient organisational forms such as incorporation (Beck *et al.*, 2006).

Speaking at the launch of an SME Finance Fair in Accra, a Minister of State in charge of Private Sector Development and Private Public Partnership, Mr Rashid Pelpuo argued that finance remains a key constraint for SMEs. According to him, challenges in accessing capital at competitive costs have proven to be harmful, not only to the private sector but to the entire economy. Pelpuo went on to say that, the high interest rates were adversely affecting the SME sector. The minister asserted that a fundamental challenge in Ghana was encouraging and fostering the rapid development and growth of SMEs, attributing the situation to inadequate access and the exorbitant cost of funding to the sector by financial institutions (Daily Graphic, 2016). Following his articulation of all these challenges affecting the SME sector, the minister argued further that, the SME sector is the backbone of rapid economic development. The minister was of the opinion that the significance of SMEs to Ghana's development could not be overemphasised, stating

“over 40% of Ghana’s GDP is generated from SMEs and they, therefore, have an impact on economic growth, income and employment. (Ghanaweb.com).

2.3.5 Contribution of the SME Sector to National Economies

Governments of both developed and developing countries worldwide have identified SMEs as important contributors to economic growth and development (Abor and Quartey, 2010). The SME sector is the backbone of many economies. SMEs have played a tremendous role in the economic recovery of many countries and regions (Abor and Quartey, 2010). Audretsch, (2002) has argued that the SME sector restored the US economy during the 1990 economic crisis by regenerating competitiveness, innovation and job creation. In addition, the contribution of the SME sector in resolving the Asia and South-Pacific crisis of the 1990s cannot be overemphasised, this was when SMEs created the needed job opportunities (Anil, 2003). It is estimated that SMEs create around 9% of employment opportunities in Thailand compared to 4% to 6% of large companies (Anil, 2003). The available statistics show that the SME sector is not just structurally important, but also plays a key role in economic development (Audretsch, 2002; Anil, 2003). The discussion of SME as a sector, its role and contribution to national economies is important, however, it is also important to be aware of the limitations of SME data.

It is crucial to note that the statistical data available on both a national and international level are scanty, incomplete and at times unavailable. The lack of international consensus on a single definition for the sector attests to this fact. Hence, it is difficult to access accurate and relevant SME data as well as quantify the number of SMEs especially in developing economies. This has resulted in the worldwide compilation of data that include the numbers of and contribution of the SME sector to the economy for comparative purposes and these are often collated using different criteria. It is worth noting that, in some cases at national level, data presented by different government agencies has a degree of discrepancy. This level of discrepancy poses difficulties and some level of limitation in the use and interpretation of such SME data, which should be borne in mind when making comparisons and detailing research results from different countries. Below are some of the contributions of the SME sector to national economies.

2.3.5.1 Job Creation

The 2008-2009 global financial crisis has led to an increased interest in the role of SMEs in job creation and economic growth (Ardic, Mylenko, and Saltane, 2011). According to Levy and Powell (2005), SMEs constitute a vibrant and growing sector in most economies across the globe, and changes in global economic conditions have contributed to the rise in the number of SMEs (Ardic *et al.*, 2011). Surveys reveal that about 95% of firms are SMEs, employing an average of 65% of the formal workforce within the Organisation for Economic Co-operation and Development (OECD).

The European Association of Craft, Small and Medium-sized Enterprises (UEAPME) (2017) put the total number of all non-financial business enterprises in European countries to around 21.7 million of which the organisation indicated 99.8% are SMEs with an employee strength of no more than 250. The SME sector, according to the statistics, accounted for 66.7% of total employment within the non-financial business sector in 2008. The relative importance of SMEs is particularly high in the southern countries of Italy, Portugal and Spain. According to UEAPME (2017) the employment breakdown within the SMEs includes 19.5 million in manufacturing, 13.2 million in construction and 23.3 million in the distributive trades sector. These three activities provide work to 61.9 million of the non-financial business economic workforce within the EU. The SME sector is more labour intensive than its larger counterparts, therefore, it has lower capital costs associated with job creation (Anheier and Seibel, 1987; Liedholm and Mead, 1987; Schmitz, 1995).

It was obvious during the 2008 financial crisis that while large firms were laying off workers, the SME sector was employing workers. Lukacs (2005) argues that between 1998 and 2001, large enterprises lost jobs, whilst the SMEs increased their employment figures in the EU. The reason for the ability of SMEs to create more jobs than their larger counterparts is that they are more labour intensive (Abor and Quartey, 2010). SMEs are also noted to have advantages over their large-scale competitors because they are able to adapt more easily to market conditions, rapid decision-making, willingness to take risks and flexibility in responding to new market opportunities. In contrast, larger firms have advantages linked to scale and the availability of specialist resources. This suggests that ‘the relative strengths of large businesses are predominantly material (economies of scale and scope, financial and technological resources, etc.), while those of small firms are

mostly behavioural (entrepreneurial dynamism, flexibility, efficiency, proximity to the market, motivation)' (Vossen, 1998).

SMEs are able to withstand adverse economic conditions because of their flexible nature (Kayanula and Quartey, 2000). The sector performs useful roles in ensuring income stability, growth and employment (Kayanula and Quartey, 2000; Abor and Quartey, 2010). Since SMEs are labour intensive, they are more likely to succeed in smaller urban centres and rural areas, where they can contribute to a more even distribution of economic activity in a region and can help to slow the flow of migration to large cities (Kayanula and Quartey, 2000). It is also believed that their regional dispersion and their labour intensity, as well as their small-scale production units can promote a more equitable distribution of income (Abor and Quartey, 2010). The SME sector provides 85% of manufacturing employment in Ghana (Abor and Quartey 2010). The sector also provides employment to 58.8% of the total workforce in the UK, (Department for Business Innovation and Skills 2011). Despite the widespread belief regarding the capability of SMEs in employment generation, other schools of thought are of the opinion that the perceived employment generation of SMEs is unstable given the unstable nature of SMEs (Terziovski, 2010). Terziovski, (2010), found that 24% of all new businesses in the US failed within two years, and that 63% failed within six years (Wheelen and Hunger, 1999). Lu and Beamish, (2001) found similar failure rates in Australia, the UK, Japan, Taiwan, and Hong Kong. Wheelen and Hunger (1999) argue that the high failure rate of SMEs is largely due to informal strategic planning processes and the lack of systems to keep track of the SMEs' performance.

2.3.5.2 SMEs and overall economic growth

The SME sector is one of the major priority areas for many policy makers and researchers as a means to accelerate the rate of growth in low-income countries (Advani, 1997; Abor and Quartey, 2010). SMEs are the 'engine of growth' for attainment of growth objectives of developing countries (Advani, 1997). Developed economies through SMEs development, are able to reduce, if not eradicate completely any trade deficit. SME export alone generates 100 billion pounds for the UK economy. An increase by a third will eliminate the visible UK trade deficit, (House of Lords SMEs Committee Report, 2012). Ihua (2009) posits that, SMEs have been given due recognition especially in the developed nations for playing very important roles towards fostering accelerated

economic growth, development, and stability within several economies. Ajayi and Morton, (2015), argue that more attention has been given to SMEs in developed nations than in developing nations. SMEs are vital to sustainable, diversified, and long-term economic growth (Ardic *et al.*, 2011). They also improve the efficiency of domestic markets and make productive use of scarce resources, thus facilitating long-term economic growth (Kayanula and Quartey, 2000).

SMEs are a potential source of employment and income in many developing and developed countries. They are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana (Abor and Quartey, 2010). It is also estimated that SMEs contribute 91% of the formal business entities as well as 52 to 57% to GDP and provide about 61% employment to the economy of Republic of South Africa. Additionally, SMEs play a significant role in revenue generation, and export earnings in developing and emerging economies (Javalgi and Todd, 2011). SMEs have been identified as major contributors to economic growth and income distribution in many economies. For these reasons, the SME sector has been the target of both international and national aid agencies in many countries of the world (Department of Trade and Industry [DTI], 2005, 2006; Omankhanlen, 2011a, 2011b). For instance, in 2007, SME Support Service provided US\$1.1 billion financial support for the Brazilian SMEs (Cravo, Gourlay, and Becker, 2010).

2.3.5.3 Innovative capability

SMEs are more innovative than their counterpart the large firms (Ardic *et al.*, 2011). When compared with large firms, SMEs in developed countries often enhance their competitiveness through high-quality product, flexibility, and responsiveness to customer needs (Ardic *et al.*, 2011). Bessant and Tidd, (2007), argue that innovation in firms can take many forms. A broader framework, other than those of technological product and process innovations proposed by the Organisation for Economic Co-operation and Development (OECD) and the Statistical Office of the European Communities in the Oslo Manual, distinguishes innovation into four main areas: Process, Product, Organisational, and Marketing Innovations, (OECD/Eurostat, 2005).

It has been argued that SMEs have more advantages over their counterpart large firms in terms of innovation due to the flexible structures of SMEs, as compared to the inherent structural complexity of the large firms (Fiengenbaum and Karnani, 1991; Appiah-Adu

and Singh, 1998; Narayanan, 2001; Qian and Li, 2003). However, this argument has been criticised by other researchers who argue that SMEs need to improve their organisational capabilities by formalising their structures and systems in order to become more efficient (Bessant and Tidd, 2007; Prakash and Gupta, 2008). Bessant and Tidd, (2007) have argued that innovation in the manufacturing sector, for instance, generally focuses on process improvements, for which formal structures and systems are necessary to squeeze costs out. Large manufacturing firms have generally succeeded with this strategy by focusing on process improvement. Dibrell, Davis, and Craig (2008) have also argued that SMEs show a very slow response or sometimes are not able to respond to change in market expectations and opportunities, because they fail to acquire the necessary innovative capabilities. It is also imperative to note that though SMEs have a strong ability to invent because they are very close to the customers, their main problem lies in the commercialisation of their inventions, that is, achieving effective innovation (Gans and Stern, 2003; O'Regan, Ghobadian, and Galleary, 2006; Van de Vrande, De Jong, Vanhaverbeke, and De Rochemont, 2009).

2.3.5.4 Poverty alleviation

The importance of SMEs in contributing to economic growth and the development of economies, as well as poverty alleviation, has been recognised especially in developing economies. Agyapong (2010) underscores the role of Micro, Small and Medium Enterprises (MSMEs) in poverty alleviation in Ghana. Agyapong observes that town and rural based MSMEs help to create jobs and increase income of employees. Agyapong argues further that this increased income helps the people to obtain better education, health care facilities and also empowers them to escape the vicious cycle of poverty. Mukras, (2003) suggests a set of policy recommendations for poverty alleviation through strengthened SMEs. Policy directives that strategically strengthen SMEs will generate employment, especially in the low and unskilled labour category. Beck *et al.*, (2004) argue that entrepreneurial and innovative ventures in MSMEs help to improve growth of the economy and reduce the poverty levels in developing economies. Gebremariam, Gebremedhin, and Jackson, (2004) analysing the relationship between development of small-scale business, growth and incidence of poverty in West Virginia, found a strong negative relationship between small-scale business development and incidence of poverty. Beck *et al.*, (2005) exploring the relationship between SMEs, growth and poverty find a strong relationship between SMEs and growth in GDP per capita. Aina and Amnes

(2007) suggest a more effective and fully funded policy programme for the development of SMEs is needed in Nigeria, to generate employment opportunities for economic growth, and to empower the poor and deprived in society. The adoption of growth strategies that promote labour intensive related industries and SMEs promoted high levels of growth with less income inequality in the Republic of Korea and Taipei, China during 1950s-1990s, (Li and Lou 2008).

2.3.6 Characteristics of SMEs in Developing Countries

SMEs in developing countries have some characteristics that are quite different from their counterparts in the developed economies (Fisher and Reuber, 2000). These characteristics have been discussed in detail below.

2.3.6.1 Labour Force Characteristics

According to Fisher and Reuber, (2000) the characteristics of SMEs in developing countries could be put under broad headings of: labour characteristics, sectors of activity, gender of owner and efficiency. They further argue that most SMEs are one-person businesses; hence, the largest employment category is working proprietors. This group, they indicate, makes up more than half of the SME workforce in most developing countries; their families, who tend to be unpaid but active in the enterprise, make up roughly another quarter. The remaining portion of the workforce is split between hired workers and trainees or apprentices. SMEs are more labour intensive than larger firms are and, therefore, have lower capital costs associated with job creation (Anheier and Seibel, 1987; Liedholm and Mead, 1987; Schmitz, 1995). The labour characteristics according to interviewees reduce the labour cost, as most family employees are not on the official payroll.

2.3.6.2 Sector of activity

In terms of activity, SMEs are mostly engaged in retailing, trading, or manufacturing (Fisher and Reuber, 2000). While it is a common perception that the majority of SMEs will fall into the first category, the proportion of SME activity that takes place in the retail sector varies considerably between countries, and between rural and urban regions within countries (Fisher and Reuber, 2000). Retailing is mostly found in urban regions, while manufacturing can be found in either rural or urban centres (Fisher and Reuber, 2000). However, the extent of involvement of a country in manufacturing will depend on a number of factors, including availability of raw materials, taste and consumption patterns of domestic consumers, and the level of development of the export markets (Fisher and Reuber, 2000).

In Ghana, SMEs could be categorised into urban and rural enterprises (Abor and Quartey 2010). The former could be subdivided into “organised” and “unorganised” enterprises. The organised ones mostly have paid employees with a registered office, whereas the unorganised category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home, and employ few or in some cases no salaried workers (Kayanula and Quartey, 2000). They rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops. The major activities within this sector include: soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smithing, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wooden furniture, electronic assembly, agro processing, chemical-based products and mechanics (Osei *et al.*, 1993; Kayanula and Quartey, 2000).

2.3.6.3 Ownership Characteristics

The majority of SMEs are female-owned businesses which, more often than not are home-based compared to those owned by males. They are operated from home and are mostly not considered in official statistics (Fisher and Reuber, 2000). This clearly affects their chances of gaining access to financing schemes, since such programmes are designed without sufficient consideration of the needs of businesses owned by females. These female entrepreneurs often get the impression that they are not capable of taking advantage of these credit schemes, because the administrative costs associated with the schemes often outweigh the benefits. Prior empirical studies in Ghana have shown that

female-owned SMEs often have difficulty accessing finance (Aryeetey *et al.*, 1994; Abor and Biekpe, 2006). Females are mostly involved in sole-proprietorship businesses, which are mainly microenterprises and as such may lack the necessary collateral to qualify for loans (Aryeetey *et al.*, 1994; Abor and Biekpe, 2006).

2.3.6.4 Efficiency

Measurements of enterprise efficiency (e.g. labour productivity or total factor productivity) vary greatly both within and across industries. Firm size may be associated with some other factors that are correlated with efficiency, such as managerial skill and technology, and the effects of the policy environment. Most studies in developing countries indicate that the smallest firms are the least efficient, and there is some evidence that both small and large firms are relatively inefficient compared to medium-scale enterprises (Little, Mazumdar, and Page Jr., 1987). It is often argued that SMEs are more innovative than larger firms. Many small firms bring innovations to the market place, but the contribution of innovations to productivity often takes time, and larger firms may have more resources to adopt and implement them (Acs, Morck, and Young, 1999).

2.4 SMEs in Ghana and the Non-Traditional Export Sector

The constant fluctuations of the country's major traditional export commodities (cocoa, gold timber and now oil) on the world market made the government look at diversifying the export commodities of the country to ensure sustainable revenue base for the country's development goals (GoG report 2010). For instance, total export revenues for the three major commodities (cocoa, oil and gold) amounted to USD8.2billion for the period between January and September 2014 (GoG report 2015). This reduced by USD2.4billion to USD5.8billion for the same period in 2015, and it is expected to fall further this year (Ghanawe.com). The NTE sector is an important foreign exchange earner to support that of the traditional sector (GEPA 2015).

According to the Trade Ministry and its agencies, a target of USD5 billion has been set to be achieved by the end of 2016. Ghana's export promotion programmes are mostly focused on this sector. Over the past 10 years, the total national merchandise export of Ghana has shown growth. The Export sector grew from USD2.76 billion in 2005 to

USD5.206 billion in 2008; however, there was a sharp decline of 19.82% in 2009 due to the global economic crisis within that period. However, total national export rose by 39.48% in 2010 to USD5.822 billion, the highest growth was experienced in 2011, during which the country achieved a 119.60% increase to a total of USD12.785 billion in export revenue see below table 2.9.

Table 2.7 Percentage of NTE to total export-2012 to 2014

	2012 US\$ 000	2013 US\$ 000	2014 US\$000
Total Export	13541	13751	13216
NTEs	2364	2436	2514
% contribution of NTE to total Export	17.46	17.71	19.02

Source: Ghana Export Promotion Authority (2015)

2.4.1 Non-Traditional Export (NTE) Performance by Sector

Total earnings of the NTE sector in 2014 are made up of earnings from three main sub-sectors, Agriculture, Processed and Semi-processed and Handicraft as indicated in Table 2.10.

Table 2.8 Sub-sector Performance 2014 and 2013

Sub-sector	2014 (US\$ Millions)	2013 (US\$ Millions)	% Change
Handicrafts	3.47	2.46	41.06
Agriculture	340.68	323.71	5.24
Processed/Semi-Processed	2169.65	2110.03	2.83

Source GEPA Report 2015

Processed/Semi-processed products accounted for 86.31% of NTEs. Agricultural produce accounted for 13.55% and Handicraft accounted for 0.14% of total NTEs in 2014.

2.4.1.1 Processed/Semi-processed Sub-Sector

Total export earnings from the processed and semi-processed sub-sector amounted to US\$2.169.65 million in 2014 compared to USD2,110.03 million in 2013, this shows an increase of 2.82%. The processed and semi-processed subsector contributed 86.31% to the total NTEs. Table 2.11 shows the performance of the top ten leading products of the sub-sector in 2013 and 2014

Table 2.9 Ten leading processed/ Semi-processed products

Product	2014 (USD)	2013 (USD)	Percentage Growth Rate
Cocoa	568,820,471	528,805,526	7.5
Articles of Plastics	165,940,186	147,299,235	12.66
Canned Tuna	151,812,675	144,068,530	5.38
Natural Rubber Sheet	129,982,071	64,178,781	102.53
Aluminium Plates, Sheets & Coils	93,692,428	61,748,519	51.73
Cocoa Powder	64,040,806	14,546,155	340.26
Shea (karite) Oil	52,021,399	26,443,668	96.73
Cut Fruits	50,188,800	34,416,150	45.83
Veneers	43,442,998	90,424,937	-51.96
Plywood	31,702,871	22,302,097	42.15
	1,351,644,711	1,134,233,598	19.17

Source GEPA Report 2015

2.4.1.2 Agricultural Sub-Sector

As an agrarian country, the agricultural sub-sector used to be the dominant sub-sector until 1990. Its contribution to total NTE declined gradually from 67.19% to 13.55% in 2014 to give way to value added products (GEPA 2015). The total export earnings from the agricultural sub-sector in 2014 amounted to USD340.7 million, compared to USD323.7 million in 2013, an increase of 5.25%. The sub-sector contributed 13.55% to the total NTE earnings in 2014. Table 2.12 shows the performance of ten leading products of the sub-sector compared with the performance of the same products in 2013 GEPA (2015).

Table 2.10 Ten leading agricultural product

Product Description	2014 (USD\$)	2013 (USD\$)	Percentage Growth Rate
Cashew Nuts	134,614,317	163,095,966	-17.46
Medicinal Plants & Parts	51,991,308	43,116,561	20.58
Fresh and Frozen Tuna	42,851,223	24,390,031	75.69
Shea Nuts	25,046,473	8,062,696	210.6
Yam	18,282,488	20,857,985	-12.35
Pineapples	17,960,113	19,208,877	-6.50
Banana	16,699,489	2,287,010	630.19
Fresh and Frozen Fish	9,993,921	7,695,808	29.86
Mango	6,246,507	5,110,721	22.22
Flowers	3,218,895	2,326,368	38.37
	326,904,734	296,152,023	10.38

Source: GEPA Report 2015

2.4.1.3 Handicraft Sub-sector

Total earnings from the handicraft sub-sector in 2014 increased by 41.05% from USD\$2.46 million to USD 3.47 million. The main problem hampering the sub-sector is the shift of major buyers from Ghanaian handicraft products to other sources of supply for new and modern design with relatively better finishing and functionality (GEPA report 2015).

Table 2.11 Ten Leading Handicraft Products

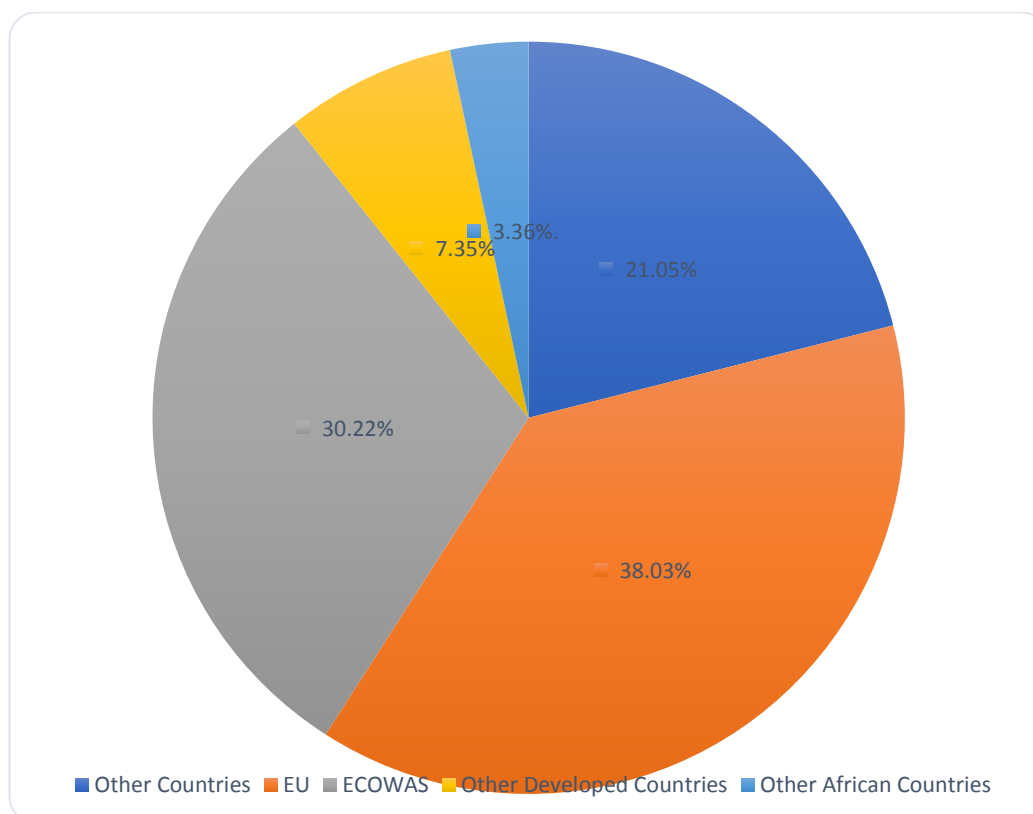
Product	2014 (USD\$)	2013 (USD\$)	Percentage Growth Rate
Basket ware	1,180,845	90,600	1203.36
Ceramic Products	849,697	530,272	60.24
Traditional Musical Instruments	38,6255	336,578	14.76
Hides and Skins	32,3753	543,049	-40.38
Batik/Tye and Dye	285,495	64,450	342.97
Statuettes	190,130	171,158	11.08
Beads	106,339	183,763	-42.13
Painting and Drawing	75,332	31,644	138.06
Handicraft Items	28,374	111,261	-74.50
Kente Products	19,778	226,076	-91.25
	3,445,998	2,288,851	50.56

Source: GEPA Report 2015

2.4.2 Destination for Ghana's Non-traditional Exports

According to GEPA, Ghana's non-traditional commodities were exported to 138 countries in 2014. The authority has put these destination markets into five different categories. The EU, Economic Community of West African States (ECOWAS), Other Developed Countries, Other African Countries and Other Countries. The available figures and performance of the NTE sector indicate that, the EU and the ECOWAS markets absorbed 38.05% and 30.22% respectively of NTE exports and the two markets continue to be the leading markets for Ghana's NTE commodities. Other African countries, other developed countries, as well as other countries absorbed 3.36%, 7.35% and 21.05% respectively of NTE exports from Ghana (GEPA 2015). This is shown in the Chart below:

Figure 2.2 Performance of NTE sector by market (Destination)



Source: GEPA Report 2015

A comparison of the performance of the various markets in this period shows there has been a decrease of 10% in the export of non-traditional produce to the ECOWAS sub region especially Togo, Nigeria and Benin. The EU, however, expanded by over 24% due mainly to the increase in cocoa paste exported to France. Other Developed Countries recorded the lowest growth rate of 28.58% due to a decline in NTE to Switzerland (GEPA 2015).

Table: 2.12 NTE Destinations by market in 2013 and 2014

Market Destination	2014(USD)	2013 (USD)	Percentage Growth 2014/2013
European Union (EU)	955,888,025	768,621,772	24.36
ECOWAS	759,563,381	848,411,539	-10.47
Other Countries	529,091,282	476,095,773	11.13
Other Developed Countries	184,760,459	258,694,591	-28.58
Other African Countries	84,516,276	843,378,638	0.16

Source: GEPA Report 2015

2.5 Summary

This chapter has looked into how Ghana's gradual ideological change has liberalised economic activities in the country from a post-colonial, state enterprise dominated economy to the current, liberalised trade policies with more emphasis on entrepreneurial drive and private sector participation. This chapter has also highlighted the activities of SMEs in the NTEs sector. The NTE sector places more emphasis on value added, and aggressive promotion of the private sector to champion the diversification policy of the country from hitherto dependence on few primary commodity exports. Ghana is poised to improve its international trade to ensure favourable terms of trade and total growth and development. This is yielding dividends with the active involvement of the private sector, however, there is still a long way to go.

3.0 Literature Review on Internationalisation Theories and SME Internationalisation Behaviour

3.1 Introduction

The aim of this chapter is to critically review and analyse the theoretical and empirical literature that relate to SME internationalisation behaviour and the role government promotion programmes play in the internationalisation and development of the sector. A significant constraint on the study of SMEs is the lack of well-established theories explaining the behaviour of SMEs and this is particularly true when we discuss their internationalisation decisions. In a series of studies, Dunning (1988, 1993, 1995 and 2001) argues that there is no single theory of international trade able to fully explain a firm's international expansion. The review will also look at how export promotion programmes as a form of government policy have contributed to SME internationalisation and the role of entrepreneurial activities on SME internationalisation and performance. The chapter is organised as follows; section 3.2 evaluates the various theories of internationalisation of the firm, 3.3 discusses SMEs theoretical approaches to internationalisation. Although there are no specific theories in relation to SME internationalisation, most of existing theories focus more on large businesses than SMEs; hence, this section will put more emphasis on the few that could equally apply to small business internationalisation. Then section 3.4 will analyse internationalisation and SME performance, exporting is the main interest. Finally, section 3.5 will discuss entrepreneurship development and SME growth.

3.2 Theories of Internationalisation of the Firm

The past decades have seen many firms leaving their domestic market to pursue trade expansion and increasing market share through internationalisation. Increased trade liberalisation and economic integration measures undertaken by many countries during the last three decades, coupled with growing domestic economies, advanced in transportation, information and telecommunication technology are the main factors that have contributed to the increased engagement of firms in exporting activities over the years (Lee and Carter, 2009; Pinho and Martins, 2010). Internationalisation of companies is a phenomenon, which has been empirically assessed and found to have a clear effect

on the total performance of a company (Dhanaraj and Beamish, 2003; Qian Li, 2003; Qian, Yang and Wang, 2003). Numerous theories have been proposed to explain the process of firms' internationalisation, why and how firms internationalised. This section discusses some of these theories:

3.2.1 The Configuration and “Gestalt-Oriented” approach

Macharzina and Engelhard (1991) formulated the GAINS approach (Gestalt-Oriented Approach of International Business Strategies) in an attempt to take a holistic view of the dynamics of firms' internationalisation. This approach, unlike the traditional stage models, attempts to provide information on the dynamic processes of internationalisation through an analysis of the constellation of “environment-structure-strategy-process (management)” in the context of the three categories of non-exporter, reactive exporter and active exporter. They are of the view that firms experience certain spurts of development and take a particular path with regard to the three main configurations mentioned above. Macharzina and Engelhard (1991) argued that realignment of the firm takes place through a switch of configuration during the transitional phase; however, in the phase of relative stability the configuration does not change. Internationalisation is therefore seen as a process-oriented character and remains an inherent part of corporate development. Over the course of time, revolutionary and incremental periods of change occur in alternation. The theory provides indications of the sequences and the speed of internationalisation. According to Macharzina and Engelhard (1991) the inherent advantage of continuous and incremental change is that they are cost effective and perhaps less risky than revolutionary change. The phase of transition, however, is a state between two optimal “Gestalt” constellations, which can lead to disharmony and accompanying costs.

Kutschker (1996); Kutschker and Bauerle (1997), on building on the GAINS theory developed the “Three E's Model”, which has been further explained by other researchers (Swoboda 2002; Zentes, Swoboda and Morschett, 2004; Kutschker and Schmid 2006). For these researchers, the whole process of internationalisation is “trial and error”. Swoboda (2002); Zentes *et al.*, (2004); Kutschker and Schmid, (2006) suggested internationalisation takes place gradually and incrementally at various levels and there are evolutionary, episodic and epochal differences with regard to the intensity and the scope of organisational change. They further explain that firms in foreign markets develop

within an “ongoing” process (international evolution) and amidst epochal change (international epoch). In between, there are sporadic phases of greater changes in the degree of internationalisation (international episode). In an attempt to clarify these terms, Kutschker, (1996) and Kutschker and Bauerle, (1997) explain “evolution” to mean the numerous small steps of internationalisation in the daily business activities of a firm which is either more or less conscious/intentional in nature but primarily incremental in their change of surface or more fundamental organisational structures. In the opinion of Kutschker, episodes occur faster. They are revolutionary and mark an important aspect of the firm's internationalisation process. Kutschker further explains that longer periods of increased and intense activity characterise this phase of internationalisation. Substantial parts of the firm are affected and face new and complex challenges. Examples of this could be the firm establishing a new subsidiary or the takeover of a direct competitor in the foreign target market.

Epochs also comprise intensive change over a longer period; this could be implementation of a new internationalisation strategy. Within an epoch, there are various episodes of sporadic change, such as the integration of a takeover or the establishment of a subsidiary, followed by a phase of consolidation (evolution). An epoch always triggers fundamental change over a longer period. According to this model, there is always incremental internationalisation, while revolutionary/discontinuous development is possible but does not necessarily have to take place. The far-reaching changes tied to breaking out to a new epoch are seldom found. The international fingerprint changes intensely from epoch to epoch, and over the course of time. In the broadest sense, this interpretation also correlates to the “punctuated equilibrium theory” (PET). Gersick (1991) explained that that firms evolve by experiencing periods of stability (equilibrium) in their activities, punctuated by relatively short periods of more fundamental change. Accordingly, the foreign expansion can be considered “punctuated”, and requisite changes to foreign management operation are necessary for the firm to respond appropriately to this punctuation. Katsikea, Papavassiliou, Theodosiou, and Morgan, (2005) argued that in cases in which the “punctuation” is great, the corresponding organisational responses must also be great to return to a state of equilibrium.

These theories attempt to explain firms’ internationalisation processes and the various stages firms go through; however, they fall short of explaining the role of the entrepreneur in the nationalisation process of SMEs. In most cases SMEs have few resources to make

any acquisition or set up subsidiaries in the targeted foreign market to facilitate the internationalisation process. Most SMEs rely on networks of owners, management or personal contacts in order to reach foreign markets (Wilkinson and Brouthers, 2006; Neupert *et al.*, 2006). Moreover, Kutschker, (1996), Kutschker and Bauerle, (1997) in their three E's model which seeks to build on Macharzina and Engelhard's (1991) GAINS approach described the internationalisation process as "muddling through" and "trial and error". However, the interviews with SME owners and managers indicate that small businesses are more conscious in their approach to internationalisation and the process more gradual and incremental. Moreover, the GAIN theory emphasised the revolution and incremental change that occurred in alternation as part of the firm's development towards internationalisation, with no emphasis on the entrepreneur, who is the architect of the development and how the environment in which the firm operates affect those developments. This study focuses on the impact that government stimuli, which is part of the SMEs' immediate environment, have on their internationalisation strategy.

3.2.2 Real Options Theory

The real option theory is a new, but an important economics-based approach, for a further study of firms' internationalisation as observed by researchers (Amran and Kulatilaka 1999; Fisch 2004; Adner and Levinthal 2004; Copeland and Tufano 2004). The theory is based on the principle that in the case of uncertainty, irreversible investments bear a risk of loss, which can be reduced through a flexible timeframe. In essence, it is about the option to not have to decide right away but to be able to wait for more information. This flexibility can be assigned value, which grows in the face of increasing uncertainty. The theory proposes that decision-makers have the options to delay action (option to wait), discontinue action (option to withdraw), to expand (expansion option), or to use resources other than those originally planned (option to exchange). It is worth noting that the real options could be successfully employed when future conditions can be predicted with high probability. In this case suitable options could be planned for using this information/knowledge at an early stage, as pointed out by Copeland and Tufano (2004). Fisch, (2004) argues that as far as internationalisation is concerned, the real options theory is relevant in the case of decision- making regarding international direct investment. For instance, firms may refrain from making profitable investments when there is a loss option involved and perhaps invest later when there are better conditions. On the flipside, firms will engage in an unprofitable foreign investment in their stride when it brings

further options. The real options theory can also aid in defining stages of development in the internationalisation process. Klaus and Joachim, (2005) explained that the phases of internationalisation can be understood as investments with varying optional character, which can help to explain leaps within the internationalisation process. For instance, Klaus and Joachim, (2005) elaborate further by arguing that “export strategy” can be interpreted as a “delayed investment”, an international joint venture as a “real option” and a foreign sales subsidiary as an “immediate option”. According to Copeland and Tufano (2004) in the theoretical discussion of dynamic internationalisation, the real options theory is often critically observed in comparison to simple finance options. Klaus and Joachim, (2005) have explained that the real option theory is a young theory and, therefore, there is little empirical data on its use in explaining internationalisation of the firm. Copeland and Tufano (2004) argue that not only the right decisions, but also the right timing makes for good management. Hence, the real options theory seems to present an interesting perspective (Fisch 2004).

3.2.4 Competition-Oriented and Strategic Approach

The competition-oriented and strategic approach is another internationalisation theory that links firm internationalisation to learning and foreign market experience. Hollensen (2007) expresses the opinion that foreign companies are initially at a disadvantage in relation to the competition in their destination market, as companies lack knowledge and experience with customers, competition, product demand and partners. Welch *et al.*, (2007), noted that only when the so-called “liability of foreignness” has been overcome and there is a competitive advantage can firms successfully internationalise. Although the behavioural-based approaches consider knowledge of the destination market as an important ingredient for a successful internationalisation, they do not consider competitive advantage but concentrate on the organisational learning process in internationalisation. Becker (2005) supported the argument with the view that the learning process is of great importance to companies with monopolistic offers, therefore, if a company were to internationalise along these lines in a strictly incremental fashion then significant opportunity costs would arise.

Prahalad and Doz (1987), in their submission, noted that internationally active companies find themselves between the poles of necessary adaptation to local host country conditions (local responsiveness) and forces leading to a globally standardised approach

(global integration). According to these writers, there are three categories of management demand in an internationally active firm, which they refer to as “building blocks”; these are the “global integration of activities”, the “global strategic coordination” and the “local responsiveness”. Prahalad and Doz (1987) further maintain that, the “building blocks”, create a framework through which external environmental factors or sector-related forces exerting influence on the company may be observed. Firms adjust their strategies and modes of operation in order to remain in contention within the environment in which they actively operate. The role of management lies in coordinating the company operations. Companies which do not select the right strategy will not achieve the required success necessary for surviving in this environment (Yu, Gilbert, and Oviatt, 2011).

Bartlett *et al.*, (2004) express the opinion that to achieve competitive advantages, firms relied on economies of scale and economics of scope, depending upon the strategic target. They further explain that a globally aligned company, whose focus is placed on achieving competitive advantage, would form a centrally oriented organisational structure in order to achieve the benefits derived from centrally planned value-creating activities. According to Bartlett and Goshal (1989, 1990) they assumed the existence of ideal typologies of firms. They go on to explain that such typologies are useful for reducing and better understanding the complexity of international organisations (Schwarz 2009). However, it remains open as to whether other forms can exist and what role the sector requirement has in strategic alignment (Kutschker and Schmid, 2006; Schwarz 2009).

According to the various management concepts, the perception and interpretation of globalisation and localisation necessities is decisive for success in the international competitive environment. In this, the individual mind-set of the management and the company culture play a vital role. Firms would have to ensure that they have the required strategy in order to be on top of competition when planning to internationalise. The basic concept of the theory could be applied to all manner of firms. For instance, the SMEs, in order to reduce risk and barriers associated with internationalisation, are expected to equip themselves with the right strategy. These theories, as they stand, cannot completely explain the internationalisation of the firm; however, each one of them touches on an important aspect of firms’ internationalisation.

3.3 Theoretical Approaches to SME Internationalisation

It is clear that the above theories are not able to explain the internationalisation of SMEs. These theories seem to focus on large and multinationals firms. Studies on internationalisation of SME have intensified in the last three decades and distinguish the sector from that of the large firm (McDougall and Oviatt, 2000; Ruzzier, Hisrich and Antoncic, 2006). Many researchers (Leonidou, Katsikeas and Samiee, 2002; Laghzaoui 2011) observe that numerous theories have attempted to explain why and how SMEs internationalise, however, they are not robust enough. They are, nonetheless, calling for a general framework to allow integration of all the contributory factors, given the insufficient nature of the explanatory capacity of each one of these approaches. Leonidou *et al.*, (2002) are of the view that the SME internationalisation process, known for its idiosyncratic nature, cannot be correctly explained by only one theoretical perspective. Laghzaoui, (2011) in an attempt to provide further explanation and better understanding of SME internationalisation, has integrated three theoretical approaches. He is of the opinion that, previous studies' attempts to use a single approach to explain why and how SMEs internationalise have not been able to provide full clarification on the issue.

The available literature has provided numerous analyses of the internationalisation behaviour of SMEs. Three dominant theoretical explanations of SME internationalisation could be identified. These include the stage approach, the network approach and the international entrepreneurship approach which, has been recently presented as a relevant explanation to SME internationalisation behaviour. (Gankema, Snuif and Zwart, 2000; Khayat, 2004; Li, Li and Dalgic, 2004; Rutashobya and Jaensson, 2004; Huchinson, K., Alexander, N., Quinn 2005; Pantin, 2006; Ruzzier *et al.*, 2006).

3.3.1 The Stage Approach

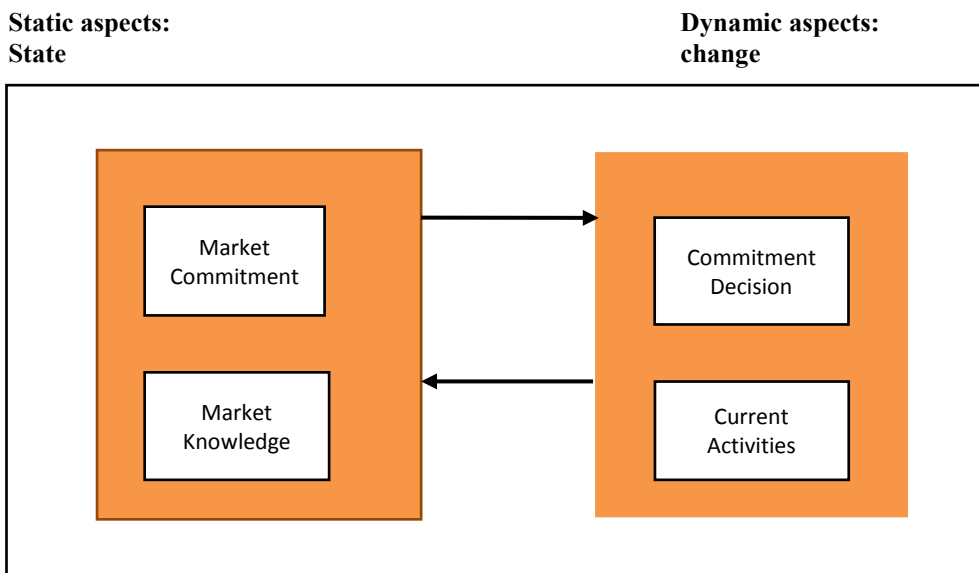
According to Coviello and McAuley, (1999), the stage model considers firms' internationalisation as a linear and sequential process composed of different stages. Two ways of analysing the internationalisation of the firm with this approach is the Uppsala model (Johanson, Vahlne, 1977) and the innovation-related internationalisation model (I-model) (Bilkey, Tesar, 1977; Cavusgil, 1980; Reid, 1981; Czinkota, 1982). However, many researchers (Gankema *et al.*, 2000; Pope, 2002; Boutary, 2006) have advocated for the theories to be revisited and the general tenets modified (Axinn, Metthyssens, 2002).

The Uppsala Model (U-Model) and The Innovation Related Model (I-Model) explain the Stage approach.

3.3.1.1 The Uppsala Model (U Model)

The Uppsala model of firms' internationalisation was developed initially by Scandinavian researchers known as the Uppsala school (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). Figure 3.1 below explains the interaction existing between two aspects of internationalisation: the static aspect and the dynamic aspect. The static aspect refers to the resources committed to the target market and the knowledge related. The dynamic aspect concerns the influence of the resources upon decision-making in time and the decisions related to the progress of on-going activities (Khayat, 2004). Elements of the static aspects will affect the decision-making of commitment in terms of resources distribution in international activities (Khayat, 2004). The enterprise will increase the degree of international market entry with knowledge improvement of foreign markets (Khayat, 2004). Thus, internationalisation is a process of successive commitment in foreign markets.

Figure 3.1 Internationalisation process of the enterprise



Source: Johanson and Vahlne, 1977

Principal contributions of proponents of the Uppsala theory are the learning process and psychological distance. While the Learning process explains the firm's internationalisation as a gradual process of learning, Johanson, Vahlne, (1977), are of the opinion that the gradual experience gained by firms is key to the firm's internationalisation. They explain that by integrating knowledge acquired from this experience on the foreign markets, the firm improves its decision-making process. The series of incremental decisions then result in firms' internationalisation. The authors noted in their study of the Swedish firms that firms' internationalisation follow a sequential process made up of four stages:

- Activities of irregular and opportunist exports;
- Export via an independent agent;
- Establishment of subsidiaries of sale;
- Production in the foreign country.

Another important contribution of the model is related to the psychological distance. The psychological distance refers to the various political, cultural and linguistic differences that tend to influence information flow and decision-making in international transactions (Johanson, Vahlne, 1977; Laghzaoui, 2009). Johanson and Vahlne (1977) assert that international experience increases as firms become acclimatised to their new environment; hence, the psychological distance separating SMEs from the new foreign territory diminishes. The reduction in psychological distance draws a firm closer to the new market, which allows a complete exploitation of the opportunities within the new foreign market. Although the theory may not hold entirely for SMEs in Ghana as far as the various stages of the theory proposes are concerned. During the interviews some SME owners and managers in Ghana argued that the “psychological distance” phenomenon influences their internationalisation strategy, in which most of them start their internationalisation from within the neighbouring ECOWAS market.

3.3.1.2 Innovation-Related Internationalisation Model

The Innovation Related-model (I-model) describes internationalisation as a process, in which each stage can be analogous to those of new product adoption (Rogers, 1962). Some researchers who have adopted the concept to describe internationalisation of SMEs (Bilkey and Tesar, 1977; Cavusgil, 1980; Reid, 1981) have supported the basic tenets of the model. The Innovation Related-model considers internationalisation as a stage in which each step is an innovation for the firm (Gankema *et al.*, 2000; Gemser *et al.*, 2004; Li *et al.*, 2004).

Researchers, (Gemser, Brand and Sorge, 2004; Li *et al.*, 2004) have argued that the decision of SME internationalisation is dictated by either push or pull factors. It is known that the mechanism of push factors is an external change, which initiates the export decision while the mechanism of the pull factor is an internal change, which explains the shift in strategy and decision-making of the firm. Leonidou and Katsikeas (1996) state that the various stages of the model could be summarised as shown below:

- Pre-engagement: The firm's interest is only in the national market; firms seriously planning to export at this stage firms may be looking for information on the targeted destination; firms having already exported but do not do it anymore; lack of effective information; and both external and internal hindrances accounted for firms suspending exporting.
 - The initial phase: firms get involved in an irregular way with exporting while having the potential to extend its activities abroad.
 - The advanced phase: firms exporting regularly with experience extended abroad; firms considering other forms of engagement in addition to the international one.

Collinson and Houlden, (2005) suggested that the I-Model explains how the process of internationalisation begins, the role of the decision-makers and the factors influencing the decisions to internationalise. Reid (1981) observes that the attitude, the experience, the motivation and the expectations of the decision-makers will exert a significant influence on the internationalisation process. The level of knowledge and the international experiences of the entrepreneur (or the management team) may help SMEs to jump over the first two steps of internationalisation (Reuber and Fischer 1997). Participation in international markets and the successful exporting activities of SMEs can thus be considered as an innovation inside the enterprise. Gankema *et al.*, (2000) claim that the degree of commitment to SME internationalisation will increase with time as SMEs

develop the needed experience; however, they insist that differences exist significantly from firm to firm. They explain further that some SMEs would jump the steps while others may stop the internationalisation process before reaching the final step.

It has also been argued that various changes have occurred within the environment in which SMEs operate, hence they could not be said to follow a definite process of internationalisation (Gankema, *et al.*, 2000; Axinn and Metthyssens, 2002). Some SMEs will skip these stages due to technological advancement and/or management competences, as in the case of the “born globals”, while others will end their internationalisation venture after the first stage (Axinn and Metthyssens, 2002). Other researchers have argued that the basic ideas of the Uppsala model still remain relevant but have questioned the generalisation ability of the stage model because some SMEs have displayed exceptions and have not gone through the various stages suggested by the model (Schweizer, Vahlne and Johanson, 2010). Johanson and Vahlne (2009) have acknowledged that firms do not follow an internationalisation pattern in line with the psychic distance concept and step-wise entry mode pattern shown in their early works (Johanson and Vahlne, 1977).

Julien, Leo and Philippe (1995), observed that some SMEs have demonstrated exceptional characteristics and have entered into foreign markets directly. This type of internationalisation development did not necessarily follow the progressive process model of internationalisation. Julien, Leo and Philippe, argued that the stage models of export, especially the U-Model, need to be revised to explain the internationalisation process of SMEs (Gankema *et al.*, 2000). Andersson and Floren, (2008) suggest that born global firms have displayed a variety of entry modes and internationalisation patterns, which are not in accordance with the pattern of internationalisation that was discussed earlier in the literature. Furthermore, other studies have subsequently found that the incremental internationalisation thesis fails to explain fully the nature and character of firms’ international involvement (Gripsrud, 1990; Gronhaug and Kvitastein, 1993; Millington and Bayliss, 1990; Sharma and Johansson, 1987; Turnbull, 1987). A number of reasons account for this:

First, Millington and Bayliss (1990) mentioned the role of strategic planning in the process of internationalisation; they found that the incremental stepwise development of SMEs was the exception rather than the rule. They concluded that in the early part of international involvement, SMEs rely on market experience and thereby make

incremental adjustments. However, as the degree of international experience increases, a planning system is implemented which formalises strategic analysis and information search. International involvement continues to increase to the extent that experience may be translated across different markets and between various product groups, thus enabling firms to leapfrog the incremental process within markets. The Uppsala internationalisation model and other similar models have been criticised for being too deterministic (Autio, 2005; Bell, 1995). The increased discrepancy in the stage approach in explaining these exceptional circumstances of SME internationalisation behaviours has made it essential to introduce other internationalisation approaches for example, the network approach and the international entrepreneurship approach.

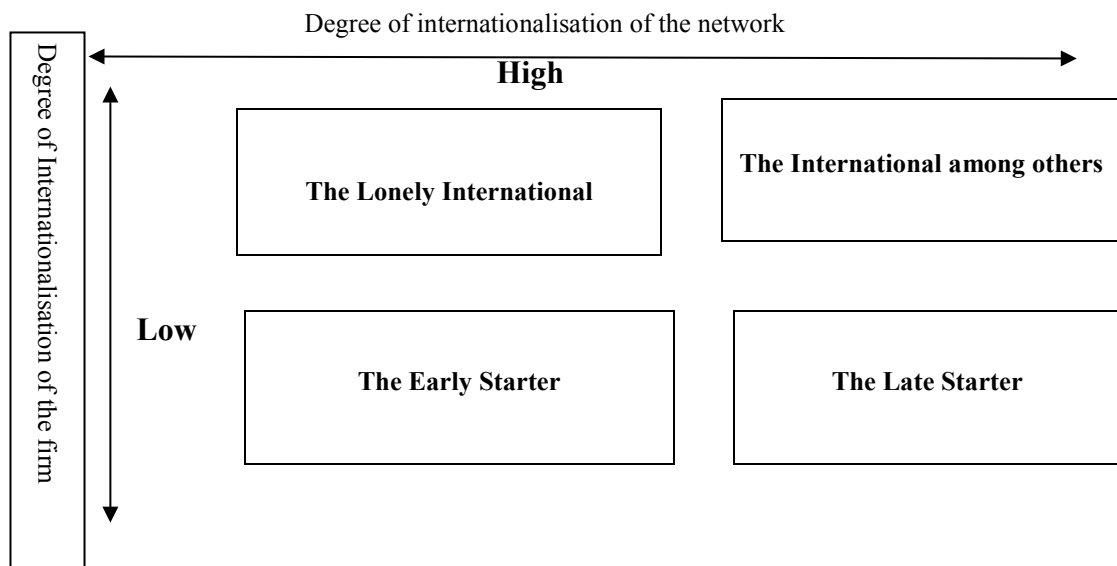
3.3.2 The Network Approach

The network approach is a further development from the work of Uppsala school which is seen as an improvement of the original model devised by Johanson and Vahlne (1977), Johanson and Vahlne (1990) pointed out the importance of putting the enterprise in its network. Based on the concepts of their original model, it has knowledge, commitment, on-going activities, and decision-making at the centre of firm's internationalisation process. They explained the motivations and the modes of internationalisation by putting the enterprise in a multilateral framework which mobilises the intra and inter organisational relations (Laghzaoui, 2009). Coviello and Munro (1997) observe that SMEs show a pattern of externalisation in their activities during the internationalisation process by associating themselves with a network relationship while they select the market and the mode of entry. They recommend that a rapid process of internationalisation could be launched by taking advantage of existing networks, particularly international networks in which the main partners do not only initiate the internationalisation process but also influence the mode of investment in the market.

Johanson and Mattson (1988) suggested that internationalisation as a process is developed inside a network through commercial relationships with other countries by three steps: extension, penetration and integration. According to these writers, extension is the first step carried out by SMEs to construct the network, either by itself or by attaching itself to an existing network. The SME will involve itself in a new type of intangible investment such as information, contractual relationships and partnerships that will link the enterprise to its foreign partners. Penetration refers to the development of the enterprise's position

in the network and the increase of resource commitment. Integration implies an advanced step in which the enterprise attaches itself to several firms to form a network, and it is also the coordination between other different networks. By establishing financial, technological and market relationships with other members within the network, the enterprise widens its scope and gradually increases its activities across national borders. Coviello and Munro (1997) found that different types of relationships developed within the network to influence both the degree and the form of internationalisation. SMEs in the network are mutually dependent through cooperative and competitive relationships. Johanson and Mattson (1988) perceive internationalisation as a process in which relationships with foreign partners are established, developed and maintained in a continuous way in order to carry out the international development of the SME involved. Again, Johanson and Mattson (1988) explain that progressive learning and knowledge development through interactions inside the network is important. The position of the enterprise within the network is as an accumulated result of its activities in formal or informal networks. Johanson and Mattson (1988) identified four situations of internationalisation in which SME internationalisation strategies are linked to the need for knowledge development and relationships adjustment in network as shown in figure 3.2.

Figure: 3.2 The Network approach of internationalisation



Source: Johanson and Mattson, (1988)

The early starter has limited relations with other foreign enterprises and thus has limited knowledge about international markets and process. Generally, they appeal to more experienced local agents and distributors in order to enter new foreign markets (Johanson

and Mattson 1988). An SME often starts international operations by exporting, which is normally taken up by its partners'; however, it will accumulate useful experience for the future as the firm goes through the learning curve (Johanson and Mattson 1988). Johanson and Mattson (1988) argued that firms are expected to adjust production resources at this stage because they need to increase the production capability for new market demand, as well as improving the psychological distance and knowledge development of the new market. The lonely international firm is highly international even though the network where it is located is not (Johanson and Mattson 1988). The lonely international SME could get access to new networks and extend its international activities. The late starter has an internal network, which will generate the pull force for its international development. Other members of the international network (customers, suppliers, etc.) often attract the SME to internationalisation. Therefore, resources adjustment and activity coordination to adapt to internationalisation are necessary. Having achieved entry to the bracket international among others, the SME now belongs to a developed and competitive network in which members operate mostly within international markets. The SME and its network can become highly international.

In general, the network approach provides a complementary perspective to other internationalisation models and assumes that internationalisation strategies stipulated by the enterprises are influenced by their position and condition in the network. In consequence, the relationship with the network can drive, facilitate or even accelerate the internationalisation process of the enterprises. Although the network approach brought up an important aspect of SME internationalisation, it did not highlight the pivotal role of the entrepreneur in the case of small businesses or the management team in fostering and developing the network. Andersson and Evangelista, (2006) suggest that the network theory of firm internationalisation still focuses more on organisational networks than on entrepreneurial opportunity creation, ignoring the importance of different entrepreneurial capabilities and proactive behaviour.

SMEs in Ghana sometimes need to pool their resources together in order to meet the requirements for heavy international orders. SMEs in Ghana, therefore, rely greatly on networking in achieving their international goal. SME owners' competencies are an important ingredient in achieving efficient networking. Although the networking approach is critical to small business internationalisation, it has failed to appreciate the important role the owner/manager or the management team play in coordinating the

network to ensure successful internationalisation (Herrmann and Datta, 2006; Nielsen and Nielsen, 2011).

3.3.3 The Born Global Firms

The patterns that firms follow to internationalise have changed significantly in recent years along with the changing global competitive environments. This is because globalisation has removed the geographical barriers that used to segment the national and international markets (Levitt, 1983). SMEs can grow quickly by expanding into international markets from their inception. It is apparent that “born global” SMEs, despite their small size and resource constraints, achieve success on a global stage. In a variety of ways, scholars and researchers, as well as experts in this field, have named these early-internationalised enterprises as “born global”, “global start-ups”, and “international new ventures” (Autio, Sapienza, and Almeida, 2000; Oviatt and McDougal, 1994). Fundamentally, “born global” firms are synonymous with “global start-ups”, and “international new ventures”.

In order to be consistent with the available literature, “born global” is defined from the definitions of two prior studies. Firstly, born global firms are defined as “business organisations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougal, 1994, p49). Secondly, Knight and Cavusgil (2004), suggested they are business organisations that, from or near to their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries. Moen and Servais (2002) observe the widespread phenomenon of “born globals” in virtually all trading countries in numerous industry sectors. Knight and Cavusgil (2004) have attributed the success of “born globals” in their destination market to globalisation of markets and technological advances in information and communications technologies. They argued that globalisation of homogeneous products has reduced the barrier for born global businesses to enter into foreign markets. In addition, they are of the opinion that internet and communication technologies have reduced the costs and risks for “born globals” to internationalise.

Available literature only explains some aspects of the emergence of “born global” firms. A key factor of the widespread emergence and their success lies in their internal

environment. The resource-based view (RBV) helps to explain that a firm's competitive advantage originates from its valuable, rare, and inimitable resources (Jaw *et al.*, 2006). According to Peng and York, (2001) these resources are often characterised with the following properties: intangible, embedded, and knowledge based. For born global firms, such resources and knowledge are the keys that explain the existence of such newly emerged firms and the internationalisation trend they display. According to the literature, "born-global" companies, in spite of their constrained resources and inexperience, develop their competitive advantage from a combination of sources such as research and development (R&D) (e.g. intellectual property, patents), membership of an international network and flexible responsiveness to the environment (dynamic capabilities) (Jaw *et al.*, 2006; Smith, 2014).

Moreover, the literature indicates that the trend of internationalisation of firms is influenced by products, firm-specific factors, industry, and other external environmental variables (Naveed, Akhtar and Cheema, 2013). The extant literature has not been able to reach a consistent agreement on what constructs should be used in explaining the internationalisation process of born global (Jaw and Chang, 2006). Gabrielsson and Kirpalani (2004) conclude that born globals could speed up their internationalisation process through networking and by utilising the Internet. They maintain that such firms do not necessarily have to follow the traditional path of expanding gradually from the domestic market to the selected foreign markets. They are immediately, from inception, active in one or several foreign markets (Sharma and Blomstermo 2003). As explained by Sharma and Blomstermo, (2003) and Gabrielsson and Kirpalani, (2004), the internationalisation of "born globals" is marked by knowledge gathered from available networks. They further explain that the better the company's position in the network, the more likely it will be to gain the knowledge necessary to obtain a competitive edge in the foreign market. Such companies are particularly creative in compensating for a lack of historical success and experience through cleverly joining their own resources to those of network partners. Sharma and and Blomstermo (2003) refer to this as international learning through networking.

3.3.4 The International Entrepreneurship Theory

The above theories, including born global and international new venture, attempt to explain firms' internationalisation; however, they end up not being convincing enough to satisfy all aspect of firms' internationalisation. These theories outline the dynamics the firms go through as well as the processes; however, they fall short of explaining the crucial role of the international entrepreneur. The international entrepreneurship theory explains the internationalisation of SMEs and new ventures by focusing on the role of the entrepreneur. The international entrepreneurship theory focuses on the interrelatedness between entrepreneurship and international business. International entrepreneurship as a field of research involves investigating entrepreneurship in multiple countries (cross-country comparisons of the nature and extent of entrepreneurial activity) and research into cross-border entrepreneurship (international activity of SMEs and new ventures) (Lu and Beamish, 2001; Oviatt and McDougall, 2005). The stage approach inability to completely explain SME internationalisation is due to exceptional cases of "born globals" (BGs) enterprises and International New Ventures" (INVs) have brought a new perspective on SME rapid international development. Under the international entrepreneurship approach, internationalisation became a presupposition or an entrepreneurial decision led by an entrepreneur or a management team that possesses a strong capability and desire to learn new concepts and ideas, coupled with high level competence to manage complicated networks and an aptitude to adapt with different cultural contexts (McDougall and Oviatt, 2000). According to the literature, (Johanson and Mattson, 1988; Bell *et al.*, 2003), the network approach offers a model that reasonably explains the relationships between networks and the internationalisation of SMEs. However, it fails to acknowledge the contribution of the entrepreneur or the management team. Empirical studies conducted among BGs and INVs have indicated that these enterprises tend to follow their domestic clients into the international market regardless of the "psychological distance" (Bell, 1995).

Coviello and McAuley, (1999) observed that evidence of inter-enterprise relationships, which is supported by the network approach, also demonstrated that internationalisation behaviour is particularly prevalent among SMEs. It is worth noting that the network approach of firm internationalisation, to some extent, could be viewed as an entrepreneurial process embedded in an institutional and social web which supports the firm in accessing information, human capital, finance and the necessary intangible

resources that assist firms' internationalisation process. Numerous studies have focused on SMEs who are BGs and INVs and have showed early and rapid international expansion (see Knight and Cavusgil, 1996; McDougall and Oviatt, 1994). A common feature of these SMEs is that the entrepreneur or the management team pursued a global vision from the inception of the enterprise and adopted a strategy that enabled them to embark on rapid internationalisation (Morgan-Thomas and Reubar, 2013).

Based on their explanation of the international entrepreneurship, Oviatt and McDougall (2005, p. 540) described international entrepreneurship as the "discovery, enactment, evaluation and exploitation of opportunities across national borders to create goods and services". The international entrepreneurship approach of the firm provides an iterative learning perspective of internationalisation by studying the proactive role of the entrepreneur in the dynamic process of resources and competences construction to conquer the foreign markets. Birley and Westhead, (1993) observed that the entrepreneur will bring to the new company two principal assets: the experience and the networks. The mechanism of harnessing resources and competences for internationalisation is largely mobilised by networks, which do not only contain the most important source of exchange and opportunities (Ucbasaran, Westhead, and Wright, 2001) but also trigger innovation and creativity (Julien, Joyal, Deshaies, and Ramangalahy, 2004). Hellmann and Puri, (2002) believe that the contacts in network can become an important resource in recruiting qualified employees and establishing relationships with investors who are sometimes indispensable for advanced performances of the enterprise (Shane and Cable, 2002). Fletcher (2004) views international entrepreneurship as a prediction of future opportunities for products, services and organisational transformation through transnational coordination of firms' activities, which is achieved through the personal network of the entrepreneur. Birley and Westhead, (1993) observed that the network of the entrepreneur will facilitate the acquisition of resources and competences in terms of team formation, funding, information and partnership opportunities.

Johanson and Vahlne, (2009) maintain that the basic tenet of their model is still relevant and that new patterns can be explained by the fact that the founding entrepreneur has access to knowledge and relationships prior to the internationalisation of a born global firm. Following criticism of their earlier model, they have explicitly included entrepreneurial capabilities in the model and used Sarasvathy (2001) effectuation discussion, as an important tool to analyse firms' internationalisation. However, critics

again opine that their discussion still focuses more on organisational networks than on entrepreneurial opportunity creation, ignoring the importance of different entrepreneurial capabilities and proactive behaviour (Andersson and Evangelista, 2006) which this study focuses on. SME' internationalisation in Ghana and most developing countries is entrepreneurial driven and the international entrepreneurship theory explains the process more effectively.

3.4 Factors Influencing the Initial Export Decision of the Firm

The sections above have presented several theories to explain how firms and, for that matter, SMEs internationalise. SMEs' domestic business environment has become increasingly influenced by international economic factors; hence the ability for SMEs to isolate themselves from foreign competition has decreased, especially for firms that operate in global industries (Andersson, 2004). Wiedersheim-Paul, Olson, and Welch, (1978) in their study proposed a conceptual framework on the factors which influence the firm's pre-export behaviour (see figure 3.1). The framework suggests that external or internal 'attention-evoking' stimuli act as "triggering cues" in the initial export decision-making process. These researchers argued that the alternatives evoked depend not only on the characteristics of the firm and the environment in which it operates, but also on the characteristics of the individual decision-maker. In the case of the SME, the owner/manager influence on the internationalisation process is very crucial. Wiedersheim-Paul *et al.*, (1978) in their model of export propensity, argued that these stimuli are interesting only to the extent that they are perceived as such by the decision-maker. This notion explains why comparable firms exposed to similar stimuli do not react to export openings in the same way, but may instead adopt disinterested, reactive, passive or active stances (see figure 3.3).

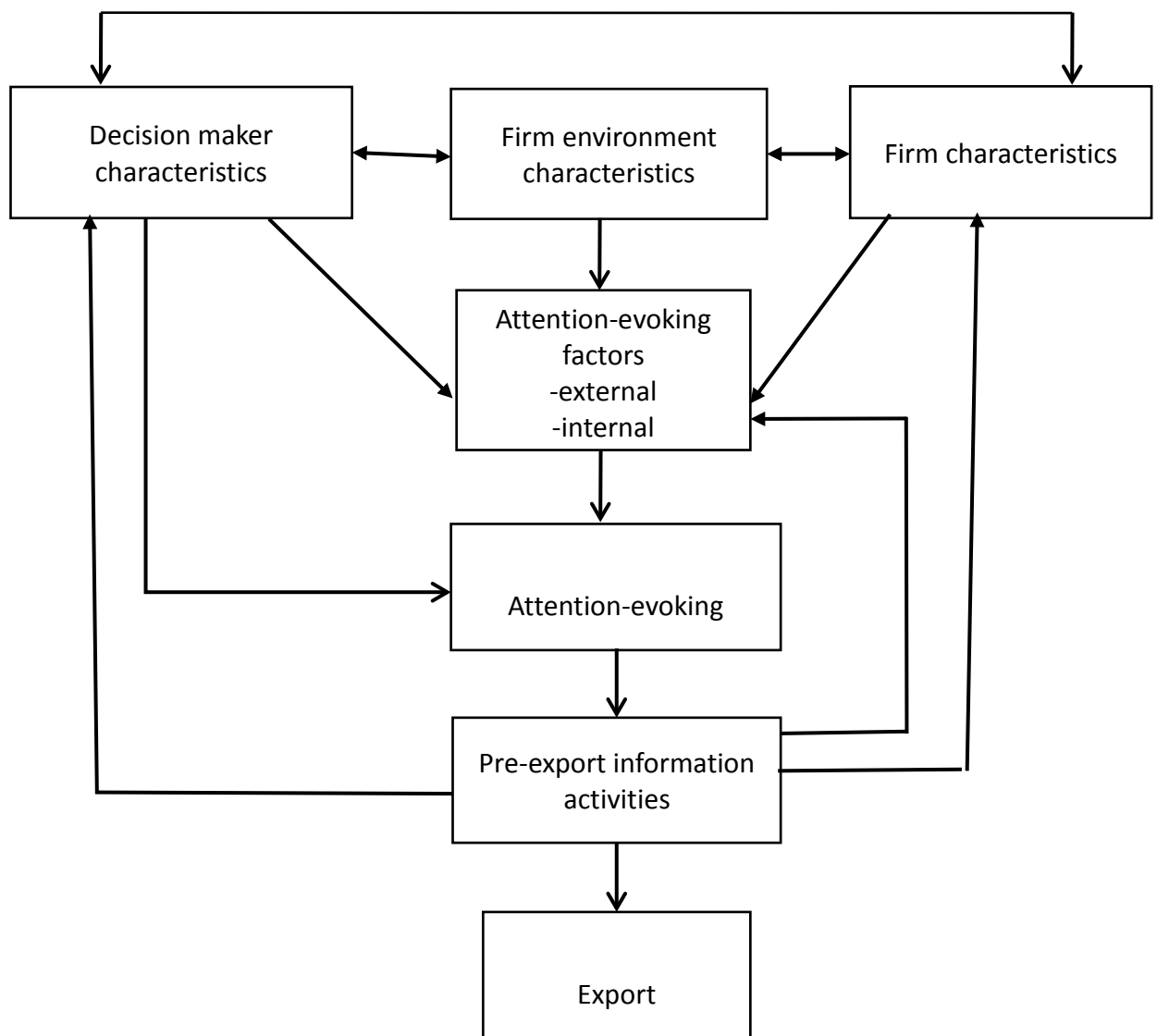


Fig. 3.3 Factors Affecting Firms' Pre-export

(Source: Pre-export Activity: The First Step in Internationalisation, Wiedersheim-Paul *et al.*, 1978)

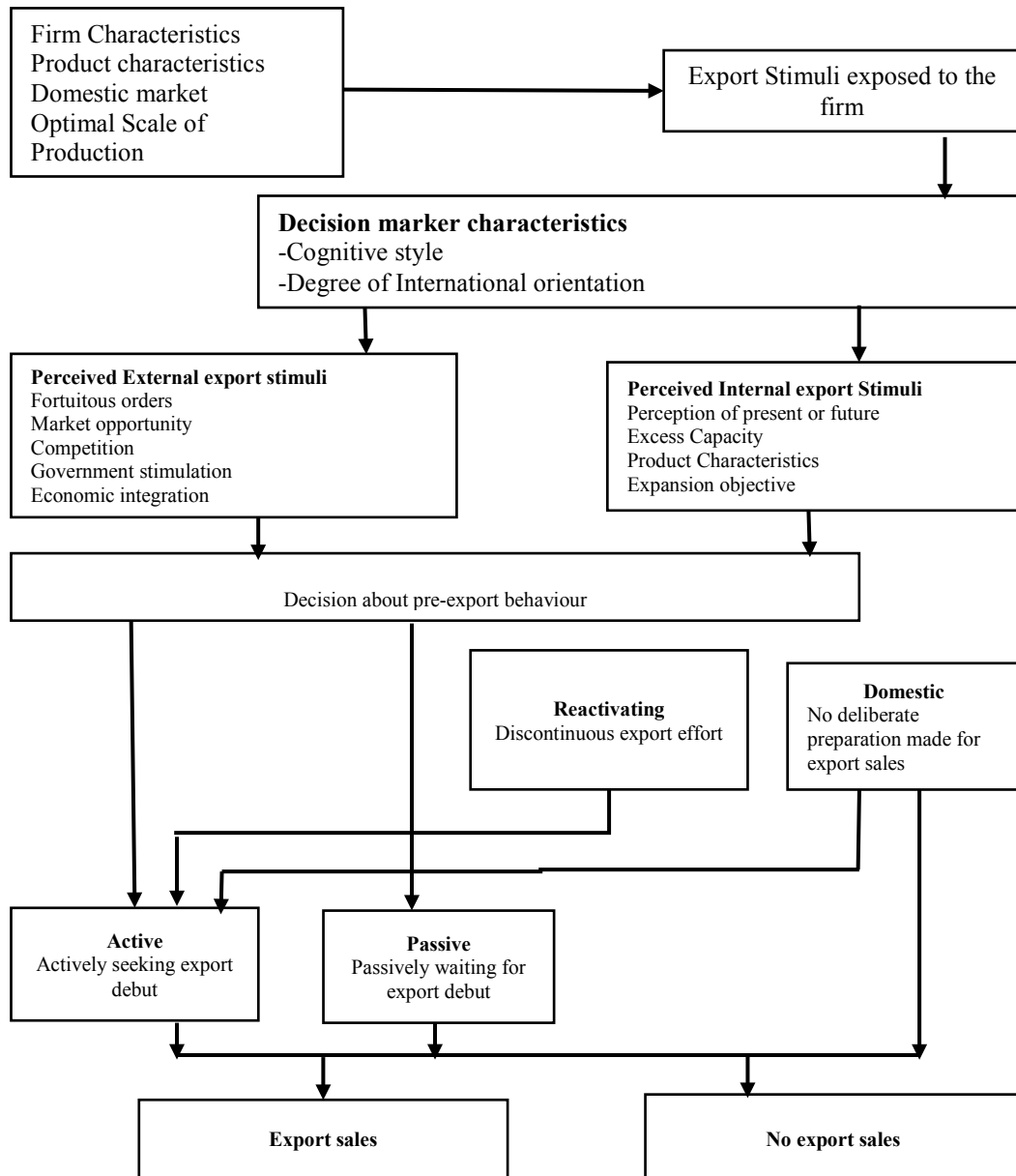


Fig. 3.4 Olson and Wiedersheim-Paul Model of Export-propensity

(Source: Factors Affecting the Pre-Export Behaviour of the Firm, Olson and Wiedersheim-Paul, 1978)

These two conceptualisations together provide a useful framework for a discussion of the literature on export initiation of the firm. The characteristics of the firm, decision-maker attributes and the environment in which they operate are explored as they affect the export initiation process of the SMEs. The perceived external and internal ‘attention-evoking’ export stimuli are examined.

3.4.1 Demographic Characteristics of the Firm

Both firm size and firm age have commonly been used as the main predictors of a firm's international activities (Storey, 1994). Interests in these demographic factors stem from the belief that small size and inexperience present insuperable impediments to exporting. The stage theory of internationalisation (see section 3.3.1) assumes that SMEs progress from domestic to international markets in an orderly and risk-averse manner. It also suggests that there is a need for a critical growth in firm size before internationalisation may take place (Johanson and Vahlne, 1977). Cavusgil (1976) concludes that very small firms tend not to export; there is a relationship between size and export up to a certain point beyond which no correlation exists.

Another important argument that explains the internationalisation of SMEs is the control over resources such as finance, technology, skilled human resources and advantages of economies of scale (Storey, 1994). The majority of SMEs are noted to suffer from severe resources constraints (Storey, 1994) and many researchers maintain that large firms are, therefore, more likely to compete in international markets than SMEs (Calof, 1993). Internal skills and knowledge play a crucial role in fostering knowledge creation for innovation and growth in SMEs (Sawang and Unsworth, 2011), especially in dynamic environments (McAdam, Antony and Kumar, 2014). However, the empirical findings within the literature on firm size and total foreign sales are mixed. Early studies, (Piercy, 1981; Kaynak, 1985; Ito and Pucik, 1993) found a positive relationship between firm size measured by total sales turnover and exporting, while others (Ali and Swiercz, 1991; Liouville, 1992) failed to do so. It has been argued that, as the firm grows larger, it will be able to commit greater resources to international activities and gradually increase their share of sales derived from international markets. Hence, the larger the firm, the more the resources will be available for developing the firm's international activities.

Another argument explaining gradual internationalisation is that SMEs need to develop their knowledge of foreign markets before they can allocate extensive resources to these markets (Johanson and Vahlne, 1977, 1990). Understanding the cultures, languages, and distribution systems of a new international market is time consuming and the process is gradual (Johanson and Vahlne, 1977, 1990). Thus, firms may have to develop certain routines, skills, and legitimacy for some years to overcome the liabilities of newness and smallness to reach minimum economic size that is needed for successful

internationalisation (Stinchcombe, 1965). Gaining knowledge consequently reduces the perceived risk of operating in foreign markets and can motivate the international expansion of the firm (Johanson and Vahlne, 1977). Hence, the age of the firm may be important in explaining the internationalisation of small firms. Given that a firm's characteristics, such as size and age, could affect its international fortunes, it is imperative to say that the support SMEs receive as part of the export stimuli are vital for their international performance.

3.4.2 Firm Environment Characteristics

The factors that constitute the environment include the characteristics of the country in which the firm is located and operating and the industry of which it is a part (Garnier 1982). Miller and Friesen, (1984) have argued that the specific industry environment in which the firm operates could have an impact on the strategic direction of the firm. They believe that environmental factors influence firms' exporting, which is widely accepted. The home government's legal and fiscal policies could facilitate exporting by providing tax breaks and other incentives such as export assistance or provision of the needed infrastructure to facilitate international trade. These policies may equally obstruct international activity by means of complex foreign exchange regulations aimed at controlling imports, which only serve to increase red tape for exporters (Miesenbock, 1988). Apart from government policies that may influence a firm's strategic decisions, some researchers have argued that fast-changing and dynamic industry environments may also provide firms with opportunities for pursuing innovative strategies (Hotho and Champion, 2011; Xue, Ray and Sambamurthy, 2012).

Some researchers have argued, however, that international activity may also lead to greater pressure from competitors, technological progress, rivalry among competitors, regulatory developments, and other challenges (Zahra, 1991, 1993; Zahra, Neubaum, and Huse, 1997). These scholars have argued that continuity of changes is likely to create new venturing opportunities; however, it also intensifies rivalries by encouraging new firms' entry into the market. Cassiman and Veugelers, (2006) also claim that dynamic environments are characterised by higher rates of innovation and environmental uncertainty; in response, businesses are required to increase their capability base and foreign market access. The size and location of the domestic market are also important factors. Firms located in small home markets may have little option but to seek new export

markets (Joynt, 1982). Conversely, those based in large economies may not feel the urge to do so unless threatened by market saturation or by increased foreign imports.

3.4.3 Decision-maker Attributes and Attitudes

Westhead, Wright, and Ucsbasaran, (2001) have argued that the impacts of an owner/manager's attributes on the internationalisation process of the firm, especially SMEs, have not been fully explored. These attributes, they believed, distinguish exporters from non-exporters. Owner characteristics could be broadly classified as either objective or psychologically orientated decision-maker attributes. The former includes factors such as the decision-maker's age, level of education and experience, including a number of dimensions of the individual's international orientation, nationality, or ethnic background, residence abroad, overseas travel, foreign language skills etc.

Bloodgood, Sapienza, and Almeida (1996) noted that greater international work experience among top managers or the management team was strongly associated with greater internationalisation of new high-potential ventures in the US. Westhead *et al.*, (2001) also assert that older managers with more resources, denser information and contact networks, and considerable management expertise were significantly more likely to become exporters, especially where industry-specific knowledge and experience were important. McDougall, Shane and Oviatt, (1994) and Madsen and Servais (1997), concluded that the background and experience of the entrepreneurs had a huge influence on the appearance of "born globals". Moreover, McDougall, Oviatt and Shrader, (2003), found that international experience, industry experience, and technical experience were significantly different between international and domestic new ventures. In SMEs, the decision-making power is often concentrated in the hands of one or a few persons and the owner or manager has a unique and influential role in the organisation (Begley and Boyd, 1987; Chandler and Jenson, 1992). The age of the owner or manager may, in this respect, reflect the life-long experience and personal network of an individual (Begley and Boyd, 1987; Chandler and Jenson, 1992). However, conflicting findings emerge on the importance of the decision-maker's age on export activity. Empirical studies on decision makers' age remain inconclusive, while some studies argue that managers in exporting firms are younger, (Reid, 1983; Cheong and Chong, 1988) others found no significant difference between exporters and non-exporters (Cavusgil and Naor, 1987; Moon and Lee, 1990). Child, (1974), has linked age to capacity for information processing and

analysis. Child argued that older executives possess less physical and mental stamina and are more risk-averse than younger managers. Hambrick and Mason (1984) suggest that younger managers are more likely to seek growth through novel and innovative strategies in an effort to seize perceived opportunities than older managers.

Another attribute of the owner or a manager that has been widely researched is the level of education. However, the relationship between the decision-maker's educational attainment and export propensity is also inconclusive (Smallbone and Wyr, 2000). Kangasharju, (2000) argued that a SME owner's educational background and/or training qualifications are believed to affect both the management resource base of a firm, as well as an entrepreneur's motivation to achieve higher levels of performance. It is believed that a person's skills, foresight, imagination, computational and communication abilities are enhanced through education. The attributes of the owner /manager would aid SME internationalisation initiative and process. Barringer and Jones, (2004) suggest that specific forms of knowledge-intensive education, for instance, engineering, computer science, and biochemistry, provide recipients with an advantage if they start a firm that is related to their area of expertise. Furthermore, owners who have attained a higher level of education would be more motivated toward improving business performance due to their higher earnings expectation. Since earnings from business ownership are likely to be broadly related to size, educated individuals are more likely to grow their businesses by seeking external markets to expand (Kangasharju, 2000; Smallbone and Wyr, 2000).

However, LeBrasseur, Zanibbi and Zinger, (2003) find a negative correlation between a firm's dependence on the technical skills of the owner and business performance. Some studies have concluded that no differences exist between experienced and inexperienced export decision-makers in respect of their level of education (Ogram, 1982; Cavusgil and Naor, 1987; Axinn, 1988). The most important objective characteristic would appear to relate to international experience and the external contacts of the decision-maker (Silkey 1987; Axinn, 1988). Foreign travel is cited as a significant variable of export propensity by some authors (Dichtl, Koeglmayr and Mueller, 1990). Foreign birth or parentage, or extensive overseas experience, is also seen as a contributory factor, although not only to the decision-maker's overall international orientation (Dichtl *et al*, 1990). Stening and McDougall, (1975) argue that regular overseas travel is significant for export success. There is a universal recognition within the extant literature of the importance of the owner/managers' attributes in the international success of the small firm.

3.5 Attention-Evoking Factors

From figure 3.2, export initiation of SMEs occurs due to the interaction between firms' environments, decision-maker characteristics and internal and/or external stimuli. As argued by Bilkey (1978) the internal determinants included the following:

- Management perceptions of differential advantage in terms of their products, process or operational efficiency.
- Management expectations of the impact of exporting on the firm, based on present knowledge and perceptions of future development
- The strength of management aspirations regarding growth, profitability and market development.

Earlier studies have posited that favourable expectations regarding a firm's competitive advantage in relation to products, level of technology, distribution, pricing and perceived potential for increased profits are critical factors in export initiation (Caughey and Chetty, 1993; Tzokas, Hart, Argouslidis and Saren, 2000). McDougall *et al.*, (1994) argued that with the stage model the internationalisation process of the firm is a gradual process; hence greater commitment will lead to the allocation of resources to planning and implementation of export activities. It is assumed that the firm will commit more resources to the internationalisation process when it has excess and uncommitted resources. Johanson and Mattson, (1984) have also argued that the commitment of such resources will depend greatly on management's skills and the will to commit them effectively. Against the backdrop of this is the notion that SME owners'/decision-makers pursue rational economic goals and long-term planning objectives. However, Lee and Brasch, (1978) posit that export decisions are not always rational while Tesar (1975) affirms that they are often based on perceived, rather than objective, opportunities.

Again, from Figure 3.2, while recognising the importance of internal determinants of firm export initiation, Olson and Wiedersheim-Paul (1978) also acknowledged the impact of perceived external "attention-evoking" factors on the export decision. They admitted that receipt of fortuitous orders, competition, international market opportunities, the effects of government stimulation and the consequences of economic integration and globalisation and other factors outside the firm's influence could all have a positive effect on the export behaviour of the firm. Studies have indicated that unsolicited export orders have a great impact on export initiation (Barker and Kaynak, 1992). Although unsolicited orders have

been considered as a critical factor for export initiation, Weaver and Pak (1990) have argued that this scenario alone is not enough to get a firm exporting, they maintain that additional factors, such as adverse home market conditions, exchange rate fluctuation and excess capacity will influence the SME reaction to such enquiries. Adverse domestic market conditions, such as small market size, recession or market saturation and increased competitive pressures, as well as poor sales, have been identified as an important factor for internationalisation (Weaver and Pak, 1990).

Government export programmes and firms' export initiation and internationalisation will be discussed in detail in chapter 4. Government stimulation is an important factor that triggers firms exporting initiation. However, while some studies consider it as an incentive for export initiation for SMEs, (Hauser and Werner 2015; European Commission, 2007; OECD, 2008) some researchers have expressed contrary opinions on such assistance (Hauser and Werner, 2009; Martincus and Carballo, 2010). It has been posited that SMEs make less use of EPP although such programmes are instituted with SMEs in mind (Haunschild, Hauser, Günterberg, Müller and Sölter, 2007; Van Elk, Hessels, and van der Horst, 2009). Hauser and Werner (2015) observed that SMEs lack the required in-house resources to efficiently screen all the public promotion schemes.

3.6 Export Success Factors

SME internationalisation has become an important means for economic sustainability in most developing countries (Neupert, Baughn, and Thanh Lam Dao, 2006). Researchers and policy makers attempt to assess export performance have been unsuccessful. This is because of the difficulties of assessing export success realistically (Kaynak, 1992). Hence, researchers have adopted factors such as the number of destination markets exported to, the growth of export revenues or improvement in the export ratio (export sales as a proportion of total sales) as indicators of successful export operations. However, these measures have not proved to be very satisfactory for a number of reasons. Firstly, many studies have been cross sectoral and little attempt has been made to reflect different domestic and international growth rates for specific industries. In cases where single sectors have been investigated, classification measures are invariably different to those adopted in other studies. Secondly, few efforts have been made to explore export performance and success in the longer term due to the predilection for cross-sectional research. Thirdly - and also attributable to dominant methodologies - quantitative

approaches and the aggregation of data fail to reflect that even in the same industry, the individual firm's expectations regarding growth, profitability and other measures of success are likely to be different (Bell, 1994). This is for the simple reason that "success" is an extremely subjective and ephemeral concept. Export growth and profits considered adequate by one firm may be regarded as unsatisfactory by another firm. Previous studies, instead of quantifying what constitutes "success", have focused on identifying key factors which contribute to firms' abilities to initiate, sustain and expand export operations (Lussier and Halabi, 2008; Lussier and Pfeifer, 2001). These factors have been identified within the literature as marketing related factors such as product attributes, pricing techniques, communication and distribution strategies, customer care etc. Management-related factors include, for example, calibre of management, decision-making skills and strategic planning ability and operational competencies. Inadequacies in these areas of a firm's operations will have consequence repercussions on its international operations.

3.6.1 Marketing Factors

Marketing involves the implementation of methods used by the firm to focus on addressing customer needs, opening up new markets, or positioning a product in the market with the sole aim of increasing the company's sales (OECD/Eurostat, 2005). The significance of suitable products and high-quality products is widely highlighted in the literature (Louter, Ouwerkerk and Bakker, 1991). It is noted that effective product marketing contributes to improved export performance, although some studies (Cavusgil, 1984; Cavusgil and Naor, 1987) established no relationship between product offerings and export success. Results on early studies on the impact of product adaptation or standardisation appear inconclusive. Cooper and Kleinschmidt, (1985) noted that firms which modified their products achieved higher levels of export growth and profitability. Christensen, Da Rocha and Gertner, (1987) affirm that successful exporters are more likely to offer standard offerings in both domestic and foreign markets. The underlying factor of product acceptability is the quality level of the product. Many small businesses lack the needed expertise and the technological know-how to improve the quality of their product; hence they have faced challenges in making progress in the foreign market. Another important aspect of marketing-related export success is pricing (Bolton *et al.*, 2010). Pricing is an important strategic tool to ensure competitiveness and has been documented by a number of studies as key for successful foreign market entry (Kirpalani and Macintosh, 1980; Cavusgil and Naor, 1987). Weinrauch and Rao, (1974) assert that

the pricing element of the marketing "mix" demands the greatest degree of adaption for export operations. Piercy (1981) mentions that price discrimination and flexibility are associated with export success.

Brown and Cook (1990) find that less than half of UK award-winning firms establish differential prices according to foreign market circumstances. Determination of optimal pricing strategy has been a daunting task for firms and researchers; however, there have been attempts to present frameworks and practical guidelines to mitigate the ambiguities surrounding export pricing (Cavusgil, 1988; Walters, 1989). Large corporations, given the level of resources they command, are often able to allocate a substantial budget to this component of their operations. However, the SMEs, given their resource limitations, are most likely to restrict spending to sales-support activities such as brochures and publicity materials, exhibitions, and personal selling (Zou, Fang and Zhao, 2003).

Although, studies into promotion and marketing are limited, Seifert and Ford, (1989) claim, firstly, that smaller exporters place a low priority on promotional activities, often leaving them to their agents or distributors in the market. Secondly, that allocations are considerably smaller for foreign vis-a-vis domestic markets. Thirdly, that even in relative terms, small-firm budgets are proportionately smaller than those of large companies. Finally, that the more experienced exporting firms have a higher promotional expenditure than those who have started as exporters.

3.6.2 Strategic Management Factors

The survival and performance of SMEs depend largely on the level managerial capability, which leads to the development of competitive advantage (Barney, 1991). Berryman, (1982) noted that inadequate management skills is widely regarded as a major cause of SMEs' failure. SMEs' weaknesses in strategic management are manifest in several areas (Aragón-Sánchez, and Sánchez-Marín, 2005; Avram, and Kühne, 2008). In respect of market intelligence activities, SMEs tend to rely on personal information sources, as compared to large firms and multinationals that rely on extensive market research and intelligent gathering and market survey. Strategic planning is a necessary tool for business success (Aragón-Sánchez, and Sánchez-Marín, 2005; Avram, and Kühne, 2008). Moreover, foreign market entry, due its complexity, requires critical assessment of the various opportunities, threats and resources implications (Bell 1994). However, many SMEs appear to lack these strategic management skills due to resource

constraints (human and financial) and tend to adopt ad-hoc approaches by reacting intuitively (Bell 1994). Although the literature argues that these SMEs achieve initial success, it is noted that they often fail to fully exploit a single market, but rather embark on several new markets and end up failing to exploit their true potential and rapidly dissipating the firm's resources (Bell 1994). The failure to "concentrate" on key markets may more often lead to rapid short-term growth but creates long-term problems and often results in sub-optimal export performance (Piercy, 1983; Tessler, 1980). SMEs' attempts to attack broad markets strategies encounter constant competition from large, established brands and firms, and the limited nature of support from governments and financial institutions prevents them from competing (Low and Cheng, 2006).

Positive managerial attitudes are an essential pre-requisite for export success insofar as they enable SMEs to overcome inherent resource limitations and improve their competitive positions (Bell 1994). Moreover, international business is full of uncertainties and managing the uncertainties has always been a challenge for managers (Low and Cheng, 2006). Environmental uncertainties influence business strategies which, in turn, influence business performance. Hence, in some respects, an organisation's success is a function of its environment (Low and Cheng, 2006). Managerial perceptions about environmental uncertainties can distinctly be divided into objective and subjective. Perceived environmental uncertainty (PEU) describes the extent to which a manager perceives the organisation's environment as unpredictable (Milliken, 1987) and how they respond to international business opportunities. Some conclusions could be drawn from the export success literature, possession of suitable products or technology, adequate human and financial resources and marketing related competencies - good market intelligence and distribution, competitive pricing, communications with clients, customer care, etc. influence whether firms achieve export success.

3.7 Barriers or Challenges to Successful Exporting Activities

In the process of internationalisation and, for that matter, exporting, barriers exist that obstruct successful export operations which affect SMEs' ability to reap benefits (Leonidou, 2004). Barriers to exporting have received considerable research attention from both conceptual and empirical approaches (Ghauri, Lutz and Tesfom, 2003; Hakan Altıntaş, Tokol and Harcar, 2007). Export barriers could be defined as "all those factors, external or internal that serve to dissuade a firm from exporting or which hinder its actual

export activity” (Suárez-Ortega, 2003 pp. 403). Morgan and Katsikeas, (1997) mentioned that exporting barriers are those restrictions that disturb the firm’s capability to start, develop, or uphold business operations in overseas markets. Leonidou, (1995) claims that export barriers often provoke failure in foreign operations, bring financial losses alongside negative attitudes towards international activities amongst both current and would-be exporters. Export barriers are noted to occur at various stages in the internationalisation process, which could either deter export initiation or hamper the process of internationalisation (Hollensen, 2007). Moreover, firms experience the barriers differently, depending on their size, whether or not they are interested in internationalising, and the stage at which they are during the internationalisation process (Morgan, 1997; Jaeger, 2008). Since Bilkey and Tesar (1977) and Bilkey (1978) pioneered the first studies, export barriers have been investigated extensively in various contexts and countries (Arteaga-Ortiz and Fernández-Ortíz, 2010).

A wide range of barriers has been identified within the extant literature (Arteaga-Ortiz and Fernández-Ortíz, 2010). To explain them logically, different classifications have been used to group export barriers within the literature. Leonidou (2004) classifies export barriers as either internal or external. Internal barriers relate to the firm’s capabilities, resources and capacity to operate internationally. These three broad internal barriers are further grouped as informational, functional and marketing barriers. External barriers are those factors over which the firm has no control and they exist because of the environment in which the firm operates. These are grouped into procedural, governmental, task and environmental barriers.

The classification of the barriers into internal and external barriers could be further divided into four groups according to barriers relating to the domestic or foreign location of the firm (Leonidou, 1995, Morgan, 1997; Crick, Al Obaidil and Chaundry, 1998). The first group is internal-domestic barriers. These issues arise within the firm and are experienced in the home country, for instance, lack of qualified personnel (Yang, Leone and Alden, 1992), insufficient production capabilities (Yaprak, 1985) and management focusing on the domestic market (Rabino, 1980). The second group relates to internal-foreign problems, which are problems within the firm, however experienced in the foreign country. Barriers included here are high transportation costs and logistical difficulties, international payment problems (Morgan and Katsikeas, 1997) and limited knowledge of foreign markets (Barrett and Wilkinson, 1985).

The third group of export barriers are those that arise from the external environment, however experienced within the home country. These include complexity of the documentation required (Rabino, 1980) and the high cost of financing export activities (Korth, 1991). The fourth group consists of external-foreign problems; these are uncontrollable problems found in international markets. Examples include foreign government restrictions and rules (Hook and Czinkota, 1998), language and cultural differences (Westhead *et al.*, 2002) and the intensity of foreign competition (Ramaswami and Yang, 1990).

3.8 Internationalisation and SMEs Performance

Internationalisation has been identified as a major dimension of the growth of a firm (Peng and Delios, (2006). Internationalisation would be defined as any activities of the firm outside its domestic market. Recent market liberalisation and digitisation are encouraging both large corporations and the SMEs to operate beyond their national borders and compete with each other in foreign countries and new regions (Barkema, Baum and Mannix, 2002). Research on the internationalisation of small firms has grown quickly in the last two decades. There is a well-built body of literature that has arisen from investigation into small firm internationalisation (Bell, 1995; Etemad, 2004). Usually, SME internationalisation is dealt with using three distinctive and interconnected approaches: internationalisation process, export development and barriers, and international entrepreneurship (Manolova, Brush, Edelman and Greene, 2002).

Many researchers (Oviatt and Mcdougall, 1994; Lu and Beamish, 2001) have recognised the important role played by SMEs in international markets. According to Lu and Beamish, (2001), although the phenomenon of SMEs internationalisation has been a subject of discussion and has subsequently captured the interest of many scholars, little effort has been made to understand the effects of internationalisation on SMEs' performance. It is believed that the implications of internationalisation on SMEs' performance remain far from conclusive. Several researchers including Dhanaraj and Beamish, (2003); Qian and Li, (2003); Qian *et al.*, (2003) have found a positive (linear) relationship between internationalisation and SMEs performances. However, others such as Lu and Beamish (2001) and Qian (2002) have argued that the relationship between internationalisation and performance could be depicted as an inverted U. In their study

Lu and Beamish, (2001) found that export intensity has a negative impact on performance, contradicting Qian's (2002) findings.

Empirical findings on issues of internationalisation as they relate to large firms are also mixed, although the topic has been the subject of a significant number of studies (Hymer 1976). Early research into firms' internationalisation and performance, Hymer (1976), Rugman (1981), and Dunning (1988) has offered theoretical explanations for firms' internationalisation, recognising the benefits to internationalised firms. However, most of the studies on internationalisation have been conducted in the context of developed economies, with a scant few focusing on developing countries (Ramírez-Alesón and Espitia-Escuer, 2001). The uneven focus and mixed results invite further investigation into the phenomenon, especially SMEs in developing economies (Yeung, 1994). It is important to mention that of all the various articles reviewed so far, only two studies (Aulakh *et al.*, 2000; Wan, 1998) have focused on firms from developing countries and neither study looked into the performance implications of internationalisation for SMEs.

Internationalisation is always associated with its own costs. Firm's adoption of a new international strategy is likely to face rising costs at the initial stages of expansion, a phenomenon known as the "liability of foreignness" (Buckley and Casson, 1976; Hymer, 1976). Although this cost might diminish with the growth of international experience through organisational learning to bridge the psychic distance, transaction and coordination costs ensue from higher levels of internationalisation (Hitt, Hoskisson and Kim, 1997; Tallman and Li, 1996). Moreover, the uncertainties associated with launching foreign operations, such as institutional deterrence, also increase operating costs (Mitchell *et al.*, 1992). Finally, when the growth of resource commitments and the internal capabilities of the firms lag behind the growth rate of internationalisation, the costs might well outweigh the benefits (Hitt *et al.*, 1997; Tallman and Li, 1996).

Synthesising the opposing assertions regarding the effects of internationalisation, some researchers have argued that there exists a curvilinear relationship between internationalisation and performance (Aulakh *et al.*, 2000; Gomes and Ramaswamy, 1999; Hitt *et al.*, 1997; Tallman and Li, 1996), where, at the initial stages of overseas expansion, the benefits of a firm's international strategy will outweigh the costs; hence, at this stage of expansion, the firm will enjoy enhanced performance. Conversely, once

the degree of internationalisation reaches a certain level, the costs associated with the expansion will begin to outweigh the benefits (Gomes and Ramaswamy, 1999).

Exporting activities have been observed to increase profitability, improve trade balances, and help to deal with the problems of poverty and unemployment (Koksal, 2008; Karadeniz and Gocer, 2007). Small firms are becoming increasingly international, and they have been reported to contribute between 25% and 35% of world exports in manufacturing (Andersson and Floren, 2008). However, the available literature shows there are still many SMEs in both developing and developed countries that do not export or contemplate doing so (Lages and Montgomery, 2004; Agndal and Chetty, 2007). However, the literature has indicated that export does require only a small amount of capital investment and has lesser financial and commercial risk as a means of a foreign market entry mode compared to some form of direct investment (Lages and Montgomery, 2004; Agndal and Chetty, 2007).

A study instituted by the Organisation for Economic Cooperation and Development (OECD) (1997) on the internationalisation of SMEs, provides evidence from some member countries that proves SMEs are internationalising more rapidly than in the past and provides evidence of SMEs that became involved in international business activities almost from inception. It is believed that most of these SMEs are generating more of their turnover from international markets compared to what they earn in their local market. A study in China and Japan by Yang, Jiang, Kang and Ke (2009), suggests that the recent success of Haier and Matsushita is because of the massive internationalisation strategy of the two companies. They have argued that firms' internationalisation drive, apart from being influenced broadly by industry and resource-based considerations, is inherently shaped by the domestic and international institutional frameworks governing these endeavours. This current study determines how the domestic institutional arrangements affect SME internationalisation. According to Hashim and Hassan, (2008), the role of the government of Malaysia and the SMEs' business strategy further encouraged the development of the SME sector. The National Economic Policy and the Malaysian Development Plan (the five-year plan), provide two main policy guidelines:

The SME sector should produce quality and high value-added products and services for both domestic and export markets. SMEs should increase productivity using modern technology and management, which will help to increase the competitiveness of the SMEs in the export market (Hashim, 2000a). Chiao *et al.*, (2006) studied 1,419 Taiwanese

SMEs on the issue of internationalisation and SME performance and found that the relationship between internationalisation and performance could be graphically depicted as one of inverted U-shaped curvilinearity and that a specific level of internationalisation corresponds to maximum profitability. Chiao *et al.*, (2006), found that SME internationalisation supports profitability, growth and performance. They recorded positive P and t values to depict positive relation between internationalisation and firms' performance and profitability. They used variables such as return on assets (ROA), return on sales (ROS) and return on equity (ROE). The use of account-based measurement of performance has been criticised by some researchers including Aaker and Jacobson, (1987) and other researchers are of the opinion that using the account-based measures are acceptable (Grant *et al.*, 1988; Robins and Wiersema, 1995). Grant *et al.*, (1988) suggest that managers and analysts in most cases use ROA and ROS to measure management efficiency and effectiveness. They also maintain that accounting profits are better measures in determining the effect of corporate strategies than stock prices. However, the current study maintains that measuring a firm's performance using only accounting profit does not portray the total picture. This is because other performance indicators such as firm's relationship building, organisation learning, and networking go beyond accounting profit. This study explored SMEs owner/ managers' perceptions on internationalisation and firms' performance with regards to these indicators as well.

3.9 Migration and Internationalisation

Growing evidence has been found in support of the idea that immigration flow has positive effects on trade between immigrants' host and home countries. Pioneering studies by Gould (1994), Head and Ries (1998) document such immigration link effect for both imports and exports of the United States and Canada, respectively. Nkongolo-Bakenda and Chrysostome (2013 p30-64) concluded that immigrant entrepreneurship has "a huge potential to build a bridge between host and home countries."

Findings on the effects of immigration on export and import on both host and home countries are important not only to understand the economic impact of immigrants on host and home countries but also they might have some relevant policy implications, especially for host countries (Nkongolo-Bakenda and Chrysostome, 2013). This section of the current study reviewed the literature on the link between migration and international trade. The literature on immigrants' entrepreneurship and

internationalisation has only focused on migrants' entrepreneurs from developing or emerging economies who are residing in developed economies (Cavusgil, Nayir, Hellstern, Dalgic and Cavusgil, 2011; Lin and Tao 2012) and not those from developed countries who are residing in developing or emerging markets and operating internationally. Riddle, Hrivnak and Nielsen, (2010, p 398), define transnational diaspora entrepreneurs as "migrants and their descendants who establish entrepreneurial activities that span the national business environments of their countries of origin (COO) and countries of residence (COR)". Hence, the term "diaspora" is used for individuals who emigrated or who are descendants of people who have emigrated from their home country and reside permanently in another host country while maintaining a psychic link with the country of origin (Gillespie *et al.*, 1999; Riddle, Brinkerhoff and Nielsen, 2008a). Elo, (2016) argues that the characteristics and importance of transnational diasporas as entrepreneurs for economy and international business development of emerging countries have not been fully explored.

According to the World Bank's 2011 migration and remittances report, more than 215 million people live outside their country of birth and remittances sent home by migrants amounted to US\$325 billion in 2010. Those sent to developing countries were three times the size of official development assistance and represented a lifeline for the poor (World Bank 2011). However, some scholars (Hugo 2003; Saxenian, 2005; Khanna, 2007; Bhagwati 2010) have argued that, instead of leaning on remittances from the migrants by the COO to increase investments, developing countries should follow China and India's example and encourage diasporas to invest in productive projects. Studies on this new perspective of migrants' activities have argued that migrants should channel their activities into direct investment. These, they argued, may include entrepreneurial activities, investors in the capital market, trade enhancers as tourists and consumers of goods from the home country, philanthropists in not-for-profit organisations, volunteers, advocates in favour of the home country, innovators, and local capacity builders, (Saxenian 2005; Orozco 2008a; Newland 2010; Lin 2010).

Studies have identified different roles played by migrants in the political, social, and economical spheres of host and home countries (Newland and Patrick 2004; Saxenian and Sabel 2008). Although greater research interest has been developed recently for migrants' potential role in the improvement of the living conditions of people in developing countries, the majority of studies on this topic, especially in the area of

business development, are descriptive. For instance, identifying the migrants' achievements and, at times, focusing on isolated factors of success (Minoian and Freinkman 2005) without building a coherent theory linking explanatory factors of this phenomenon (Nkongolo-Bakenda and Chrysostome, 2013). Studies have extensively emphasised the importance of migrants' remittances as a new source of investment in the migrant's countries of origin (Riddle 2008a, b; Orozco 2008a; USAID 2009). Remittances were found to represent an important part of the GDP of the migrant's country of origin.

Lin and Tao (2012) have examined characteristics, drivers, and success factors affecting Chinese Canadian entrepreneurs. They affirm that drawing resources from dual locations for the purpose of business expansion becomes the primary driver toward a transnational mode of economic adaptation. In similar study, Chand and Tung, (2014) argued that the successful nature of trade and investment between India and the US as well as India and Canada is partly due to the increasing number of Indian diaspora in the US and Canada. Studies on ethnic entrepreneurship have identified factors that explain the success of some ethnic groups in their entrepreneurial activities in the host and home countries, such as cultural background, intermediary minority effect, and enclave existence. Chad and Tung, (2011) indicate that immigrants have historically encouraged the development of new transnational businesses by establishing cross-border social networks that can facilitate economic and social ties between home and host countries. These transnational social networks can act as a conduit through which migrants can remit money and transfer ideas back home (Vaaler 2011).

The 'immigrant effect' has also been used to explain how firms that were founded by immigrants, or have hired immigrants in key decision-making positions, are more likely to enter foreign markets using FDI. Chung and Enderwick, (2001) examined a number of factors influencing market-entry modes of New Zealand firms in Taiwan and found that firms operated by immigrants had a greater preference for FDI than exporting modes. In a similar study, Tung and Chung, (2010) used the immigrant effect to explain the different modes of foreign-market entry strategies into Hong Kong, Taiwan and Mainland China, confirming the role that immigrant social networks can play in investment decisions. In a study of 121 firms operating in Greater China, the immigrant effect was also found to be positively associated with the extent of international adaptation strategy (Chung and Tung, 2013).

To explore how immigrant entrepreneurs have successfully crossed the host country's border to the developed economy in the case of migrants living in a developing or an emerging economy, the study uses the dynamic capabilities framework, which was first devised by Teece *et. al.*, (1997) to ascertain how SMEs owned by foreign nationals are influencing the export dynamics of Ghanaian SMEs. Dynamic capabilities are a firm's abilities to integrate and to reconfigure their own competencies to address their changing environments (Teece, 2012). While dynamic capabilities have been used extensively to explain how large corporations and technology-driven firms innovate and sustain competitive advantage (Cabanelas, Omil, and Vázquez, 2013), the current study uses the same framework, focusing however, on immigrant-owned SMEs to analyse how these businesses integrate their external organisational skills, resources, and functional competences to succeed when selling beyond their local market. The study identifies distinguishable and explicit strategies that immigrant SMEs use to integrate, build, and reconfigure internal resources to match the opportunities of the international marketplace.

To analyse how Ghanaian SMEs owned by immigrants of developed economics manage to internationalise successfully to the developed economies, the study also adopted Nkongolo-Bakenda and Chrysostome, (2013) framework for successful migrant international entrepreneurship. This framework includes the interactions between the migrant entrepreneur's personal attributes, skills and motivation, and the dual environment factors (industry and macro environment in the host and home country). Working within this framework, the migrant entrepreneur can proceed with the identification of opportunities, develop or identify appropriate products or services, move with necessary flexibility between the home and host environments, and create new ventures. Figure 3.5 presents the framework for successful migrant's international entrepreneurship.

Migrants Entrepreneur

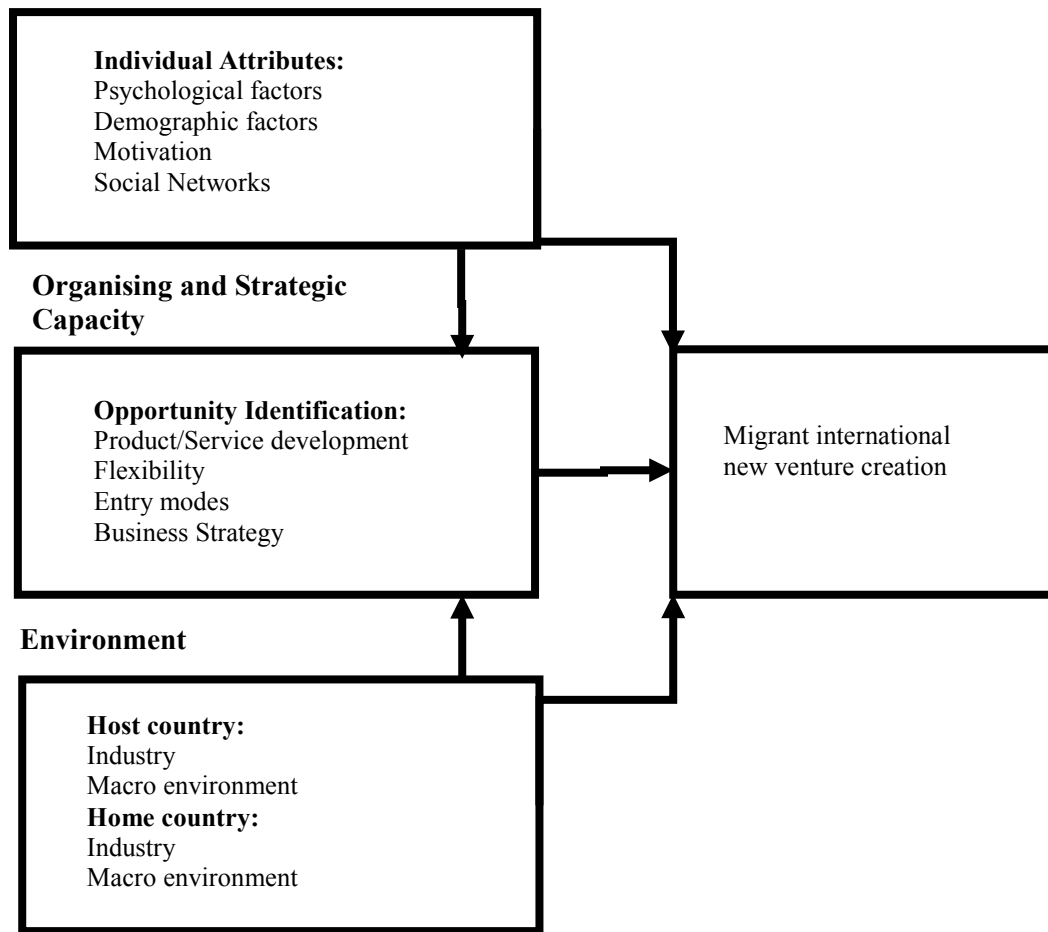


Fig: 3.5. Framework for successful migrants' international entrepreneurship adopted and modified from Nkongolo-Bakenda and Chrysostome, (2013).

3.9.1 Entrepreneur

The characteristics of an entrepreneur have been analysed in previous studies (Saxenian and Sabel 2008; Ucbasaran *et al.*, 2008; Cornelissen and Clarke 2010). Existing studies have indicated that entrepreneurs are more likely to internationalise if they have personal attributes such as international experience (Dichtl *et al.*, 1990; Reuber and Fischer 1997; Manolova *et al.*, 2002), and a social network that is internationally focused (Coviello and Munro 1997; Burt 2000 Saxenian, 2005, 2011). Nkongolo-Bakenda and Chrysostome, (2013) have argued that this is particularly true for migrants who want to internationalise to their home country as they are familiar with the home country's economic environment.

3.9.2 Organising and Strategic Capacity

International business requires strategy in order to succeed and exploit opportunities; hence, international entrepreneurs need managerial skills (Nkongolo-Bakenda and Chrysostome, 2013). Ellis (2011) found that the choice of location by Chinese diaspora entrepreneurs was intentional and driven by the entrepreneur's existing ties. The ability to balance the scope and size of the networks of the firm in both home and host countries environments is critical to the success of the internationalisation process (Patel and Conklin, 2009).

3.9.3 Environment

Nkongolo-Bakenda and Chrysostome (2013: p 37) concluded: "given their personal dynamism, their naturally low psychic distance from their home countries, their higher likelihood to access to social networks, and their knowledge regarding their home countries, the diaspora members are naturally inclined to internationalise their business activities in their home countries first". During interview it became clear that migrant owned SMEs in Ghana were keen to internationalise, especially to the developed markets with less hindrance compared to those businesses that do have international ties. Chung and Tung (2013) and Zhou (2004) identified three main ways in which immigrants are involved in international business: as owners of international firms, as managers and as employees marketing their products/services in their country of origin. Migrant SME owners and migrant employees are familiar with the environment of their country of origin and are able to identify products and services that could be sold in those markets as well as creating network relationships that can be useful for internationalisation (Mustafa and Chen 2010; Nkongolo-Bakenda and Chrysostome 2013; Oortwijn 2012; Portes, Guarnizo and Haller, 2002).

3.10 Cultural distance and SME internationalisation

To better understand the essence and the impact of the cross-border condition, international business scholars have introduced the concept of distance and have applied it to a wide range of topics. Distance has been found to affect various organisational processes and outcomes in firms' internationalisation, including location choices, entry mode, standardisation of practices, transfer of knowledge, performance, and others (Tihanyi, Xu and Shenkar, 2002; Griffith and Russell, 2005; Beugelsdijk, Kostova,

Kunst, Spadafora and Essen, 2017). The centrality of this condition has led some to conclude that, “essentially, international management is a management of distance” (Zaheer, Schomaker, and Nachum, 2012). Reflecting the different domains of contexts, scholars have studied different types of distance, including geographic (e.g., Eden and Miller, 2004), economic, administrative (e.g., Ghemawat, 2001), institutional (e.g. Kostova and Roth, 2002), linguistic (e.g., Dow and Karunaratna, 2006), or combinations of the above (e.g., Beugelsdijk, Nell, and Ambos, 2017). Despite such proliferation, cultural distance, that is, the difference in cultural values between two countries, remains the most widely used type of distance in international business (Beugelsdijk and Mudambi, 2013; Shenkar, Luo, and Yeheskel, 2008; Tihanyi *et al.*, 2005).

The terms cultural distance and psychic distance are often used interchangeably, or without much thought to their possible differences (Hakanson and Ambos, 2010). Though both terms are often used interchangeably, recent literature on international business has highlighted several differences between the terms and concluded that cultural distance is only one, albeit important, component of the wider concept of psychic distance (Dow and Karunaratna, 2006; Hakanson and Ambos, 2010; Sousa and Lages, 2011). Despite this conclusion, cultural distance has been used widely in international business literature as a single construct influencing firms’ international expansion (Hakanson and Ambos, 2010). Ojala (2015. p 7) maintains that “cultural distance can be seen as referring to the differences between groups of people regarding values, communication styles, and stereotypes”. By contrast, “psychic distance” refers to an actor’s perceptions of a foreign country. There is a general agreement that “culture” refers broadly to the collection of assumptions, values, and normative behaviours of a group of people (Leung *et al.*, 2005). Existing studies have maintained that national cultures within countries are not homogeneous (Avloniti and Filippaios, 2014; Child *et al.*, 2009; Shenkar, 2001; Williams, 2006) thus, there may well be intra-country differences that have disparate influence on international commerce. For instance, in a country setting, cultural values in terms of taste, clothing preference and style may vary between residence of cosmopolitan cities and rural areas (Majocchi, Valle, and D'Angelo, 2015). Although cultural distance has proven to be an issue as far as SME internationalisation is concerned, it has not proved to be a strong indicator for the internationalisation of small and new ventures (Brock *et al.*, 2011; Dow, 2000; Ojala and Tyrväinen, 2007, 2008). However, Beugelsdijk, *et al.*, (2017) maintain internationalisation is an increasingly common strategy for all types of

companies around the world and understanding the impact of cultural differences on the survival and success of these endeavours is vital.

The study of principal differences in national cultures between the home country of a firm and their countries of operation, that is, cultural distance, has gained a broad interest in international business research (Ricks, Toyne and Martinez, 1990). Underlying the employment of cultural distance in international business research is the assumption that differences between foreign and home country cultures can increase the cost of entry, decrease operational benefits, and hamper the firm's ability to transfer core competencies to foreign markets (Tihanyi *et al.*, 2005). Different authors (Delios, Beamish 1999; Hitt *et al.* 2006) have tested, not only the effects of internationalisation *per se*, but also the effect that different location and country characteristics have on the overall performance of a firm (Chen and Tan 2012). Beugelsdijk, *et al.*, (2017), suggest that studies tend to apply the "blanket" logic of negative effects of distance on internationalisation and rarely provide an in-depth explanation of its multifaceted impact and how cultural distance affects the different stages of the internationalisation process.

Theoretically, the argument on the role of cultural distance in firm internationalisation is a core element of the Uppsala model (Johanson and Vahlne, 1977). As suggested by the theory, cultural distance, that is the difference between the cultures of the home and host countries, is an important consideration in internationalisation strategies. When internationalising, firms first expand to culturally and/or geographically close countries and move gradually to culturally and geographically more distant countries as they learn from their international experiences. Implicit here is the idea that cultural distance creates difficulties and challenges for firms due to lack of knowledge and understanding of how the host country works, as well as the perceived "foreignness" or "psychic distance" that creates barriers for collaboration and cooperation. Cultural distance affects all stages of the internationalisation process, including the pre-investment stage when the company has to make a decision whether to invest in a particular market, what entry mode to use, and how much to invest. The post-investment stage is when the decisions revolve around the degree of integration of the foreign location through common practices, as well as the performance outcomes of the international investment (Beugelsdijk, *et al.*, 2017). The strategic motivation for investing abroad when distances are considerable is often accompanied by a belief that the multinational companies (MNCs) possess firm-specific competences that, if transferred to the foreign location, will create value or that they can learn from the host country and leverage its competences worldwide (Bartlett and

Ghoshal, 1998; Beugelsdijk, *et al.*, 2018). Unlike SMEs which are mostly constrained by resources, MNCs have the needed resources to hire skilled personnel to handle challenges associated with the distance and to influence policies. In a study to investigate cultural distance on the various stages of the internationalisation process, (Beugelsdijk, *et al.*, 2018) find that cultural distance affects internationalisation, but in a more intricate way than commonly assumed. They argued that firms tend to stay away from culturally distant countries, however, firms benefit significantly from the transfer of practices to such culturally distant locations.

3.11 Conclusions from the Internationalisation Literature

Inconsistent findings from the various internationalisation theories regarding SMEs internationalisation have led researchers to ponder whether there is a single theory that could explain the internationalisation of SMEs. Concerns with the inconsistent account of internationalisation of the firms led Dunning, (1988, 1993, 1995 and 2001) to argue that there is no single theory of international trade able to fully explain a firm's international expansion. Dunning explains (1995 p. 165), "The nature and character of international transactions have so much changed in recent years, that the traditional intellectual apparatus of the international economist is, by itself, no longer adequate to explain real-world phenomena, and only by drawing upon the tools of other branches of economics, notably, industrial, institutional, and techno-growth economics, can contemporary cross-border flow of goods, services, and assets be properly understood".

One important aspect of the various theories of internationalisation is the acceptability of internationalisation of the firm being an incremental process (Coviello and McAuley, 1999). The Uppsala model indicates the enterprise will increase the degree of international market entry with knowledge improvement of foreign markets. Principal concepts of the model are the learning process and psychological distance. Johanson, Wiedershiem-Paul and Vahlne (1975 and 1977) argue that firms will increase their commitment to the international business after they have gained a considerable level of experience through continuous learning. They argued that by integrating the knowledge acquired from this experience on the foreign markets, the firm improves its decision-making process.

The psychological distance refers to the various political, cultural and linguistic differences that tend to influence information flows and decision-making in international transactions (Laghzaoui, 2009). Johanson and Vahlne (1977) observe that international experience increases as firms become used to their new environment; hence, the psychological distance separating SMEs from the new foreign territory diminishes. The reduction in the psychological distance draws a firm closer to the new market which allows a complete exploitation of the opportunities offered by the various foreign markets. However, the exploits of “born globals”, “global start-ups”, and “international new ventures” have resulted in these concepts not depicting the true picture of SME internationalisation. Oviatt and McDougall (1994) have defined “born globals” and “international new ventures” firms as “business organisations that from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”.

Another important aspect of the literature is how the initial export decision is taken. Studies have indicated that the initial export decision is frequently triggered by external or internal ‘attention evoking’ stimuli (Wiedersheim-Paul *et al.*, 1978; Tansu Barker and Kaynak, 1992), these include the receipt of an unsolicited order, characteristics of the firm, decision-maker attributes, dealings with domestic customers who have international clients, acquisition by a foreign company and the effects of government stimulation. In addition, adverse domestic economic conditions and the size of the home market influence the firm’s exporting decisions. The ambiguity surrounding realistic assessment of export performance has led researchers and policy makers to adopt factors such as number of destination markets exported to, the growth of export revenues or improvement in the export ratio (export sales as a proportion of total sales) as indicators of success (Tansu Barker and Kaynak, 1992). Marketing related factors such as product attributes, pricing techniques, communication, distribution strategies, customer care and management-related factors such as calibre of management, decision-making skills, strategic planning ability and operational competencies are noted as successful export factors.

One important theory that explains a firm’s internationalisation, as well export initiation, is the international entrepreneurship theory. Under the international entrepreneurship theory, internationalisation became a presupposition or an entrepreneurial decision led by an entrepreneur or a management team that possess a strong capability and desire to learn

new concepts and ideas, competence to manage complicated networks and an aptitude to adapt to different cultural contexts. Bloodgood, Sapienza, and Almeida (1996) maintain that greater international work experience among top managers or the management team is strongly associated with greater internationalisation of new high-potential ventures in the U.S. McDougall *et al.*, (1994) and Madsen and Servais (1997) concluded that the background and experience of the entrepreneurs had a huge influence on the appearance of “born globals”. There is a widespread recognition in the literature that smaller firms are undoubtedly constrained by limited human and financial resources, irrespective of where they are operating and the scope of their operation. Notwithstanding the conflicting findings within the literature on the nature of export problems, there is evidence in the literature suggesting that marketing and management related factors are not the main problems rather resource constraints, institutional challenges, infrastructural inadequacies and the ever-increasing complexity of operating in international markets. Given these conclusions, Chapter 4 will review the literature on export promotion services, examine explicit and implicit criticisms of provisions and discuss policy guidelines contained therein.

4.0 Review of Literature on Export Promotion and SMEs Internationalisation

4.1 Introduction

Globalisation has led to countries liberalising their international trade policies and bringing an increase in competition and opportunities for local firms (Cuervo-Cazurra and Un, 2007; Hauswirth, 2009). Most advanced countries such as the US and some Western European countries have generally sought to pursue international trade policies based on the view that market forces, if left to take their course, are capable of producing beneficial results for the local economy and their trade partners (Cuervo-Cazurra and Un, 2007; Hauswirth, 2007). These countries have pursued policies of free trade and market liberalisation. Contrary to this policy of free market are the protectionist countries such as Japan, South Korea and Taiwan, which, before the 1980s, resorted to the “inwardly-focused strategies”; however, the last three decades have seen most countries embracing a free market economy (Cuervo-Cazurra and Un, 2007; Hauswirth, 2007). Section 2.2.2 explains how Ghana after independence resorted to the protectionist strategy then to import substitution and finally move to a free market economy. It has been argued, however, that the rapid internationalisation of firms from emerging markets is because of the home countries embracing pro-market structural reforms that reduce the transaction costs and agency problems which business groups are meant to help overcome. (Cuervo-Cazurra and Un, 2007; Dunning, Kim, and Park, 2008; Cuervo-Cazurra and Dau, 2009a; Borda, Geleilate, Newburry and Kundu, 2017).

In principle “export assistance” is a subset of “export promotion” which is considered to be: “all public policy measures which actually or potentially enhance exports at firm, industry or national level” (Seringhaus, 1986, p 55). These measures can be classified into those which, directly or indirectly, influence export development. The former is generally the remit of national EPO's. The latter are all elements of government policy aimed at improving firms' competitiveness which, although not specifically designed for export, may generate future export benefits. As Diamantopoulos *et al.*, (1993) observed, the terms “export assistance”, “export promotion”, “export support” and “export incentives” tend to be used interchangeably throughout the literature. The present study uses these terms synonymously to refer specifically to all direct measures implemented by national EPO's. Globalisation has brought a shift to the economic environment of the

SME sector. The progressively disappearing barriers and borders are exposing all companies both to new markets and to international competition. Because of this, SMEs that do not consider internationalisation are unknowingly self-imposing a severe restriction on their growth as well as their potential for long-term survival. Despite the advantages of embracing globalisation and the risks of not doing so, many SMEs still remain focused on their national markets (EC report 2015). A European Commission (EC) report stresses that only 8% of EU28 SMEs export and only 12% of the inputs of an average SME are purchased abroad. The report further discloses that, to have more internationalised SMEs government support remains vital. The EC is of the opinion that, most SMEs would not consider internationalisation if it were not because of support.

EPPs by government and other private agencies are seen as an “external change agent”. EPPs define the premise for successful international activities of corporate sector and also play a key role in stimulating international business activities of domestic SMEs (Cavusgil and Czinkota, 1990; Seringhaus and Rosson, 1991; Czinkota and Ronkainen, 2009). The usage of EPPs is to complement firm and management-related internal factors. According to the resource-based theory of international business, the human capital and resource related factors of the firm are indeed prime stimulants of its international activities (Czinkota 1994). The Resource-Based View (RBV) of the firm categorically emphasises the role of resources and capabilities in building sustainable competitive advantage of the firm in its served market. However, given the SMEs’ shortage of such resources, especially knowledge of markets, SME managers are either unaware of international market opportunities or not interested in exploring any such opportunities, even if it is known (Czinkota 1994). Research into export promotion can be categorised in several ways; both early and current studies have focused on evaluating specific services in particular countries (Ahmed *et al.*, 2002; Wilkinson and Brouthers, 2006; Hauser and Werner, 2009; Durmusoğlu, Apfelthaler, Nayir, Alvarez and Mughan, 2012; Ayob and Freixanet, 2014; Hauser and Werner, 2015). Table 4.1 shows some of the key studies conducted in the area of export promotion service. The literature shows most of the studies have been done in the developed industrialised nations with few in developing and emerging markets. Not much research has been done in Africa, even though the continent has identified internationalisation as the option for ensuring favourable terms of trade and foreign exchange generation (Foster and Killick, 2006) and also most of the firms being SMEs which need government export assistance.

Author	Date	Location	Focus of Study
Ahmed <i>et., al</i>	2002	Malaysian	Export promotion programmes of Malaysian firms: an international marketing perspective
Wilkinson and Brouthers,	2006	USA	Trade promotion and SME export performance
Hauser and Werner	2009	Germany	The impact of foreign trade promotion on the foreign sales intensity of SMEs
Durmusoglu <i>et., al</i> ,	2012		The effect of government export promotion services use on small and SMEs goal achievement: A multidimensional view of export performance.
Ayob and Freixanet	2014	Malaysian	Insights into public export promotion programmes in an emerging economy: The case of Malaysian SMEs
Hauser and Werner	2015	Germany	Limited in-house resources and use of official foreign trade promotion by small businesses
Wheeler	1990	UK	Export stimulation and export promotion programmes
Solberg	1990	Norway	International Trade Fairs
Seringhaus and Botschen	1990	Canada & Austria	Comparison of government export promotion services and usage
Seringhaus	1986	Canada	Awareness, use and Impact of government. export support
Rosson and Seringhaus	1990	Canada	International Trade fairs
Diamantopoulos <i>et al.</i> ,	1991	UK	Usage and evaluation of export assistance

Table 4.1 Investigations into Government Export Promotion Services

4.2 Export Promotion Programmes and SME Internationalisation

Export stimuli or promotion, also called motives, incentives, or attention evokers, refer to all those factors that trigger the decision of the firm to initiate and develop export activities (Leonidou, Katsikeas, Palihawadana and Spyropoulou, 2007). EPPs are seen as a resource supplement (Leonidou, Palihawadana and Theodosiou, 2011), due to the resources constraint nature of most SMEs that embarked on internationalisation (Wilkinson and Brouthers, 2006). EPPs have the potential to stimulate SME internationalisation, however, the firm's exposure to these stimuli can be seen as an organisational learning process whereby key information is provided that determines decisions to expand internationally (Tan, Brewer, and Liesch, 2007). Leonidou *et al.*, (2007) have argued that the effective activation of any export stimulus depends on the inhibiting role of the various background variables associated with the environment (e.g. economic conditions, market size, infrastructural facilities), the organisation (e.g. corporate objectives/strategies, resource availability, nature of products), and the manager (e.g. management style, managerial competences/qualities, management demographics).

Thus, the emergence or existence of an export stimulus is a necessary, but not a sufficient condition for the firm to decide to export. GEPP intervention can take the form of seminars, workshops and conferences on exporting, trade fairs and missions, individual consultancy and mentoring and support by foreign offices (Freixanet, 2012). According to Gençtürk and Kotabe (2001), Kotabe and Czinkota (1992) and Singer and Czinkota (1994), GEPPs may be classified in relation to the nature of knowledge offered. The authors categorised these into informational and experiential knowledge, with the former obtained through workshops and seminars; and the latter acquired through direct contacts with foreign markets, agents and clients. Although the information services provided by GEPPs are beneficial to SMEs in foreign markets entry, it is the experiential knowledge that provides SMEs with the crucial first-hand information on the potential markets (Musteen, Datta. and Butts, 2014). Wilkinson and Brouthers, (2006), state that experiential activities, such as trade shows and trade missions, have been found to lead to higher levels of performance because they allow managers to rapidly acquire information about export markets and the process of exporting. In a study of 162 firms, Gencturk and Kotabe (2001) found that government export assistance programmes contributed to export success, but the extent of that contribution was dependent upon the dimension of

export performance being examined; EPO services did not contribute to firms' sales, but enhanced the competitive position of SMEs.

Concerning SMEs' lack of international experience, recent empirical research has increasingly emphasised the need for inter-organisational relationships (Bruneel, Yli-Renko, and Clarysee, 2010; Yu, Gilbert, and Oviatt, 2011; Fernhaber and Li, 2013; Milanov and Fernhaber, 2014) and networks (Coviello and Munro, 1997; Coviello, 2006; Al-Laham and Souitaris, 2008) as sources for the knowledge SMEs are lacking to internationalise. Information derived from alliance and network partners has been acknowledged as stimuli to SME internationalisation and as temporary substitutes for a lack of their own international experience (Bruneel *et al.*, 2010; Fernhaber and Li, 2013; Milanov and Fernhaber, 2014; Yu *et al.*, 2011). Similarly, current research taking an institutional-based approach suggests that SME internationalisation is strongly influenced by the imitation of other firms. Given the fact that empirical evidence of EP usage and SME internationalisation and performance are mixed, recent studies have shown that inter-organisational network and institutional imitation have influence on internationalisation process of SMEs (Oehme, and Bort, 2015; Haddoud, Jones and Newbery, 2017). Early researchers such as Singer and Czinkota, (1994) have argued that different types of support may have a varied influence on enhancing SME internationalisation and performance.

Haddoud *et al.*, (2017), have underscored the importance of EPOs providing services that have focused on building quality relationships and networking at both local and international markets in order for SMEs to have smooth internationalisation. Wilkinson and Brouthers, (2006), argued that the use of trade shows and programmes identifying agents and distributors contributes positively to SME satisfaction with export performance. The empirical literature, therefore emphasised that different promotional activities have a different impact on SMEs international operations (Singer and Czinkota, 1994; Wilkinson and Brouthers, 2006). SMEs are known to be heterogeneous and require different services (Kanda *et al.*, 2015). Hogan, Keesing and Singer (1991) have argued that EPOs in developing countries lack capability to provide quality and diverse services required for SME internationalisation and performance. However, the existing literature shows that insufficient studies have been conducted in developing countries to investigate into how EPOs in developing countries have been able to provide promotion services given the constraints on resources. This gap in the literature has been filled by the current

study which investigates the resources constraint nature of EPOs in Ghana and how it affects their operations. This contribution would provide a more comprehensive insight into how the issue affects SMEs directly and indirectly. Uncovering this issue would allow policy makers to improve and enhance the effectiveness of EPOs by providing the needed resources for their programmes.

4.3 Evaluation of Empirical Evidence of Export Promotion Programmes on SMEs Internationalisation

Several empirical studies have been undertaken to evaluate export promotion assistance and its effects on SME internationalisation. These studies, in many cases, focus on evaluating specific services and produce variable outcomes. Some recent studies conducted in different countries show variable impacts of export assistance programmes on firm internationalisation; see below for review of empirical studies: Martincus and Carballo (2008) investigated the effectiveness of export promotion in developing countries. The study focuses on the channels through which export promotion affects firms' exports, whether in relation to the intensive margin or the extensive margin. The study was conducted in Peru, a middle-income developing country over the period of 2001-2005. The study used a unique dataset including firm-level data of export by product and country of destination to determine whether export promotion significantly affects Peruvian export performance or not. Moreover, it also aimed to determine whether export promotion has enhanced export performance along the intensive and/or the extensive margins of firm's export.

The study was on the activities of the Comisión Para la Promoción de Exportaciones (Commission for Export Promotion) (PROMPEX), Peru's national export promotion agency. PROMPEX is the mandated government agency in Peru to train and assist exporters on the export process, marketing and business negotiation. The agency also performs and disseminates analyses on countries and product market trends; provides specific information on trade opportunities abroad as well as specialised counselling and technical assistance on how to take advantage of these opportunities; and coordinates and support firms' participation in international trade missions and trade shows. According to Martincus and Carballo (2008), the activities of PROMPEX remove the obstacle of assessing information on foreign markets. They are of the view that it is possible that firms will face more problems accessing information while entering into new export markets or selling a new product abroad than when they pursue expansion of exports of

goods they have already been dealing in and/or to countries that are already among their destination markets. They concluded that EPOs affect bilateral exports largely along both the extensive margin of export i.e., the number of products exported and the number of countries to which a firm exports, and on the intensive margin. The study found diplomatic and trade missions less effective. However, the study did not look at how SMEs are selected and benefit from such a mission. SMEs at different levels of the export process require different services; hence “wholesale” provision will not benefit firms equally. Portugal-Pérez and Wilson (2011) are of the view that government favouritism for well-connected SMEs has the tendency to negatively affect export performance. They argued that in most cases, especially in the developing economies, such missions could only be accessed by party cronies, hence they do not achieve the desired impact.

Spence (2003) evaluates export promotion programmes in the UK using only trade missions. The study was carried out with a sample population of 190 companies, which were selected from various industries in the UK. Data was analysed with recursive regression to identify variables that had the most impact on various stages of the trade mission process. The selected businesses had all participated in a trade mission organised by the UK's Department of Trade and Industry (DTI) and sponsored by the London Chamber of Commerce and Industry (LCCI) in 1996. The study targeted 12 trade missions to regions such as Central and Southern America, Eastern Europe, South East Asia and Western Africa. The study uses three different constructs; that is firm's structural characteristics such as size, knowledge characteristics, which were divided into general export knowledge, objective export knowledge and market specific export knowledge. The research divided the period under study into four, before the mission, immediately after the mission to 6 months, 12 months and 24 months after the mission. The research classified the dimensions into two in order to investigate trade mission outcomes and export performance: (1) the variable measure relationship building (i.e. contact, leads and agents); and (2) tangible measure of export performance indicators (i.e. quotes and sales). They found that firms' knowledge characteristics are more influential than firms' structural characteristics in predicting trade mission outcomes.

The study concludes that experiential knowledge acquired in the field through trade missions provides exporters with the opportunity to meet face-to-face with potential foreign buyers, and hence identify their needs more effectively and offer them appropriate products (Leonidou *et al.*, 2011; Freixanet, 2012). The positive impact on sales, which

was the primary objective of participants, was realised after 12 months. This clearly shows that firms will take some time to process the newly acquired experiential knowledge. The result supports findings by Denis and Depelteau, (1985). Again, Spence only measured the impact of the trade mission at the expense of other instruments, which this current study is considering. SMEs are required to screen the various instruments available to determine which of them will suit a particular internationalisation strategy. It also suggests that follow-up research into the targeted markets is crucial in turning contact and leads into sales. However, SMEs in Ghana are not able to access such follow up services due to financial and resources challenges of the service providers (GEPA report, 2015). In addition, the study found a negative coefficient for the variable agent, which means that the quality of the agents appointed matters more than the number of agents in the various target markets.

Durmusoglu *et al.*, (2012) investigated the effect of GEPPs on SME export performance. They investigated 143 Turkish SMEs and found that EPP usage has a positive impact on all four export performance dimensions considered, which include financial, stakeholder relationship, strategic and organisational learning goal achievement. The study finds a positive and significant relationship between EPP usage and financial goal achievement. They continued that financial achievement includes overall performance, export turnover, export market share, and export growth achieved in financial terms. Their findings were consistent with those of other researchers (Balabanis and Katsikeas, 2003; Cadogan, Cui, and Li, 2003; Dhanaraj and Beamish, 2003; Lages and Lages, 2004). The financial achievement goal is supported by the work of Coughlin and Cartwright (1987) who suggest that every \$1 increase in state export assistance generated manufacturing exports of \$432. Durmusoglu *et al.*, (2012) further argued that SMEs export goals include developing and improving relationships with their stakeholders, which include suppliers and customers Wilkinson and Brouthers (2006) believe that the ability of SMEs to access a distribution channel could be hampered by competitors who already control that distribution channel. Hence, EPPs that help in identifying distributors may be a key element in SMEs' stakeholder relationship goal achievement. According to Spence (2003) while trade missions may contribute to sales in foreign markets, they are more effective in enhancing relationship building between potential business partners over an extended period.

Durmusoglu *et al*, (2012) found a positive relationship between EPPs' usage and achieving SME's strategic goal. They argued that a firm's strategy improves its level of competitiveness and should be a measure of a firm's export performance. Finally, they also found a positive relation between organisational learning, goal achievement and EPP usage. Durmusoglu *et al*, (2012) argued that to establish and sustain their position, exporters look for information on general aspects of the host country such as political, legal, economic, social, and technological systems. Exporters also seek information concerning competition and suppliers and this could be obtained by EPPs. This argument is supported by the work of Dimitratos, Forbom, and Plakoyiannaki, (2004).

Wilkinson and Brouthers, (2000) evaluated GEPPs in all the 50 states of the US and their findings were mixed; however, the study focused only on finance. They employed regression analysis and found that trade shows are positively related to direct exports; trade missions are negatively associated with high-tech growth exports; foreign offices are not associated with exports, and objective markets information programmes, such as computer-generated trade leads, are negatively associated with direct exports. Using a single performance indicator, such as finance, was in contrast with the work of Durmusoglu *et al*, (2011) which tested multiple performance indicators. Depending on the strategy and the position of the firm on the export ladder, financial benefits might not be the target of every firm that patronises promotion instruments. Some researchers have argued that using only financial goal achievement to determine the success of EPPs will not paint a true picture of the benefits and the effects of programmes on SMEs that use such a facility (Durmusoglu *et al*, 2011). Spence, (2003) argues that long-term relationship building is crucial for long-term international success.

Shamsuddoha and Ali, (2006) investigated the mediated effect of EPPs on 203 firms export performance in Bangladesh. A structural equation model was used to test the multiple causal relationships among the variables. They found a positive and significant relationship between EPP usage and SMEs exporting performance. However, they were of the view that EPPs influence management perception and export commitment indirectly through export knowledge rather than, as previously proposed, influencing those variables directly. Their findings suggest that the exporting SMEs gain procedural and experiential knowledge using EPPs and create suitable strategies that enhance export commitment, which ultimately influences SME export performance.

Wilkinson and Brouthers, (2006) investigated the effectiveness of a set of EPPs using 105 firms in the US. They investigated the impact of GEPPs on the international marketing efforts of SMEs. The dependent variable consists of a four-item scale which was intended to measure the level of satisfaction that respondents had with their export operations. These include: sales growth in foreign markets, overseas markets share, number of countries exported to, and overall export performance. The study uses number of employees, total company sales, export intensity, and export barriers as control variables. Using regression analysis, the study suggested that EPP usage has positively affected the satisfaction level of export performance of the responding SMEs, even when internal resources were controlled. They also concluded that SMEs which fully make use of their internal assets, including their technological capabilities, proved to be highly satisfied with their export performance in comparison to those that did not. They also found that usage of trade shows and programmes that identify agents and distributors was associated with firms reporting higher export performance satisfaction. They, however, found no significant relationship between trade missions and export performance, arguing that trade missions may be best suited for investment attraction purposes.

Martincus and Carballo (2010) assessed the effect of trade promotion activities on the export outcomes of entering a new country or a new product market, (i.e., the extensive margin). They used a highly disaggregated export data for the whole population of exporters in Uruguay, over the period 2000-2007. They estimated the effects of Export promotion by using matching methods which consists of pairing each assisted firm with the more similar members of the non-assisted group based on their observable characteristics and then estimating the impact of assistance by comparing the exports of matched assisted and non-assisted firms. They found that trade supporting activities helped SMEs to reach new destination countries and introduce new differentiated products; however, the impact is insignificant on the probability of entering a new OECD country. Thus, export promotion assistance seems to be effective in helping firms expand their exports in the country-extensive margin by primarily favouring penetration of non-OECD country markets. They are of the view that even though costs emanating from deficient communication and transport infrastructure are clearly high in the developing countries, they are less than those involved in trading with more sophisticated markets such as those of OECD countries. They concluded that trade promotions are effective in introducing new differentiated goods in developing markets.

Lages and Montgomery (2005) investigated the effect of EPP and SME performance improvement in relation to pricing strategy adaptation in Portuguese Exporting SMEs. The study was particularly interested in understanding the mediating effects of pricing strategy adaptation on the short-term relationship between export assistance and export performance. The study by Lages and Montgomery (2005) was influenced by previous studies, such as (Lages, 2000a; Weaver, Berkowitz and Davies, 1998). These early studies suggested that there is an increasing need to develop more policy-oriented international business research that analyses the interface between export assistance, pricing strategy adaptation, and export performance. According to Lages, (2000a) and Weaver *et al.*, (1998) if public policy makers provide export assistance to SMEs which are willing to adapt pricing strategies, export assistance would be well allocated because pricing strategy adaptation could lead to a better export performance.

They used a structural equation model to test both the direct and indirect influence of the variables on short-term export performance. It was proposed that export performance is directly and indirectly affected by the degree of export assistance, the degree of pricing strategy adaptation, and by two contingents' forces (management international experience and export market competition). A sample of 519 SMEs was used and they concluded that management international experience has a highly significant positive direct impact on export assistance.

In addition, Lages, (2000a) and Weaver *et al.*, (1998) noted competition has a significant positive impact on export assistance and a highly significant direct impact was found regarding the effect of management international experience and export assistance on price strategy adaptation. The results relating to the direct effect of export market competition on pricing strategy adaptation were found to be not statistically significant. Finally pricing strategy adaptation was found to be highly significantly related to export performance. In a nutshell, they concluded that the total effect of public support on export performance is not significant. The authors explain that this situation occurs because while the direct effect is highly and positively significant the indirect effect is highly and negatively significant. Finally, although the direct impact of competition on pricing strategy adaptation is not significant, the indirect impact is found to be significant, but the total effect is not significant. Lages and Montgomery (2005) focused on the short term, however, while internationalisation has been found to be profitable in the early stages, profit declines when costs rise as the firm increases its international commitment. Hence,

using a short-term response is likely to give a false impression of the response to price adaptation strategy of firm internationalisation.

Martincus and Carballo, (2010) investigated the distributional impacts of EPPs in developing countries, precisely Chile. The study focused on the distributional impact of the activities of ProChile, the national export promotion agency of Chile. ProChile is charged with the responsibility of supporting SME internationalisation in order to benefit from the opportunities created by the country's trade agreements, public-private associations, and positioning Chile's image in the international markets. The study aimed to fill a gap within the literature by providing empirical evidence of the distributional effect of the activities of national export promotion agencies. They performed efficient semi-parametric estimation of quantile effects, a method proposed by Firpo, (2007a). The study was conducted on export assistance provided by ProChile using total sales and highly disaggregated export data for the Chilean exporting population over the period of four years (2002-2006). The study found that export promotion activities implemented by ProChile have had differentiated effects over the distribution of export outcomes. The authors are of the view that the effects are mainly concentrated on the lower end of the distribution of (growth of) total exports and the lower and upper ends of the distributions of (growth of the) number of countries and number of products. Matching these estimates with raw basic data on the profile of exporters they concluded that the effects tend to be stronger for smaller firms as measured by their total exports. They are of the opinion that the findings are precisely what one would expect as export promotion is expected to overcome barriers associated with internationalisation, which is clearly more challenging for smaller, relatively inexperienced exporters. Thus, trade EPPs are likely to be more effective in helping these SMEs.

Alvarez and Crespi, (2000) used a sample of 365 firms to evaluate the impact of three promotion instruments managed by ProChile, namely, exporter committees, international fairs, and business information systems. They conclude that overall trade promotion actions have had a positive and direct impact on the number of destination countries and indirectly on total exports and product diversification. In addition, they also believe that the aforementioned instruments seem to affect firms' export performance differently. More precisely, exporter committees appear to be more effective than participation in fairs and usage of the commercial information system in promoting additional exports. Using a sample of 295 Chilean manufacturing SMEs, Alvarez (2004) further shows that the previous form of intervention is associated with a significant increase in the

probability of being a permanent exporter, whereas trade shows and trade missions do not seem to help firms achieve such status.

Martincus and Carballo (2010) are of the opinion that, these studies present average-like estimates of the effect of export promotion activities either jointly or individually considered; and that their usefulness may have uncovered other important effects of such activities. They indicate that firms with different degrees of international involvement face different obstacles and, accordingly, have different needs. According to Wagner, (2001) and Bernard and Jensen (2004), firms, which are smaller and relatively inexperienced in international markets face greater barriers to becoming successful players in the international markets as they might lack the required information for successful internationalisation.

Ahmed, Mohamed, Johnson and Meng, (2002) investigated the level of awareness among 53 manufacturing firms representing four industry sectors of 13 export promotion programmes in Malaysia. Twenty-three of the firms were categorised as SMEs while the remaining 30 were classified as large. The firms were grouped into two based on their level of involvement in exporting activities. Using regression analysis, the study concluded that firms' knowledge of export promotion is low especially among SMEs. The study revealed that there is a significant relationship between export promotion awareness and all three aspects of firm demographics (size, age and foreign ownership), however, the extent of the difference was much greater for firms' size. Larger firms indicated significantly greater awareness than SMEs of six of the 13 types of export promotion programmes included in the study. Furthermore, there is a significant relation between information seeking and firms' size and age. The study found that the number of firms was low who sought information from MATRADE, the foremost external trade promotion agency of the Malaysian government. However, there was no significant correlation between information-seeking and export characteristics (export intensity, exporting experience, and number of countries exported to). This finding is in line with the view of Martincus and Carballo (2010), who indicated that firms with different degrees of international involvement face different obstacles and accordingly have different needs. Hence, it is relevant for policy makers and their implementing agencies to consider the various effects of EPPs in enhancing and fostering export performance, taking into account the needs of firms at various stages of the internationalisation process.

Jalali, (2012) empirically examined the direct relationship between EPPs and export performance; as well as indirect effects which have been conceptualised through export strategy, export knowledge and export commitment. The study sampled 200 decision-makers who were in-charge of exports during July–August 2011 in Iranian manufacturing SMEs. A response rate of 71% was achieved in the study. Structural equation modelling techniques were used to test the hypothesised relationships. The results showed that EPPs do not only have significant direct effect on export performance, but also significant indirect effect via three different paths. The most influential indirect effect is delineated through export strategy, export knowledge, and export commitment. These results confirm the pivotal role of export strategy in the process of export performance development and stress the mediation effect of export strategy on the effects of EPPs on the path to export performance.

The empirical results show that export assistance is an important component of firm internationalisation. However, several studies found that some of the services have insignificant or no effect on the internationalisation of firms that use it. For instance, Martincus and Carballo (2008) argued that diplomatic and trade missions were less effective, whilst Wilkinson and Brouthers (2006) did not find any significant relationship between trade missions and export performance. They argued that trade missions may be best suited for investment attraction purposes. This finding was a confirmation of their previous study in 2000, which concluded that trade missions are negatively associated with high-tech growth exports. The use of quantitative methods to research export promotion assistance and firm internationalisation and export performance as well as using specific indicators of outcome has been criticised. In an early submission by Root (1971), it was argued that export promotion is substantially an information-gathering and knowledge dissemination activity, for which there is no satisfactory means of measurement.

Seringhaus and Rosson (1990, p321) argued that, “Such numbers falsely suggest unequivocal and direct causality between programme expenditures and sales results. The principal difficulty with such indicators is that many factors influence SMEs export behaviour and results, and therefore, the aggregate export performance of an industry or a country”. They further argued that an attempt to evaluate export promotion assistance with a broad approach of collecting profiles such as experience and performance characteristics of service users also suffers from drawbacks such as incomplete

questionnaires, partial representation of the target group of companies and, therefore, questionable representativeness of results regarding the impact of offerings.

4.4 Awareness of Export Promotion Programmes

Many studies have been conducted on the level of awareness of export promotion assistance by firms (Haunschild *et al.*, 2007; van Elk *et al.*, 2009). Several studies have found low levels of awareness of export assistance programmes. Kanda *et al.*, (2015) investigated 693 Swedish environmental technology firms on their level of awareness, participation, and perceived effectiveness of GEPPs. The researchers commented that a large number, 62% of the export-oriented respondents (currently exporting or thinking of doing so in the near future), were unaware of governmental export promotion programmes that could meet their particular export needs. They provided several possible explanations for this lack of awareness. Firstly, they argued one such explanation is that the programmes available do not reach their target audience due to ineffective communication channels. They also maintained that in some cases, even when they do reach them, they are not well received by the targeted SMEs due to misunderstandings or because the SMEs perceived that the programmes do not address their specific needs.

Secondly, they mentioned that the SME sector could be highly diverse and too complex for the promotion organisations to design suitable or customised support options for a large number of them. They further argued that given the characteristics of the SME sector, variables such as communication channels and tailor-made support could be considered by the EPOs to effectively support the SMEs. Most SMEs appear uninterested due to the perception that services do not meet their needs hence they do not enquire about what is on offer (Kanda *et al.*, 2015). Other studies have also found awareness of export promotion programmes to be low among SMEs (Ahmed *et al.* 2002). Torres *et al.*, (2016) find relatively low levels of awareness of the availability of public support measures. For instance, Ahmed *et. al.*, (2002) noted the overall awareness of the various export promotion programmes was not high among SMEs. Relatively higher awareness was found with programmes associated with fiscal incentives such as exemption of custom duty, and the export credit-refinancing scheme. However, low degrees of awareness were recorded in respect of Industrial Technical Assistance Fund programmes and other services such as training programmes and trade publications. In most instances, SMEs are faced with financial challenges and would patronise promotion instruments that provide financial assistance.

Weil (1978) noted two common inadequacies of export promotion programmes, these include; lack of information about what services specific groups need, and inadequate financial resources. Weil argued that these shortcomings arise out of a general lack of knowledge of the export development process, thereby resulting in an inability to effectively target EPP efforts to prospective users. Freixanet (2012) investigates the impact of export promotion on firms' internationalisation, performance and competitiveness in the region of Catalonia (Spain) with 272 SMEs. The findings are that, EPP awareness and usage provide evaluation of the effectiveness of the programme's communication, but not of the programmes' contribution to export performance. Freixanet argued that it is, thus, necessary to measure the programmes' effects not only on final economic performance but also on intermediate results.

Freixanet (2012) observes that awareness and usage are both higher for "classic" programmes such as sponsored trade shows and trade missions. The study noted that 73% of the sampled SMEs were aware of the support for trade exhibitions, and 76% for trade missions, with usage of 59% and 63% respectively. Irrespective of what is the cause, low awareness on the part of EPPs has been identified in many studies from different countries and is a recurring theme throughout the export literature (Phuong and Jian; 1990; Seringhaus and Botschen, 1991, McAuley, 1992; Hakam *et al.*, 1993; Torres *et al.*, 2016). However, none of these studies looked at the challenges facing the service providers and the reason behind the inconsistent results. The current study explores the various challenges faced by EPOs and how these challenges affect service provision as well as the performance of SMEs who use EPPs.

4.5 Usage of Export Promotion Programmes

Just as awareness of EPPs has been recorded as low within the literature, usage of EPPs has also been identified as low among SMEs. Notwithstanding the potential benefits accrued to users of EPPs and the continuing export assistance provided by EPOs, past studies showed that SMEs were ambivalent toward the use of export promotion programmes (Hauser and Werner, 2015).

Van Gent (1991) noted that between 50-60% of large firms used services provided by International Business and Cooperation or Dutch embassies abroad, but that only 10-30% of smaller firms used the services around the same period. Hauser and Werner (2015) observed in studies conducted with 615 German SMEs that strong evidence exists to show

that SMEs use foreign trade promotion programmes to a lesser extent than larger firms do. They argued that staff capacity and capability are the explanatory factors for the ability of SMEs to use official foreign trade promotion programmes. They maintain that SMEs lack those specialised in-house resources, which should be counter-balanced by public promotion schemes. Hauser and Werner (2015) argue that the lack of in-house resources prevents SMEs from using the EPPs. They further argued that SMEs lack the capacity and capability to screen the various EPPs to determine which one will best suit their strategy. Seringhaus (1983) concluded in a study on Canadian firms that only larger companies with substantial knowledge and expertise in export markets can utilise the EPPs to their advantage in international markets. However, two other important variables impinge on usage rates. Firstly, the expectations of service users which lead firms to be indifferent to services they do not perceive to be useful and vice-versa. Secondly, the relevance of specific provisions to firms at different stages of their international development (Seringhaus and Rosson, 1990).

4.6 Perception of Export Programmes

Exporters, depending on their business goals and strategy, require different export assistance (Kotabe and Czinkota, 1992; Crick, 2004). Kotabe and Czinkota (1992) argue that firms at different stages of internationalisation required or desired different degrees of assistance from state export promotion agencies. Hence, a firm's perception about export assistance will vary depending on their objectives and whether the available offerings meet those objectives or not. Bell and Young (1998) indicates that several US firms may not seek help due to negative perceptions of government bodies and offerings.

Tan and Kau (1987) observed that in Singapore, where special attention had been given by the government to the needs of SMEs, there was little emphasis on differentiating between providing state assistance to firms for export promotion purposes and providing assistance for development purposes. Further, they observed that even though there was generally high levels of awareness of the various export promotion programmes, their usage rates were low. They noted that Singaporean exporters did not find those available export programmes useful. Another reason they provided was that many of the firms do not qualify for such assistance. Similar to the findings of Tan and Kau, (1987), Reid (1982) observed that firms required a high absolute level of export sales as a requirement for using specific export incentives. This conclusion relates to Ogram's (1982) finding

that firms currently exporting were much more likely than non-exporters to seek out and use export support services offered by governmental agencies and other organisations.

In a study of 162 firms, Gencturk and Kotabe (2001) noted that GEPPs contribute to export success, but the extent of that contribution is dependent upon the dimension of export performance being examined. They argued that GEPPs do not contribute to firms' sales, but rather enhance the competitive position of firms. Moreover, in a qualitative study, Crick (2004) argues that SMEs that have stopped exporting are not a homogenous group; the decision to discontinue exporting is often temporary. Crick argues that SMEs that decide to become involved with exporting once again need to be offered appropriate assistance (e.g. finding overseas partners) rather than programmes that are generic to all SMEs involved in exporting.

Findings in respect to GEPPs such as international trade fairs are also mixed. The potential benefits SMEs derive from participating in trade fairs are widely recognised (Gencturk and Kotabe, 2001). The provision of export information as a promotion instrument is widely criticised throughout the literature. In the work of Crick (2004), some SMEs maintain that assistance in the form of export advice to locate intermediaries and advice on paperwork would be of great use. Most SMEs also maintained that they are knowledgeable about the mechanics of exporting and wanted specific help on issues that would enable them to become competitive overseas. Some SMEs argued that there is the need for information on how to undertake modes of market entry other than the exporting route. Nevertheless, some studies found services relating to export information more beneficial to SMEs than larger companies (Hauser and Werner 2015).

The aforementioned studies show that there is a missing link between the services provided and what is actually needed. Research by Lemaghen, (1987) on Export Marketing Research Scheme (EMR) in the UK indicated that although the scheme provides financial support for a range of research activities, two thirds of UK firms were less than impressed with the programme. Nonetheless, Diamantopoulos *et al.*, (1991) noted that close to 60% of their sample of Scottish food exporters used the EMR scheme, although none of them considered it the best government service. It is noted that existing studies have failed to investigate how EPOs determine what service to provide given the fact that most exporters think services are not meeting their needs. The current study explored how export promotion organisations determine what kind service to provide for SMEs at a particular time. This investigation will unravel the missing link, which is

currently preventing EPOs from providing services that meet the needs and expectations of service users. To fully investigate the role of EPOs in SME internationalisation and fill gaps identified within the literature, the following research questions were raised:

1. What are the factors that influence SME export initiation? What is the internationalisation process of SMEs in developing countries? What challenges do they face in an attempt to access markets outside their domestic markets?
2. What are the impacts of internationalisation on performance and growth of SMEs?
3. What are the impacts or effects of export promotion programmes on the exporting activities of Ghanaian SMEs?
4. What are the challenges EPOs in Ghana face in the course of performing their mandate; how have such challenges impacted on the services they provide?
5. What are the services provided by export promotion organisations in Ghana; what is the level of awareness of the services; what is the level of usage of export promotion programmes by SMEs in Ghana?

4.7 Summary and Conclusions

This Chapter has examined the existing literature on export promotion programmes and a number of conclusions can be drawn. It is noted that programmes which appear to motivate firms to export do not appear to have the desired impact in terms of stimulating export initiation. The available evidence suggests that the initial export decision is triggered by external and/or internal attention-evoking factors but that the role of EPO's is quite limited in this respect (see section 3.4). As seems to be the case, many small firms only seek export assistance once the decision to export has been taken; then the emphasis currently placed on export motivation programmes might be usefully redirected towards other EPO activities. There is a strong advocate to support SME internationalisation due to resource constraints that put SMEs at a disadvantage within the international market (European Commission Report, 2015). Some researchers have argued that export assistance programmes provided by government and private agencies are seen as an “external change agent” (Cavusgil and Czinkota, 1990; Czinkota and Ronkainen, 2007; Seringhaus and Rosson, 1990). The literature has indicated that various promotion instruments have different impacts on firms’ internationalisation drive (Spence 2003; Durmusoglu *et al.*, 2012; Martincus and Carballo 2008).

The focus of export assistance to a lesser or greater extent is the provision of export information (Durmusoglu *et al.*, 2012). The value of such offerings has been criticised as being more relevant to the requirements of large companies (Pointon, 1978; Wilkinson and Brouthers 2000), yet there is evidence that large firms tend to rely on internal or commercial sources (Hauser and Werner, 2015). Moreover, although SMEs regard government sources as more useful than their larger counterparts (Hauser and Werner 2009; 2015), obtaining export market information remains a problem for SMEs and serves as a significant barrier to export initiation. This suggests that a gap between provision and need still exists. Crick (2004) indicates that there is a gap between the information firms seek and what is actually available to them. EPPs are noted to be beneficial to SME internationalisation; however, most SMEs are not using the services (Hauser and Werner 2009; 2015). This has been identified as a result of low awareness (Haunschild *et al.*, 2007; van Elk *et al.*, 2009) and the fact that SMEs lack the competencies to screen export promotion instruments (Hauser and Werner 2009; 2015).

5.0 Developing a Conceptual Framework

5.1 Introduction

This chapter seeks to develop and formulate the various objectives of the research, the research questions and to conceptualise the theoretical framework for the study. The frame of reference facilitates the understanding of the key factors, constructs or variables, as well as the presumed relationships in a narrative or graphical form (Miles and Huberman, 1994). The researcher used both narrative and graphical forms for the frame of reference. The literature review of SME internationalisation in chapter two suggests that SME internationalisation is an entrepreneurial activity that is achieved through the discovery of international market opportunities by the entrepreneur (Kirzner, 1997).

According to researchers (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) the processes of discovery of international markets and subsequent internationalisation by SMEs are, however, constrained by the “Psychic Distance”. The ‘psychic distance’ refers to the various political, cultural and linguistic differences that tend to influence the information flow and the decision-making in the international transaction. Johanson and Vahlne, (1977), are of the view that the “psychic distance” could diminish through gradual experience gained by firms in an organisational learning process. Child *et al.*, (2002), argue that, the psychic distance refers to the differences in institutions, especially cultural differences between the foreign and the home market. They maintain that SMEs could bridge the “psychic distance” through entrepreneurial networks and relationship building. SMEs’ ability to build positive relationships with EPOs will address the problem of information flow and the psychic distance that are associated with foreign market entry.

5.2 Conceptual Framework, Research Objectives and Questions

This section draws on the theoretical underpinning of the study and conceptual framework to formulate both the research objectives and questions of the study. The aim of the study is to *contribute to a better understanding of the SME internationalisation process and the impact of EPO policies and assistance in relation to SME internationalisation*. Both the research objectives and their corresponding research questions are discussed below:

5.2.1 Process of SMEs Internationalisation and Export initiation

Macharzina and Engelhard (1991) contend that the internationalisation of the firm is a dynamic process which they categorise as follows: non-exporter, reactive exporter and active exporter. In their opinion, the internationalisation of the firm is a resultant effect of the environment, structure and strategy process. They argue that realignment of the firm takes place through a switch of configuration during the transitional phase; however, in the phase of relative stability the configuration does not change. Internationalisation is, therefore, seen as a process-oriented character and it remains an inherent part of corporate development and, over the course of time, revolutionary and incremental periods of change occur in alternation. However, several scholars (Swoboda 2002; Zentes *et al.*, 2004; Kutschker and Schmid 2006) opine that the internationalisation process takes place gradually and incrementally at various levels; there are evolutionary, episodic and epochal differences with regard to the intensity and the scope of organisational change. They further explain that firms in foreign markets develop within an “ongoing” process (international evolution) amidst epochal change. In between these changes, there are sporadic phases of changes in the degree of the internationalisation (international episode).

“Evolution” is explained as the numerous small steps towards internationalisation in the daily business activities of a firm, which are conscious/intentional in nature but primarily incremental in their change of surface or more fundamental organisational structures (Kutschker, 1996; Kutschker and Bauerle, 1997). In the opinion of Kutschker and Bauerle, episodes in contraction occur faster. These are revolutionary and mark an important aspect of the SME internationalisation process. Kutschker and Bauerle further explain that longer periods of increased and intense activities characterise this phase of internationalisation. Substantial parts of the firm are affected and faced with new and complex challenges. Examples of this could be the firm establishing a new subsidiary or the takeover of a direct competitor in the foreign target market. This interpretation also correlates to the “punctuated equilibrium theory” (PET).

In the views of Gersick, (1991) the PET theory stipulated that firms evolve by experience and enduring periods of stability in their activities, punctuated by relatively short periods of more fundamental change. Accordingly, the foreign expansion could be considered

“punctuated” and requisite changes to foreign management operations are necessary for the firm to respond appropriately to this punctuation. Katsikae *et al.*, (2005) argue that in cases in which the punctuation is great, the corresponding organisational responses must also be great in order to return to an equilibrium state.

Contrary to the views of researchers who believed firms go through various stages of development during the internationalisation process, Dunning (2000) observes that the decision to internationalise is based on firm’s specific advantages. Dunning proposes that the firm’s success in international business activities depends on three main factors; ownership specific advantages (O), such as firm-specific assets; location-specific advantages (L) that describe the attractiveness of a foreign country; and internalisation advantages (I) which reflect a firm’s ability to conduct transactions efficiently within its hierarchical organisation. Dunning’s eclectic framework predicts that a firm will choose the internationalisation strategy which is most suited to the “advantages” it possesses. Dunning (2000), further explains that, if a firm exclusively has ownership advantages then, in its internationalisation it will concentrate on contract-based transfer of resources (e.g. through licences). If there are internationalisation advantages in addition to this, then export is preferred. In Dunning’s estimation, a firm’s internationalisation is based on the specific advantages it possesses and the potential benefit the firm can obtain from that resource when put into use.

Johanson and Vahlne (1977) argue that the internationalisation of a firm is a gradual process and that firms will increase their international presence when they are able to bridge the psychic distance through a continuous learning process. They maintain that internationalisation is a process of successive commitments in foreign markets, which will only occur with the knowledge improvement of foreign markets. These researchers claim that by integrating knowledge acquired from this experience on the foreign markets, the firm improves its decision-making process. The series of incremental decisions then result in a firms’ internationalisation. Johanson and Vahlne (1990), underscore the importance of networking and relationships in accessing foreign markets. Based on the concepts of their original model, which has knowledge, commitment, on-going activities, and decision-making at the centre of the firm’s internationalisation process, they seek to explain the motivations and the modes of internationalisation by putting the enterprise in a multilateral framework by mobilising the intra and inter organisational relations. Coviello and Munro (1997) observe that SMEs, during the internationalisation process

associate themselves with a network while they select the market and the mode of entry. A rapid process of internationalisation could be launched by taking advantage of existing networks, particularly international networks in which the main partners do not only initiate the internationalisation process but also influence the mode of investment in the international market (Coviello and Munro 1997). It is obvious that the SME internationalisation process is surrounded by numerous explanations; however, no clear-cut process has been established.

Other researchers (Swoboda 2002; Zentes *et al.*, 2004; Kutschker and Schmid 2006), have described the SME internationalisation process as “muddling through” and “trial and error”. However, in an attempt to search for profitable and less challenging ways of moving abroad, SMEs face so many barriers. The existing internationalisation theories have not explored the contribution of the entrepreneur who is the main architect of the growth and development of SMEs. Hence, the first research objective of the study is: *to investigate the factors that influence SME internationalisation in Ghana and increase understanding of the process by which SMEs access international markets and the challenges they face doing so*, while the corresponding research question is: *what are the factors that influence SMEs when exporting initiation and the internationalisation process of SMEs as well as the challenges they face accessing international markets?*

5.2.2 Internationalisation and Firms’ Performance

Internationalisation is a major dimension of firms’ growth (Peng and Delios, (2006). Previous studies have shown that recent market liberalisation and digitisation have encouraged both large corporations and SMEs to operate beyond their national borders to compete with each other in foreign countries and new regions (Barkema, *et al.*, 2002). However, the issue of whether internationalisation of the firm translates into high performance and subsequent profitability has been a long-standing argument. Many researchers and scholars have underscored the important role played by SMEs in international markets (Lu and Beamish, 2001; Oviatt and MacDougall, 1994). Though the phenomenon of firms’ internationalisation has been a subject of discussion and has subsequently captured the interest of many scholars, little effort has been made to understand the effects of internationalisation on SMEs’ performance (Lu and Beamish, 2001).

There is a growing argument that the implication of internationalisation on SME performance remains far from being conclusive. A section of researchers (i.e. Dhanaraj

and Beamish, 2003; Qian and Li, 2003; Qian *et al.*, 2003) found a positive linear relationship between internationalisation and firms' performance. Whereas Lu and Beamish (2001) and Qian (2002) argue that the relationship between internationalisation and performance could be depicted as an inverted U. Lu and Beamish, (2001) observe that export intensity has negative impact on performance, such that, as the firm intensifies its exporting activities, costs associated with internationalisation increases, thus profit and performance are affected.

There is an equally a mixed response within the body of empirical data on the issues of internationalisation and performance as they relate to large firms (Chiao *et al.*, 2006). Early studies into the phenomenon, Hymer (1976), Rugman (1981), and Dunning (1988) have offered theoretical explanations, recognising the benefits of internationalisation for SMEs. It must be mentioned that most of these studies have been conducted in the context of developed economies with a scant few focusing on developing countries (Ramírez-Alesón and Espitia-Escuer, 2001). The uneven focus and mixed results in relation to SME internationalisation and performance have invited further investigation into the phenomenon, focusing on SMEs in developing economies (Yeung, 1994). To fill this gap within the literature, the second objective of the current study is; *to contribute to a wider understanding of the impact of internationalisation (exporting) on SME performance and growth in developing countries* and the second research question is; *does internationalisation of SMEs in developing countries have any impact on their performance and growth?*

5.2.3 Export Promotion and SMEs Internationalisation and Growth

Many factors affect export performance; thus, SMEs require unique strategies to be successful in international markets (Cavusgil and Zou, 1994). It is apparent that firms need to employ the right combination of resources to enhance their exporting activities. GEPPs are among the externally available resources SMEs can utilise to improve their export performance. Export promotion refers to public/private public partnership measures designed to assist firms' exporting activities. These include seminars for potential exporters, counselling, how-to-export handbooks, export financing, and market information and development programmes such as dissemination of sales leads to local firms, participation in foreign trade shows, preparation of market analysis, and export newsletters (Gencturk and Kotabe, 2001; Spence, 2003). The effectiveness of export

promotion programmes in enhancing export success is a great concern to both public policy makers and managers.

The effectiveness of export promotion on the performance of SMEs exporting activities has come under strong scrutiny in the last decades. The extant literature shows divided opinion on usage of export promotion and firms exporting success. For instance, several scholars (Coughlin and Cartwright, 1987; Pointon, 1978; Wilkinson, Keillor, and d'Amico, 2005) find significant and positive effects. Others present non-significant effects (see Stottinger and Holzmuller, 2001), and, more interestingly, others claim there are significant negative effects of export promotion use on export goal achievement (e.g., Weaver, Berkowitz, and Davies, 1998; Wilkinson and Brouthers, 2000). Moreover, some find a non-significant effect of export promotion use on export outcomes despite the fact that they also find that permanent and successful exporters use government-designed export promotion programmes more intensively than less active exporters (e.g., Alvarez, 2004).

These equivocal results are also evident in studies that examined effects of export promotion on SME exporting performance (Durmusoglu *et al.* 2011). Álvarez, (2004) and Leonidou and Adams-Florou, (1999) observed that SMEs are important within their respective national economies and export is a commonly used non-equity mode of internationalisation for SMEs, as it is the most flexible and cost-effective way (i.e. requiring minimal financial, human, and other resource commitments) of penetrating new foreign markets. However, SMEs are noted to be at a disadvantage competing for market share internationally (Hauser and Werner, 2015). This is because of the complexity of the international business environment coupled with the comparative scarcity of resources (Seringhaus, 1986; 1987). The uncertainties in the international market, the lack of knowledge about foreign markets and the risks associated with the export business are all inhibitors for SMEs (Morgan and Katsikeas, 1998; Seringhaus and Rosson, 1990).

Export promotion programmes are expected to assist SMEs in overcoming these barriers and therefore play a pivotal role for SMEs exporting goal achievement (Dean, Menguc, and Myers, 2000; Kotabe and Czinkota, 1992; Seringhaus and Rosson, 1991). Sharp division exists in the literature concerning the effectiveness of export promotion services. Some researchers (see Calderón, Fayos, and Cervera, 2005) indicate that programmes such as market knowledge provision, trade fair assistance, distributor search, export insurance, and training are essential for SMEs to overcome the obstacles in international

expansion. Other researchers suggest that export promotion programmes have been largely ineffective in fostering the export activities of SMEs (e.g., Álvarez, 2004; Reid, 1985; Samiee and Walters, 1991; Thomas and Araujo, 1985; Vozikis and Mescon, 1985). As a consequence of these equivocal results, some have argued that it is market forces rather than export promotion programmes that affect firms' export performance. According to these critics, claims of significant increases in export performance attributed to EPPs are not justified because reliable evidence or the necessary data to support or contradict these claims are unavailable (e.g., Gencturk and Kotabe, 2001; Nothdurft, 1992; Seringhaus and Rosson, 1990). To fill this gap within the literature, the third objective and research question of the current study is; *to analyse the impact or the effect of EPPs on the exporting activities of Ghanaian SMEs* and the corresponding research question is; *what are the effects or impacts of EPPs on the exporting activities of Ghanaian SMEs?*

5.2.4 Challenges of Export Promotion Agencies

The number of export promotion agencies has tripled over the last two decades (Lederman, *et al.*, 2010). Many countries, both developed and developing, have made export promotion part of their export strategy. However, some studies have criticised their potency in developing countries, (Keesing and Singer 1999a, 1999b). Early studies into export promotion institution have noted that, in practice, trade support institutions in developing countries are mostly ineffective (Hogan, Keesing and Singer 1991). They have observed that most of these export support institutions both public and private are poorly funded and have no clear mandate; hence, they end up providing poor services to exporters. EPOs in developing countries have been criticised for lacking strong leadership, being inadequately resourced, and that the administrative bureaucracy including the process of hiring staff, not being client oriented and suffering from government interference and politicisation (Keesing and Singer 1999a, 1999b). Lederman, *et al.*, (2010) observed that these factors have resulted in the withdrawal of funds by many development organisations and economic development partners.

In their studies of EPOs of developing countries, Lederman, *et al.* (2010) noted that only 21 out of the 73 EPOs selected for their study had donor support in 2005 and for 11 EPOs, the budgetary support from multilateral donors represented over 25% of the total budget. In the case of one Sub-Saharan African agency, more than 75% of its budget in 2005

came from multilateral donors. The failure of EPOs in most developing countries is partly blamed on import substitution policies, which was the agenda of many regimes, especially in Africa, at the time (Lederman, *et al.* 2010). Ghana, after independence, took the path of public sector-led economy, which led to many state-owned enterprises (SOEs) being built by the first president, Dr Kwame Nkrumah. Subsequent military regimes continued with this policy of state-led economy until 1969 when Act 396 established the Ghana export promotion council (GEPC), the main government body with the mandate to develop and promote Ghanaian exports. However, to make the council more functional and exercise its mandate efficiently, the GEPC was changed to an authority in 2011. The change to authority was in accordance with the Revised Laws of Ghana Act 1998, (Act 562). The GEPC was ineffective, ill- resourced until the fourth republic, which focused on private sector led economy growth. The new designation helped in defining the core functions of the reconstituted GEPA in terms of the marketing and promoting of non-traditional products.

Recent studies suggest that export promotion could be successful if supporting agencies are adequately funded, have private representation in management and are consolidated into a single institution rather than a proliferation of small agencies (Lederman, Olarreaga and Payton, 2007). As part of its objectives, the current study investigates the level of funding of institutions that provide export promotion services to exporting SMEs in Ghana. Poor or inadequate resources have been identified to adversely affect the performance of EPOs (Lederman, Olarreaga and Payton, 2007). Export promotion organisations, as observed by Keesing and Singer (1999a; 1999b) lack independent, especially those in developing economies. Government and donor partners fund most of these organisations; hence, the agenda of the funding bodies takes precedence over the needs of the exporting SMEs. The leadership of EPOs requires some degree of autonomy to be innovative. Where the leadership is not independent as observed by Keesing and Singer (1999a; 1999b), there is the possibility that selection of companies to participate in certain services provided by the organisation will not be based on merit. The existing literature is deficient on the various challenges that EPOs in developing countries are facing and the effects of the challenges on their activities. The current study fills this gap within the literature with an objective to *discuss the various challenges that EPOs in Ghana face when executing their mandate and make recommendations to address them while exploring how these challenges impact the services which EPOs provide to SMEs* and the corresponding research question is; *what are the challenges export promotion*

organisations in Ghana face in the course of performing their mandate, how do such challenges affect the services they render?

5.2.5 Export Promotion Services; SMEs Awareness, Perception and Usage

EPOs are charged with the mandate of aiding local businesses to market their products and services effectively in the international market place. Improving export promotion strategies has been deemed as one of the emerging issues in international business research (Czinkota, 2002). Yet, many questions regarding EPOs and the services they provide remain unanswered. Questions remain as to how EPOs decide which services to offer. How EPOs determine which type of firms to target and why EPOs offer certain services in the first place. What motivates EPOs to adjust these services over time and why some EPOs are more efficient and /or more effective than others in “matching” services to client needs or increasing awareness and usage of their services.

EPOs have the mandate to stimulate exports. These services include, but are not limited to, generating awareness of export opportunities, providing access to export expertise and knowhow, offering export planning and preparation assistance and supporting foreign market activities through organisational help and cost sharing (Seringhaus and Botschen, 1991). However, Gillespie and Riddle, (2004) argue that establishing a causal link between EPOs’ services and national export growth have proved problematic. Other researchers such as Coughlin and Cartwright (1987) think differently. They found a direct relationship between export promotion services and national export growth. These researchers argued that, spending on EPOs had direct impact on the growth of US exports. Gencturk and Kotabe (2001) argued that there are methodological flaws which cast doubt on export promotion spending and national export growth.

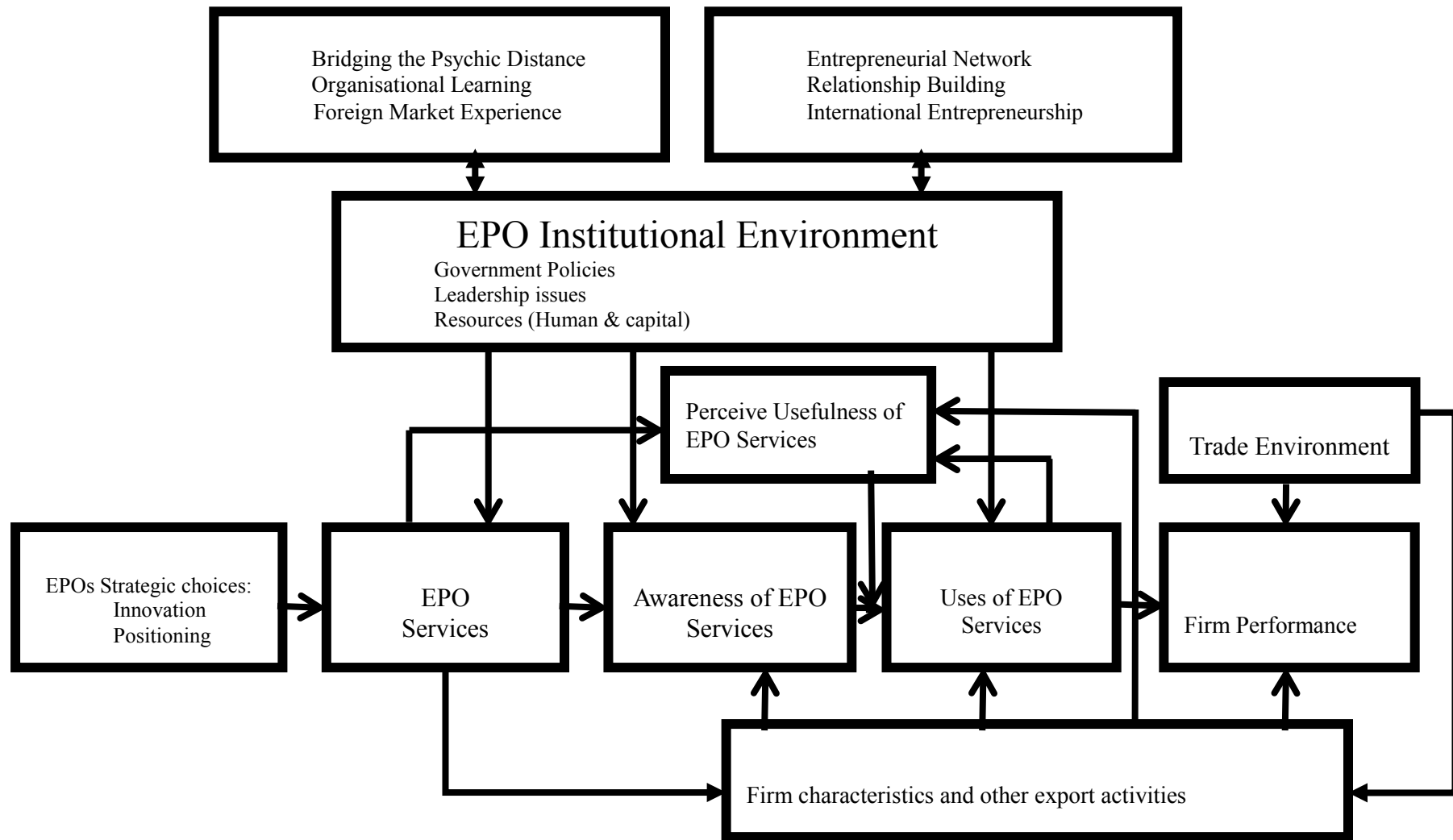
Hibbert, (1990) contends that export promotion organisations may work efficiently and effectively, however environmental factors such as international trading environment or the economic environment of the specific country of the EPO can undermine the activities of the EPO. Gillespie and Riddle, (2004) observe that problems in establishing macro level results for EPOs have shifted attention to the process that lies between EPOs services and firm-level performance. They further observe that empirical studies have focused on the ability of these organisations to generate exporters’ awareness and usage of export promotion services, which in turn, will benefit SMEs by increasing both export

effectiveness and efficiency, hence lowering the cost of exporting in the end. In this way, concerns have been raised regarding the gap between firms' needs and the services provided by EPOs.

According to Gencturk and Kotabe (2001) export promotion services will not automatically result in sales increase. Gencturk and Kotabe observe that firms' characteristics can affect knowledge and use of EPO services. Francis and Collins-Dodd, (2004) argue that studies which suggest EPOs are ineffective failed to isolate the beneficial impact that specific activities have on specific types of firms. Furthermore, Wilkinson and Brouthers (2000) presented evidence that different EPO services can have different impacts on SMEs export success. Seringhaus and Botschen (1991) contend that EPOs must be aware of the varying needs among different potential users and should develop or modify their activities accordingly. Gillespie and Riddle, (2004) noted that missing from the literature is a thorough understanding of how EPOs determine which services to undertake. A survey of US exporters suggested that many exporters are not aware of any EPPs and those that are aware of EPPs are not necessarily satisfied with the service offered (US Department of Commerce, 2002). As noted by Tesar, (1976) SMEs do not constitute a single homogenous group, therefore, it is essential that policy makers fully understand the differences that exist among them if they are to provide any assistance that will improve their internationalisation.

One important way in which SMEs differ depends on where on the internationalisation continuum they are. It is, therefore, obvious that SMEs at different stages of the internationalisation process may have different needs and interests to be met by EPPs. This brings us to the fifth research objective, which is; *to investigate the services provided by EPOs in Ghana; the level of awareness of the service and the level of usage of the service by SMEs. The corresponding research question is; what are the services provided by export promotion organisations in Ghana? What is the level of awareness of these services? What is the level of usage of export promotion programmes by small and medium-size enterprises?* This leads to the development of the conceptual framework shown in fig.5.1. The conceptual framework shows the key concepts of the theories that underpinned the study. It also shows the environment of the EPOs and the interplay between EPPs and SMEs relationship and internationalisation.

Figure 5.1 Conceptual Framework of SMEs Internationalisation and Export Promotion in Developing Countries.



5.3 Summary of the Chapter

The objective of the chapter was to provide the rationale behind the research questions, the research objectives and the conceptual framework. The resulting conceptual framework (figure 5.1) shows the interplay of export promotion, the concept of the theories that underpinned the study and SME internationalisation. The study draws on internationalisation theories to highlight how entrepreneurs build relationships and form networks to bridge the psychic distance when there is a perceived opportunity that they want to exploit, (Johanson and Vahlne 1977; Wiedershiem-Paul and Vahlne 1975 and 1977). Moreover, Oviatt and McDougall, (1994), McDougall and Oviatt, (2000), through the international entrepreneurship theory, observed that internationalisation is an entrepreneurial decision led by an entrepreneur or a management team which possesses a strong capability and desire to learn new concepts and ideas with high level competence to manage complicated networks and an aptitude to adapt to different cultural contexts.

The international entrepreneurship theory also highlights the ability of the entrepreneur to perceive profitable opportunities and exploit them. Kirzner, (1997) has argued that SME internationalisation is an entrepreneurial activity that is achieved through the discovery of international market opportunity by the entrepreneur. The current study focuses on the role of EPOs in SME internationalisation as well as the SME owner or manager as the architect of the internationalisation process. This has not been articulated enough in the existing literature.

6.0 Research Methodology

6.1 Introduction

This chapter discusses how the research was carried out in order to meet the aims and objectives of the study. In this chapter, a discussion of literature within various paradigms of enquiry that informs the underlying philosophical assumption of the study is presented as well as the various research strategies used in solving particular research problems. In addition, the chapter discusses the various relative merits of the different research strategies. The chapter also presents the adopted research design for the study. The chapter provides the reasons for the adoption of one particular method instead of others.

6.1.1 Research Aim, Objectives and Questions

As discussed in chapter two, the aim of the study is to contribute to a better understanding of the SME internationalisation process and the impact of GEPPs on SME internationalisation in Ghana. Table 6.1 below, therefore, presents the research objective and research question.

Table 6.1 Research Questions and Research Objectives

	Research Objectives	Research Questions
1	To investigate the factors influencing SME internationalisation in Ghana and increase understanding of the process by which SMEs access international markets and challenges they face in doing so.	What are the factors that influence SMEs exporting initiation? What is the internationalisation process of SMEs? What challenges do they face accessing international market
2	To contribute to a wider understanding of the impact of internationalisation (exporting) on SME performance and growth in developing countries.	Does the internationalisation of SMEs in developing countries have any impact on their performance and growth?
3	To analyse the impact or the effect of export promotion programmes on the exporting activities of Ghanaian SMEs	What are the impacts or effects of export promotion programmes on the exporting activities of Ghanaian SMEs?
4	To discuss the various challenges that EPOs in Ghana face when executing their mandate and make recommendations to address them while exploring how these challenges impact the services EPOs render to SMEs	What are the challenges export promotion organisations in Ghana face in the course of performing their mandate, how have such challenges impacted the services they render?
5	To investigate the services provided by EPOs in Ghana, the level of awareness of these services and the level of usage of these services by SMEs.	What are the services provided by export promotion organisations in Ghana? What is the level of awareness of these services? What is the level of usage of export promotion programmes by SMEs?

6.2 Research Strategy

A researcher does not only select a particular strategy to conduct a study, the researcher also decides on the type of study within the choice of the strategy. Denzin and Lincoln (2000a) argued that a particular research strategy connects a researcher to particular approaches and methods for both data collection and analysis. Saunders *et al.*, (2007) pointed out that, a research strategy defines the general plan of how the researcher goes about answering the research question(s).

6.2.1 Issues Surrounding the Choice of Research Method and Philosophy

The choice of research methodology is determined by numerous factors, which include the perception of the researcher and whether they believe there is external truth, which needs to be discovered or whether the task of research is to explore peoples' multiple perspectives in a natural field setting (Gray, 2007). Creswell and Clark (2007) comment that, the choice of research method embodies the researcher's assumptions about the nature of the social world, the nature of the knowledge to be obtained and methods of gaining that knowledge. These assumptions are important since the research methods chosen by the researcher have to be appropriate for the underlying assumptions (Gray 2007). Moreover, the choice of research method is influenced by whether the researcher is inclined towards a positivist or interpretivist perspective (Gray 2007). Additionally, the choice is influenced by the researcher's attitude towards the use of theory, whether to begin with a theoretical model (deductive approach) or whether models should be allowed to emerge from the data (inductive approach). Scholars have classified social and organisational research into different paradigms. Schultze and Leidner (2002) identified four paradigms; (positivism, interpretivism, radical structuralism and radical humanism). Three epistemological stances are outlined in the work of Saunders, Lewis and Thornhill, (2007) and these include positivism, interpretivism and realism.

According to Saunders *et al.*, (2007), realism is similar to positivism in the sense that realism advocates a scientific approach to the development of knowledge. However, the two main paradigms, positivism and interpretivism are traditionally associated with quantitative and qualitative research methods respectively (Saunders *et al.*, 2007). Positivist ontology holds the view that, there is a body of knowledge out there, which is based on objectivity and independent reality and can be epistemologically found with high degree of certainty using scientific objective methods (Saunders *et al.*, 2007; Wright,

2006, Creswell, 2003; Johnson and Onwuegbuzie, 2004). In the view of the positivist, this real world can be studied only through the utilisation of methods that prevent any form of human contamination (Wright, 2006, Creswell, 2003; Johnson and Onwuegbuzie, 2004). It has been argued that the positivist paradigm in the social sciences is based on the approach used in the natural sciences such as biology and physics (Saunders *et al.*, 2007). The positivist approach “seeks the facts or causes of social phenomena, with little regard for the subjective state of the individual (Saunders *et al.*, 2007). Thus, logical reasoning is applied to the research so that precision, objectivity and rigour replace experience and intuition as the means of investigating research problems (Collis and Hussey, 2003). As postulated by several researchers (Wright, 2006, Creswell, 2003; Johnson and Onwuegbuzie, 2004; Denzin and Lincoln, 2000), positivism is, therefore, based on the fact that the study of human behaviour should be conducted in the same way as those conducted in the natural sciences.

It must be pointed out that this study cannot be conducted the same way as research in the natural sciences. This is because the experiences, opinions and perspectives of the participants in the current study are important when trying to gain a valid understanding of a complex phenomenon such as SME internationalisation. The initiation of exporting activities and the internationalisation process of SMEs could be explained well from the perspective of SME owner/manager without simplifying it. Thus, the views of the various stakeholders of SME internationalisation and success are important in answering the research question. The views and opinions of EPO officials as well other government agencies who deal directly or indirectly with SME internationalisation were sought. Moreover, SME owners or managers played an integral part in answering the research questions. Human experiences, perspectives and social relationships could only be studied from within their own frame of reference (Wright, 2006). Accordingly, the current study had to use an alternative approach to positivism, which starts with the premise that the world is external and objective. Therefore, positivist epistemology is based on the belief that observers of particular phenomena are independent and that science is value free (Creswell, 2003; Denzin and Lincoln, 2000).

According to Kapitzke, (2003), Creswell, (2003), and Denzin and Lincoln, (2000) in the natural science school, which is associated with positivism, it is important to study the facts and causes of social phenomena and relationships by means of an objective approach. Positivism relies on description and explanation, where the thought is governed

by explicitly stated theories and hypotheses (Kapitzke, 2003; Creswell, 2003; Denzin and Lincoln, 2000). Positivism assumes that social reality is independent of humans and its existence does not depend on our knowledge of it (Kapitzke, 2003; Creswell, 2003; Denzin and Lincoln, 2000). Thus, social reality is independent of humans and exists regardless of whether we are aware of it or not (Carson *et al.*, 2001; Kapitzke, 2003; Wright, 2006). Certain social scientists, (Moss, 1996; Eisner, 1998), have criticised the positivistic paradigm by arguing that, it is impossible to treat people separately from their social context and, for humans to be understood, there is the need to examine the perceptions they have of their own activities.

An alternative paradigmatic perspective to positivism is interpretivism (Kapitzke, 2003; Creswell, 2003; Denzin and Lincoln, 2000). The current study uses the interpretivist view due to the simple reason that the interpretivist uses a relativist ontology and claims that knowledge is built based on social construction and, therefore, knowledge is personal and subjective (Weick, 1984). The interpretivist is of the opinion that, the social world is one that has been created by the individual, hence the individual modifies and interprets the environment within which they function and operate (Weick, 1984). The interpretivist understands that the interaction between an individual and the environment can produce knowledge of phenomena under investigation and that direct knowledge of the social world is impossible (Johnson and Onwuegbuzie, 2004; Wright, 2006).

Under the interpretivist paradigm, considerable attention is paid to the subjective state of the individual, their views and experiences as they live it (Johnson and Onwuegbuzie, 2004; Wright, 2006). This paradigmatic approach emphasises the subjective aspect of human activity by focusing on the meaning, rather than measurement of a phenomenon of social nature (Johnson and Onwuegbuzie, 2004; Wright, 2006). The aim of the current study is to unravel a complex situation, which could only be understood by SME owners and managers. For this reason, their subjective views about how SMEs internationalise and the role that usage of EPPs play in achieving this cannot be overemphasised and the current study wants to capture the experience without simplification, hence the choice of an interpretivist view.

One philosophical school of thought that appears to merge both positivism and interpretivism is the pragmatist worldview (Saunders *et al.*, 2007). The pragmatists are of

the opinion that while focusing on a particular ontology, researchers could use several techniques that may be derived from other ontologies (Saunders *et al.*, 2007). Such studies, they argued, may draw on both positivist and interpretivist approaches and not rely on a single approach (Saunders *et al.*, 2007). Creswell (2009) comments that pragmatists emphasise the research problem and make use of all approaches which are available to them in order to understand its nature. Research philosophy relates to the development of knowledge and the nature of knowledge, therefore, embodies important assumptions about how researchers view the world (Saunders *et al.*, 2007). Burrell and

Morgan (1985) corroborate that different ontologies, epistemologies and models of human nature are likely to incline social scientists towards different methodologies. The researcher believes that reality is socially and epistemologically constructed, knowledge concerning SME internationalisation could only be found based on the understanding of the views of the entrepreneurs (Morgan and Smirchich, 1980). The SME owners' subjective views are important in understanding the concept of the study; therefore, the interpretivist worldview was adopted for the current study. One of the gaps identified while reviewing literature for this study is the lack of usage of qualitative methodology in SME internationalisation. Hurmerinta-Peltomaki and Nummela (2006) have encouraged researchers to use qualitative-oriented methods in international business research. Coviello and Jones (2004) maintain that positivist ontology has dominated entrepreneurship methodologies and calls for the use of interpretivist approaches in international entrepreneurship studies.

Table 6.2 Alternative terms for the main two research strategies

Quantitative	Qualitative
Positivist Paradigm	Interpretivist Paradigm
Deductive; testing of theory	Inductive; generation of theory
Scientific	Humanistic
Objective	Subjective

Source: Collis and Hussey (2003).

6.3 Overview of Research Strategy

According to Saunders *et al.*, (2007) research strategy defines the general plan of how the researcher finds answers to the research question(s) raised. In the opinion of Denzin and Lincoln (2000a), a research strategy is important to define the course of the research. The particular research strategy adopted connects the researcher to specific approaches and methods for collecting and analysing data. Research strategies may be categorised as quantitative, qualitative, or multi-methodology (Saunders *et al.*, 2007). The next section of the chapter gives an overview of qualitative methods, quantitative methods, and combined qualitative and quantitative methods.

6.3.1 Qualitative Research Methods

A qualitative research method adopts a subjective view of knowledge of the real world (Bryman and Bell, 2007). Hyde, (2000) argues that the two main approaches used in the acquisition of new knowledge in research are deductive and inductive approaches. Qualitative methods make use of an inductive approach in searching for new knowledge. The interpretivist view is mainly associated with qualitative methods and it is predominantly based on an inductive approach (Bryman and Bell, 2007). Qualitative research makes use of data gathering instruments such as observations, interviews, case studies, questionnaires and document analysis. Gray, (2007) discloses that although qualitative research is often regarded by some researchers as less valid and less reliable compared to quantitative research, qualitative data can be a powerful source of analysis. Charmaz (1995) maintains that qualitative research is contextual as data is collected in a real-life setting; hence, it researches detailed events to show how and why things happened. It also incorporates peoples' own emotions, motivation, prejudices and incidents of interpersonal cooperation and conflict. In contrast with natural science, the subject matter is considered as conscious, capable of creating awareness of the environment in which it is situated and restructuring it. (Charmaz, 1995).

Qualitative methods, therefore, take into account the nature of the subject of research in explaining its behaviour (Hurmerinta-Peltomaki and Nummela, 2006; Charmaz, 1995). In qualitative research, the subjects' perceptions of the world around them, the meanings, understandings and opinions of the world are of importance and can be the subject of investigation (Charmaz, 1995). SME Owners' perceptions of the risk involved in SME

internationalisation and their perception of the barriers associated with foreign market entry can not be simplified and are best be studied using qualitative methods. Graziano and Raulin (2007) are of the view that, qualitative methods could be used as a tool in their own right or as a precursor to quantitative methods in less explored areas. It can be used to provide descriptive information and to generate theory. In an attempt to summarise qualitative research, Millar (1997) concludes that qualitative research involves close study of everyday life in diverse social contexts and that two major objectives of qualitative research are to describe and analyse both the processes through which social realities are constructed and the social relationships through which people are connected to one another. It is within, and through, these relationships and processes that organisations, institutions, culture and society emerge and are sustained. Miles and Huberman (1994) provided five-point characteristics that are involved in qualitative research:

- It is conducted through intense contact within a ‘field’ or real-life setting.
- The researcher role is to gain a holistic or integrated overview of the study, including the perceptions of participants.
- Themes that emerge from the data are often reviewed with informants for verification.
- The main focus of research is to understand the ways in which people act and account for these actions
- Qualitative data are open to multiple interpretations (but some are more compelling than others either on theoretical grounds or because of internal consistency).

Brewer and Hunter (2006) claim that, in practice, qualitative research could adopt any one of these two research methods, field research (fieldwork or naturalistic inquiry) and nonreactive research. Field research includes observing and studying people and events first hand in natural social settings, whereas nonreactive research involves unobtrusive observational techniques. In qualitative methods, human beings are assumed to constitute the subject matter of social science research and their activities can be understood by studying the meanings and logics through which they shape events in their life. Qualitative methods offer more a realistic feel of the world than quantitative methods (Brewer and Hunter, 2006). Knowledge of why things are as they are in the social world and how society interprets events around them necessitates examining causal linkages that explain social activities and societies, which is possible with qualitative methods (Brewer and Hunter 2006). Kirk and Miller (1986) observe that a critical advantage of

qualitative methods is that they allow the researcher to interact with the research subjects in their language and on their own terms.

6.3.2 Limitations of Qualitative Methods

Some weaknesses have been identified with the use of qualitative methods (Curran and Blackburn 2001). Firstly, some researchers have argued that the basic assumption underlying qualitative methods denies that there is a world out there to be critically investigated. They maintained that qualitative research is interested in the meanings, interpretations and logic that social actors attach to the world (Curran and Blackburn 2001). Secondly, qualitative research has also been criticised because it is normally carried out on a limited scale (Bryman 2004; Curran and Blackburn 2001). Critics have argued that, qualitative research normally focuses on a small number of individuals in a particular locality. Furthermore, it is posited that the inability to conduct qualitative research on larger scales limits the generalisability of findings to other settings. In addition, researchers have argued that the scope of the findings of qualitative investigations is restricted. They argue that when focus groups or unstructured interviews are conducted with a small number of groups or individuals in a particular locality or organisation, such findings cannot be generalised.

Thirdly, qualitative research has also been criticised by quantitative researchers as being too impressionistic and subjective, (Bryman and Bell 2007). Pro quantitative researchers argue that qualitative research relies mostly on the researcher's unsystematic opinions about what is important and significant (Bryman and Bell 2007). They also criticise the close personal relationship that the researcher normally strikes with the participant of the study. Fourthly, qualitative research is seen to be more problematic because it is difficult to replicate. This is because qualitative research is unstructured and often reliant upon the qualitative researcher's ingenuity (Bryman and Bell 2007). Critics have argued further that it is difficult to conduct a true replication since there is hardly any standard procedure to be followed. It is also argued that in qualitative research the researcher is the main instrument of data collection. The researcher decides what to observe and focus his attention on.

Lastly, it is argued that there is a scarcity of standard methods and procedures for conducting qualitative research and this makes the method a difficult one in practice. This means that the researcher employing the qualitative technique needs to demonstrate

creative and innovative approaches to research strategy. It is, therefore, difficult to replicate qualitative research (Bryman and Bell 2007).

6.3.3 Quantitative Research Methods

Quantitative research methods, unlike qualitative methods, are based on the principles of the natural sciences, as they rely on the assumptions of an objectivist view of the social world (Adams *et al.*, 2007). Objective methods of measurements are, therefore, used in the measurement of constructs in quantitative research (Adams *et al.*, 2007). In applying the underlying assumptions of quantitative methods to human beings, proponents of quantitative methods maintain the opinion that research subjects such as human beings respond to external stimuli in their environment with their behaviour as the consequences of these stimuli (Creswell and Clark, 2007; Reid 1993; Reid 2007). In this regard, quantitative methods view human behaviour to be determinate and predictable (Creswell and Clark, 2007; Reid 1993; Reid 2007).

Quantitative methods are traditionally based on positivists' worldview and associated with deductive research (Bryman and Bell, 2007). Quantitative methods aim to predict patterns and changes in social phenomena and, therefore, emphasise variable analysis. In the opinion of Curral and Inkpen, (2002), quantitative approaches collect objective, quantifiable data that explain causal relationships between concepts and seek to make generalisations about the population. The objective of quantitative research is to verify a theory as opposed to developing one by employing the principles of deductive reasoning. Quantitative methods stress the development of a generalisation that contributes to theory building (Creswell and Clark, 2007). According to Churchill (1979), quantitative methods enhance the generalisation and the diffusion of produced knowledge using valid and reliable measurement methods. The usefulness of quantitative methods, such as allowing for a high level of objectivity, reliability, validity and ease of replication of studies cannot be underscored as it uses standardised methods (Creswell and Clark, 2007). Quantitative methodology provides descriptive information about the phenomenon that is being studied (Creswell and Clark, 2007; Reid 1993; Reid 2007). Curran and Blackburn (2001), have explained the usefulness of quantitative methods in providing knowledge on how SMEs function in relation to the wider economy, however, quantitative methods will fall short in explaining many aspects of SME internationalisation and the perception of SME owners and managers concerning internationalisation and the process firms go through to ensure successful internationalisation.

Weaknesses identified with the use of quantitative methods in social science include the following: Quantitative methodology is known to lack the potency of providing causal explanation. Quantitative methodology is known to offer statistical associations between variables. Quantitative methods generate relationships such as variable X is associated with Y, or it has the potency to determine that as X has occurred there is the likelihood of Y occurring, but cannot explain why such associations occur (Creswell, 1994). In addition, the assumptions of the method about the nature of variables measured do not hold true in the real world (Sayer, 1992). Sayer (1992) refers to assumptions about what is being measured, for instance, manager-entrepreneurs attitudes towards internationalisation, perception of successful internationalisation, and business failure, are all phenomena which are influenced by other variables in a variety of ways with the passage of time and, therefore, treating them as invariant is therefore unsuitable. Moreover, the effect of extraneous variables on the relationship between two variables cannot be satisfactorily explained using quantitative approaches (Sayer, 1992).

Quantitative methodology is useful in testing theory or verifying it, however, its weakness in causal explanations limits it as a tool for developing theory (Kerlinger, 1979). Kerlinger (1979) defined theory as a set of interrelated constructions (variables), definitions and propositions that present a systematic view of a phenomenon by specifying relations among variables with the purpose of explaining natural phenomena. Therefore, quantitative methods cannot be relied upon to provide an understanding of the relations among variables, which is critical in theory building.

Moreover, quantitative methods are based on principles of the natural sciences, which have as their subject matter, physical entities that differ fundamentally from the subject matter of social science research. Some problems, therefore, arise in applying the methodology to human beings, the subject matter of social science research. This is as result of the unpredictable nature of human beings. O'Regan and Ghobadian (2004), argued that SMEs are a heterogeneous group, thus, the usefulness of quantitative methods in SME research is reduced because quantitative methods are based on the assumption that members of a given category or group possess the same characteristics. However, in dealing with SMEs, this assumption is untrue since the range of businesses that make up SMEs possesses certain distinct characteristics. Some researchers have criticised the divisions regarding these two broad paradigms (Collis and Hussey, 2003). They argued

that there is a thin line of demarcation between these two philosophies (Collis and Hussey, 2003). It is best to regard the two philosophies as two extremes of a continuum. Along the continuum the features and assumptions of each paradigm are gradually relaxed and replaced by those of other paradigms (Collis and Hussey, 2003). Carson, Gilmore, Perry, and Gronhaug, (2001) observed that the distinction between the two paradigms may be clear at the philosophical level. Burrell and Morgan, (1979), argued that the distinction between the two broad paradigms is even more blurred in practical research and could only be clear at the philosophical level. Easterby-Smith, Thorpe and Lowe, (2002) have recommended that it is sometimes necessary to mix methods because it provides more perspectives or a clearer view of the phenomenon under study. However, Healy and Perry, (2000) suggested that usually only one major methodology suits the research problem and associated gaps. Table 6.3 shows the differences between qualitative and quantitative methodology.

Table 6.3 Differences between qualitative and quantitative methodology

Qualitative	Quantitative	
Point of view of participant	Point of view of researcher	
Search for Understanding	Search for Laws	
Researcher close	Researcher distant	
Subject-Subjective	Subject- Objective	
Contextual understanding	Generalisation	
Intertwined values and facts	Separates values and facts	

Source: Smith and Dainty (1991), Bryman and Bell (2007)

6.3.4 Combining both Qualitative and Quantitative Methods

Combining both qualitative and quantitative approaches to data collection and the analysis of data of the research process has been suggested by many researchers, (Bryman 2007; Creswell and Clark 2007; Morgan 2006). This approach, combining both qualitative and quantitative methods in studying the same phenomenon has received significant attention among scholars and researchers to the extent that some researchers claim it to be a third research method in addition to qualitative and quantitative research methods (Bryman, 2004; Brannen, 1992; Creswell, 2003; Tashakkori and Teddlie, 2003). Different names have been assigned to this new and growing research position; some of them are multi-strategy (Bryman, 2004), multi-methods (Brannen, 1992), mixed methodology (Tashakkori and Teddlie, 2003), or mixed methods (Creswell, 2003; Tashakkori and Teddlie, 2003).

Morgan, (2007) argues that the assumptions underlying qualitative and quantitative methods represent bipolar extremes, whereas qualitative appears to emphasise an inductive-subjective-contextual approach, quantitative tends to emphasise a deductive-objective-generalising approach. However, research methodologists such as Curran and Blackburn (2001, p. 120-124), who are in favour of mixed methods have argued that “research problems in practice do not tie in neatly with the philosophical assumptions of qualitative and quantitative methods and, for that matter research problems can be understood better by employing both methods rather than using only one of the methods”. As pointed out by Creswell and Clark (2007), mixed methods provide a more comprehensive approach to examining a research problem, as opposed to using either solely quantitative or qualitative methods. They further suggested that mixed methods provide opportunities for combining a wide range of methods of data collection suited to the research question rather than being restricted to methods of data collection associated with qualitative methods or quantitative methods alone.

The main assumptions underlying the use of mixed methods are based on the effectiveness of blending both quantitative and qualitative assumptions to provide a view of the nature of the social world and the nature of knowledge (Creswell and Clark, 2007; Curran and Blackburn, 2001). Studies employing mixed methods stand to benefit from a worldview of social reality that encompasses assumptions underlying both quantitative and qualitative research (Johnson and Onwuegbuzie, 2004). Some research questions

cannot be satisfactorily answered using qualitative or quantitative methods alone as each method presents only a narrow focus of solutions to the research questions. For such questions, appropriate mixed method design could provide satisfactory answers. Mixed methods provide the researcher with a freedom to use all methods that are suitable to a research problem; both quantitative and qualitative techniques may be used as well as inductive and deductive thinking (Bryman and Bell 2007). Mixed methods, therefore, encourage the researcher to be flexible and practical in the use of procedures for conducting an inquiry, techniques of data collection and methods of analysis.

Though there is a strong argument for the use of mixed methods, there have equally been strong misgivings about combining the two methodologies (Bryman and Bell, 2007). In the opinion of Bryman and Bell (2007), the argument against mixed methods research is based on two issues. Firstly, they argue that every research method carries both epistemological and ontological commitments; thus, cannot be integrated. Hughes, (1990), indicates that every research tool or procedure is inextricably embedded in commitments to particular versions of the world and to knowing that world. To use a questionnaire, to use an attitude scale, to select a random sample, to measure rate of population growth and so on, is to be involved in conceptions of the world which allow these instruments to be used for the purpose conceived (Hughes, 1990). Bryman and Bell, (2007), observe that the decision to employ participant observation, for instance, is not simply about how to approach data collection but also a commitment to an epistemological position that is inimical to positivism but consistent with interpretivism.

Smith (1983) argues that an ethnographer could use questionnaire data to gain insight into a particular social life that is not amenable to participant observation, however, that does not represent an integration of qualitative and quantitative research because the epistemological positions in which the two methods are grounded, constitute irreconcilable views about how social reality should be studied. Bryman and Bell's (2007) argument against mixed methods is based on fact that qualitative and quantitative methods have separate paradigms in which epistemological assumptions, values and methods are inextricably intertwined and are incompatible between paradigms. Guba (1995) and Morgan (1998b) have argued that when researchers combine participant observation with questionnaires, they are really combining qualitative and quantitative research, since paradigms are incommensurable. Integration is only at a superficial level and within a single paradigm. Taking these arguments into account, the current study used

qualitative methods to ensure that findings could be adopted to solve a particular problem and would not be abstract (Johnson and Onwuegbuzie, 2004).

6.4 The Use of Qualitative Research Methods for this Study

The choice of research method could be conveniently classified as either qualitative or quantitative, as has been explained in sections 6.3.1 or 6.3.3 respectively. In some circumstances, the two methods could be combined either in whole or parts in what is referred to as multi-methodology (Johnson and Onwuegbuzie, 2004). In order to meet the objectives set out in this study and to be able to answer the various research questions raised, this study has adopted a qualitative methodology. This section justifies why a qualitative methodology was chosen over the other alternative methodologies for the study. Qualitative methodology provides the opportunity to explore and understand the meaning individuals or groups ascribe to social issues (Johnson and Onwuegbuzie, 2004). There is a large volume of literature on SME internationalisation and export promotion, however, quantitative methodology has dominated the field as shown in the literature. This study seeks to increase understanding of the process of SME internationalisation and the role of export promotion instruments in achieving this objective in Ghana. The researcher believes that for the purposes of validity, a qualitative approach would be the best option to explain complex, and as of yet, a relatively unexplored areas of export promotion as a mediated effect for SME internationalisation in Ghana.

Creswell, (2009) observes that qualitative research adopts techniques that enable the researcher to provide detailed interpretation of the phenomena under investigation without having to rely on numerical measurements. The researcher again believes that social reality is not objective but subjective because it is shaped by our perception (Creswell 2009). The focus of qualitative research is the discovery of the true inner meaning and the discovery of new insights. For instance, Ram (1994), studied management of small firms and found that workers were not just controlled through direct supervision and intensive working methods as previous studies using quantitative methods have suggested. Using ethnographic methods Ram was able to pick up a variety of informal negotiation processes, whereby employees negotiate a “fair” rate for the job, taking into account considerations such as time of the year, the type of work, cast and culture. In the opinion of the researcher, adopting a qualitative method with in-depth interviews using semi-structured open-ended questions enabled participants to share their

views in more detail, which enriches findings in the study. Qualitative research involves phenomena that occur in their natural settings. In the real-world setting, issues appear to be more complex and multifaceted, qualitative research tackles these multifaceted issues without any attempt to simplify what has been observed. Leedy and Ormrod, (2005) observe that qualitative researchers tackle the many dimensions that accompany the issues under study and rarely attempt any simplification of such phenomenon.

Qualitative researchers are with the opinion that the ability of the researcher to interpret and make sense of what they are observing is critical for understanding social phenomenon (Creswell, 1998; Guba and Lincoln, 1994; Leedy and Ormrod, 2005). They further argue that there is not a single ultimate truth to be discovered, instead there may be multiple perspectives held by different individuals with each of these perspectives having equal validity or truth. The diverse opinions expressed by the SME owners/managers show different perspectives have contributed to the understanding of the issues under investigation.

6.5 Reflexivity in Qualitative Research

Reflexivity has several meanings in social science. Bryman and Bell, (2007) observe that researchers should be reflective about the implication of their methods, values, bias and decisions for the knowledge of the social world they generate. In the opinion of Guba and Lincoln (1994) researchers need to critically reflect on the self and the research instrument. Hence, reflexivity has to do with the exploration of the dynamics that exist between the researcher and the phenomenon under study (Finlay, 2009). Bryman and Bell, (2007) observed that researchers enter the field with various cultural, personal idiosyncrasies and implicit assumptions about the nature of reality. Woolgar (1988) indicates that reflexivity involves a willingness to probe beyond the level of straightforward interpretation and to explore how these biases and characteristics affect the research process. In this study, the researcher ensured that his personal opinion and meanings of situations did not affect the findings.

Reflexivity has been linked to many disciplines including, recently, organisation and management studies (Watson, 2003; Easterby-Smith and Malina, 1999; Johnson and Duberley, 2003). Bryman and Bell (2007) have also indicated that there has been evidence of growing reflexivity in organisational research. Reflexivity requires that researchers embark on systematic reflection with the understanding that they make it known how

their personal background, that is, social, political and economic and even their upbringing, will influence the information they put in the public domain (Watson, 2003; Easterby-Smith and Malina, 1999; Johnson and Duberley, 2003). Johnson and Duberley (2003) differentiated between three forms of reflexivity within management research. They argued that each form depends on the epistemological and ontological assumptions that guide the researcher. The three differentiated forms are:

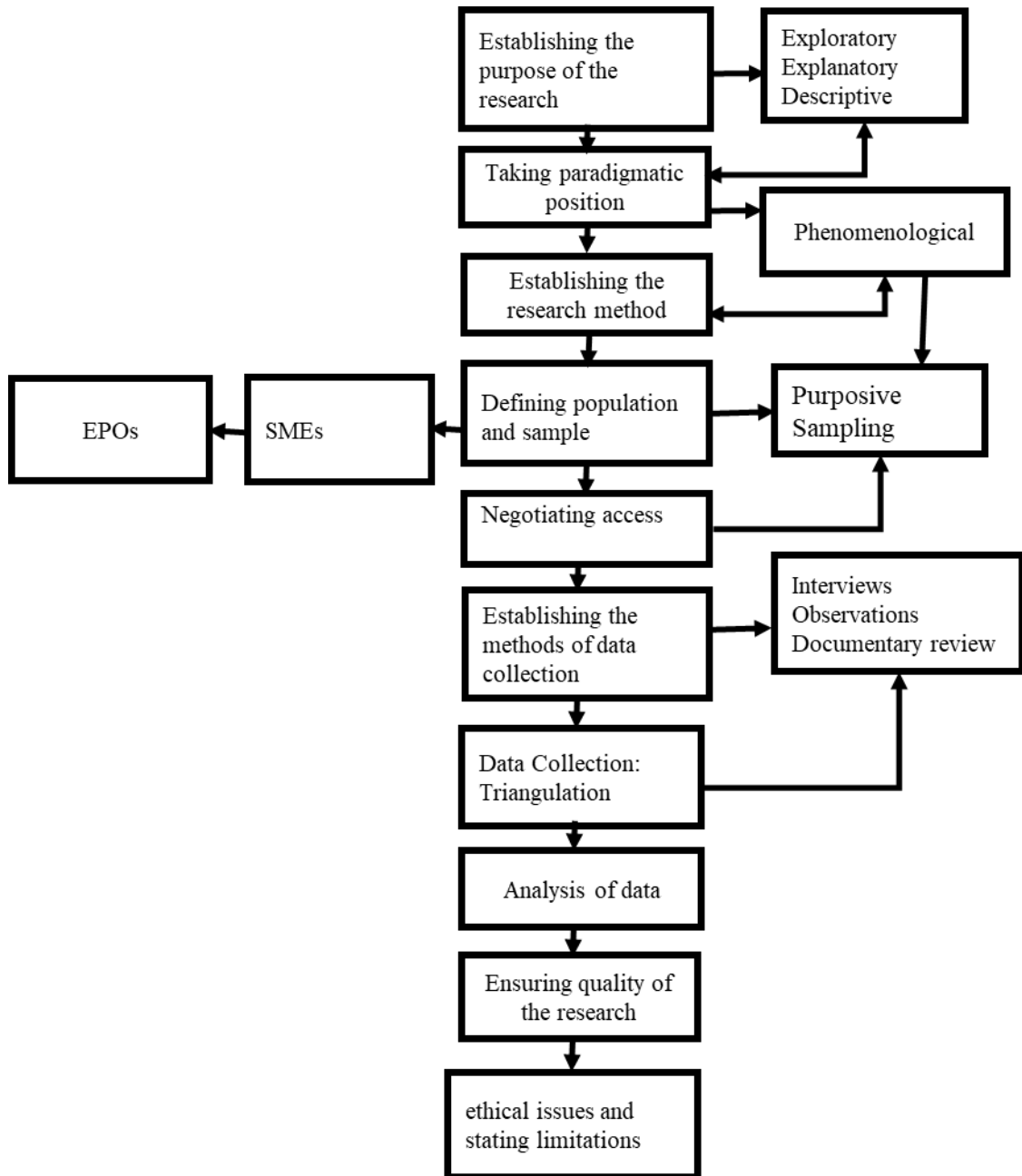
- Methodological reflexivity, which stems from an objectivist view of ontology that holds that social phenomena exist independently of social actors.
- Deconstructive reflexivity arises from the constructionist ontological view, which presupposes that social phenomena are produced through social interaction involving social actors.
- Epistemic reflexivity relates to both constructionist and interpretivist perspectives. However, Johnson and Duberley (2003) noted that epistemic reflexivity goes further than deconstructive reflexivity in seeking out new methods of engagement with research subjects amenable to the co-creation or adoption of more participatory approaches on researcher-subject relationship.

The researcher, after reviewing the extant literature on SME internationalisation and the important role EPOs could play to ensure successful internationalisation and foreign markets development for SMEs, has the opinion that not much has been done to promote SME internationalisation in many developing economies, especially in Africa, and for that matter, Ghana. This opinion has the potential to influence the interpretation and analyses of data obtained under the study. Leedy and Ormrod (2005) have argued that there is the possibility of the researcher's bias and values influencing interpretation of data collected. To address the above concerns, Leedy and Ormrod (2005) have suggested procedures that qualitative researchers could follow in order to reduce the extent to which their prior expectations, opinions and personal background influence their final analysis. Leedy and Ormrod (2005) have suggested that data should be collected from multiple sources or multiple methods must be used to collect the data. The current study followed this process by collecting data using multiple methods such as, personal face-to-face interviews, non-participant observation and documentary search/review. The researcher ensured that further information was sought for in order to cross-check the data collected through face-to-face interviews by reviewing the available government documents, as well as GEPA annual reports.

6.6 Research Design

The research design provides a framework for the collection and analysis of data. Saunders, Lewis and Thornhill (2007) indicate that research design is the general planning about how the researcher will address the research questions. The philosophical worldview, the strategy and the methods all contribute to a research design; either qualitative, quantitative or mixed methods (Creswell, 2007). Denzin and Lincoln (2000b) argue that the research design sets out guidelines which connect the elements of methodology adopted for a study. The research design includes the systematic account of how participants of the study were selected. In this current study, a qualitative method using the interpretivist view was adopted in order to extract detailed information from participants on how SMEs' exporting activities are supported by export EPOs and the various challenges EPOs face when providing services to exporting SMEs. Figure 6.1 shows the general planning of this research.

Figure 6.1 Research Design



Source: Author, 2015

The figure above demonstrates the sequential planning of the study, the units of analysis and the methods used in collecting the data. The units of analysis were EPOs and SMEs which export. Selecting responses was carried out using purposive sampling in order to select respondents who were in a position to contribute to providing rich insight into SME internationalisation behaviour and usage of export promotion services. Moreover, purposive sampling was used in selecting respondents as it provides the opportunity to select the right sample population (Patton, 2002). Purposive sampling helps the researcher

to include only participants with the needed skills and firms with the required attributes (Teo, 1998). The study used multiple methods to collect the data (Interviews, Direct Observations, and Documentary Analysis) to ensure robustness of the methods used.

6.6.1 Exploratory, Descriptive and Explanation Research

Studies can be classified according to their purpose; three types of studies have been identified. These are exploratory, descriptive and explanation studies (Saunders *et al.*, 2000; 2007; Robson, 1993). Exploratory studies seek to explore what is happening and ask questions about it (Robson 2002). Exploratory study is particularly useful when not enough is known about a particular phenomenon (Robson 2002). In the opinion of Saunders *et al.*, (2000), exploratory studies could be conducted in three ways; by searching the literature, interviewing or talking to experts in the field and conducting focus group discussion or interviews. An important feature of exploratory study is the fact that it is flexible. The researcher should be prepared to change course as new evidence emerges after interviewing experts. In the opinion of Saunders *et al.*, (2007) this flexibility is because exploratory studies make use of new data. According to Hedrick, Bickman and Rog (1993), the purpose of descriptive study is to provide a picture of a phenomenon as it naturally occurs. Explanatory studies could be used to establish causal relationships between variables.

From the above discussions it will be apparent that this study is an exploratory study. This is because the current study explored the role EPOs play in assisting SME internationalisation in Ghana. It generated insights into how SMEs in Ghana have performed in the international markets arena given the assistance they have received from EPOs. Given the fact that the current study is an exploratory study, the researcher followed the suggested guidelines proposed by Saunders *et al.*, (2007). The researcher examined relevant literature in the fields of SME internationalisation and the role export promotion plays in the initiation and subsequent internationalisation of SMEs. Experts within the sector were interviewed in order to gain more insight into the issues under study. Additionally, SMEs were interviewed in order to explore the prospects and challenges of finding markets abroad and how government EPPs have contributed to their internationalisation and market development.

6.7 Fieldwork Strategies

In this section, the researcher discusses the various strategies that were put in place to collect data from the field. The current study, as discussed earlier, is a qualitative study and it required maximum interaction between the researcher and the participants. As a qualitative study, data was collected from multiple sources. The researcher was aware that the right strategy must be put in place while entering into the field in order to access the right information to answer the research questions and also meet the set objectives.

6.7.1 Choosing Research Sample and Sampling Technique

Sampling is the process by which a researcher selects his or her sample size for a study (Flick, 1998; Leedy and Ormrod, 2004). Qualitative researchers draw their data from numerous sources and from different participants. Qualitative research normally focuses on in-depth information, however, with small sample size, which is collected through purposive or judgemental sampling) researchers usually use their special knowledge or expertise about some group to select participants who represent that population under study, (Hagan, 2006). The idea behind the purposive sampling is the fact that it provides rich information. Purposive sampling helps the researcher to include only participants with the expertise to contribute to the issues under study and SMEs with the required attributes (Teo, 1998).

Bernard and Bernard (2012) observe that in judgemental or purposive sampling, the researcher decides the purpose they want respondents and/or informants to serve and they seek out those respondents for the information. The current study sampled government agencies and semi-quasi government bodies, who were directly or indirectly involved in promoting export led internationalisation, as well as SMEs which were exporting or serving international clients. The current study conducted 42 interviews during the data collection phase. Among the 42 were 12 organisations which were selected after a careful assessment of the kind of information the researcher wants to collect from them. These include, but are not limited to, the awareness level of export promotion services, challenges facing EPOs, usage of promotion service and how services are provided. After the researcher had identified all the key organisations, letters were sent to them in August 2015 to request their participation in the study. Telephone calls were also made to all the organisations to enquire whether the letter had been received as none of the organisations acknowledged receipt of the letter. Some of the organisations asked for the letter to be

resent, as they were not able to trace the first letter. Through multiple phone calls and emails, all 12 selected organisations agreed to take part in the study. In October 2015, the researcher travelled to the study area to conduct all the interviews. All the 12 organisations were located in Accra the capital city. This is because all government agencies have their headquarters situated in Accra. The researcher targeted the top-ranking personnel of these organisations; hence, the reason why key organisations were selected from Accra. Some of the organisations requested a preview of the interview schedule, which the researcher obliged them with. The interviews of the key organisations were digitally recorded with the exception of one organisation that declined digital recording of the interview. With that organisation detailed notes were taken during the interview.

The second phase of the interviews and data collection involved owners and managers of SMEs. This phase involved 30 SMEs who were selected from the database of GEPA. Selection of SMEs involved the researcher going through over 1600 firms who have registered with GEPA as exporters. The selection activity was cumbersome as the firms were (1) not categorised as either small or medium (2) most of the firms in the database had folded up and were no longer in operation or had changed their contact details and had not informed GEPA of an update. After a month of going through the data, 100 companies were selected and emails sent to each of them to tell them about the research and also ask whether they would want to be part of the study. Fewer than 30 of the selected companies replied to the email. Therefore, between June and August 2015 the researcher had to call these companies to explain to them what the nature of the study and how they could be a part of it. Finally, 50 SMEs agreed to take part and locations and addresses were collected and letters sent to them. However, due to the poor address system in Ghana, the researcher could only locate 30 of the 50 SMEs during the face-to-face interviews. Respondents agreed that the researcher could publish the company name in the study. All the 30 interviews with the SMEs were digitally recorded and notes were also taken alongside the recording with the consent of the interviewees after they had satisfied themselves that the information collected would not harm their business and it was for a research purpose only. The same interview guide (Appendix D) was used for all the SMEs with interviews lasting between 45-60 minutes each.

6.7.2 Accessing Research Participants

Gaining access to organisations to conduct research has always been a very difficult task; however, this issue becomes even more problematic when dealing with SMEs in a developing country like Ghana (Aryeetey *et al*, 1994; Abor and Biekpe, 2006). Curran and Blackburn (2001) observed the difficulty researchers' encounter in accessing information from SMEs, which, they argued hinders research in the sector. Apart from the fact that SME owners have busy schedules as they virtually perform all the functions within the firm, which makes it difficult for them to take part in research, many SMEs owner-managers are sceptical of academics and researchers. Some are of the opinion that research findings might influence policy makers to implement more laws and increase taxation or allowing access to the business premises would expose trade and business secrets and strategies to competitors.

In the case of this study, access was required in two phases. First, was to again access to the various organisations that are involved in export promotion activities, including SMEs which export and have contacted these organisations in one way or the other. Flick, (1998) warns that research study is an intrusion into the life of an organisation and institutions are inherently unsettled by it. Flick, (1998), also explains that in the community setting, the researcher may be seen as an intruder or an outsider. Fisher *et al.*, (2007) argue that there is the need to seek access through legal and ethical means. While negotiating for access, it was important to assure participants that information provided to the researcher would be kept confidential and there are benefits to be derived from the research. Possibly the research would capture some of the issues facing the sector and provide the needed solutions. This was captured in the introductory letter, which was sent to the participants. Leedy and Ormrod, (2005), reiterate the importance of communicating the purpose of the study to the participants and also assuring them of the confidentiality of information they provide. SME owners are most of the time reluctant to provide information for studies such as the current study; hence the researcher had to assure participants that any information provided would be kept confidential.

Apart from the fact that accessing SMEs for a study is challenging, another challenging issue in SME research is the unavailability of information or difficulty in accessing the information. This is due to the fact that record keeping among SMEs is noted to be a problem (Aryeetey *et al*, 1994; Abor and Biekpe, 2006). Where records are available,

owners and managers are reluctant to disclose such documents. Moreover, a list of SMEs which are exporting is rarely available in Ghana, the dataset of GEPA, which is the only source of information is not updated frequently. GEPA, which is in charge of ensuring that firms who are involved in cross border trade get access to the needed information to facilitate their activities, has often said they do not have up-to-date figures of exporters in the country. This manifested itself when data retrieved from the GEPA data base were full of companies who are no longer in business.

6.7.3 Methods for Data collection

To be able to answer the research questions raised and to meet the objectives set out for this study, the right information needs to be collected. There are different methods of collecting data depending on what type of data the researcher is looking for. In general, two types of data could be identified secondary and primary data. Secondary data refers to data which is already in existence; however, it has been collected for a different study, while primary data is collected from the field for the purpose of a particular study, (Collis and Hussey, 2003). In the case of this research, the researcher collected both primary and secondary data. Primary data was collected from two main sources; from EPOs and from SMEs who export and have had contact with EPOs in one way or the other. Methods used to collect data for the study include the following:

6.7.3.2 Semi-structured Interviews

One of the methods for data collection for this study was face-to-face interview. Gray (2007) observed that interview is the most logical research technique if the objective of the research is exploratory, which is likely to involve examination of feelings and attitudes. The use of semi-structured interviews offered the researcher the opportunity to probe for further detailed responses to clarify previous comments. To ensure consistency and enable comparison of answers between respondents all interviews were conducted in the same format using the interview guide (see Appendix C). Interview as a phenomenological approach, is concerned with the meaning people ascribe to a phenomenon. Arksey and Knight (1999) comment that interview is a powerful way of helping people to make explicit phenomena that have hitherto been implicit in order to articulate their tacit perception, feelings and understandings. Semi-structured interviews with opened ended questions was preferred to structured or unstructured interviews with

closed ended questions, which tend to affect the flexibility the researcher requires to probe further for detailed responses about certain issues from responders (Arksey and Knight 1999).

Cohen and Manion (1997) point out that interview can serve multiple purposes; first, they could be used as an information gathering tool about a person's knowledge, value preferences and attitudes. Secondly, they could be used to test out a hypothesis, or to identify variables and other relationships. Thirdly, they could also be used in conjunction with other research techniques. The current study sampled 12 organisations as key informants and 30 active SMEs for in-depth interviews. As per the SME working definition in chapter 2, selected SMEs were firms with employees' number not fewer than 6 and not more than 100. In addition, a purposive sampling method was used to select key informants and exporting SMEs from the GEPA database. The list of the key informants includes organisations which are currently associated with SME development and internationalisation, and this is shown in appendix A. The selected key organisations include GEPA, NBSSI, development partners, government ministry and some exporters associations. Face-to-face interviews with the key organisations lasted between 45 and 60 minutes. Arksey and Knight (1999) point out that the validity of a study is strengthened by interview techniques that build good rapport and trust. The researcher believes that face-to-face interviews offer the opportunity to access respondents' body language, as well as their facial expressions.

Although interview is an effective qualitative strategy for data collection, there are issues that could lead to wrong information being provided by respondents. Yin (2009) argues that interviewees could provide information that is inaccurate. Hence, there is the need to triangulate different data sources of information to examine evidence from the sources and using it to build coherent justification for themes. To ensure consistency in the questions asked and also to make sure the interviewer did not deviate from the needed information, an interview guide was developed for both SME owners/managers and the key organisation involved in export promotion programmes (Yin, 2009).

6.7.3.4 Documentary Review

The review of the existing literature is to identify theories, as well as empirical evidence of SME internationalisation and export promotion programmes. This review helps in building the theoretical base of the study as well as developing a conceptual framework to improve export promotion services and SME internationalisation. Furthermore, documents from government departments and agencies, as well as international organisations that are offering programmes with the aim of improving Ghana's export trade, were all reviewed. However, care was taken when reviewing these documents as such information might contain the author's bias and some information purposely for political expediency. The Ghana export strategy document, for instance, provides direction and strategy for the NTE sector. Although the document was ready for implementation, the political will to launch the document, to pave way for implementation of the strategy was not there.

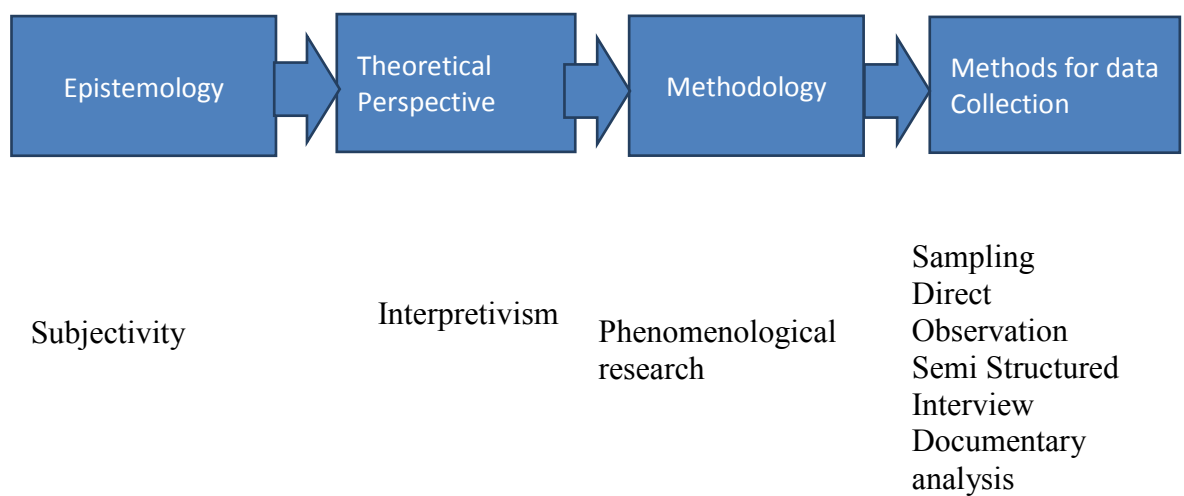
6.7.3.5 Direct Observation

Observation involves the systematic viewing of participants' actions, recording, analysis and interpretation of their behaviour (Douglas, 1976). Observation could be covert or overt. Douglas (1976) considers it legitimate to conduct covert observation and argued that covert is preferred to overt since people try to obscure the truth through misinformation, evasion, lies and fronts. The current study used overt observations to get first-hand information about SMEs prior to exporting their products abroad. Direct observation was done when the researcher attended trade fair programmes, GEPA conferences and meetings involving export promotion agencies and exporters and at the offices of participating SMEs. Furthermore, the researcher visited the aviation village of the Kotoka international airport (KIA) to find out how exporters pack and box their products ready for shipping. Promotion organisations bemoaned how some exporters pack and box their goods on the tarmac, a practice that affects Ghana's export to the EU market due to non-compliance of food safety and other packaging guidelines.

Although some exporters were seen with neatly boxed and well labelled products that meet all international requirements, some appear not to follow procedures set out by the Ghana Standard Authority (GSA) when packing their product. The direct observation brought the researcher close to both promotion officials and the exporters. It provided insight into the activities of SME owners and managers and laid bare the various obstacles

that affect the exporting processes of Ghanaian SMEs. This experience offered the researcher the opportunity to refine the research questions (Sharpe, 2004; Yin, 2009). The preceding sections have discussed the epistemology, theoretical perspective, the methodology and various methods of data collection. Crotty (1998) observes that, there is a relationship between the theoretical stance adopted by the researcher, the methodology and methods used, and the researcher's view of the epistemology. Figure 6.2 shows this relationship in relation to this study.

Figure 6.2 Relationship between epistemology, theoretical perspective, methodology and research methods of the study



Source: Adopted from Crotty, (199

6.8 Ontological, Epistemological and Axiological; how they underpin the study

Ontology refers to assumptions about the nature of reality. It refers to the researcher's beliefs about the nature of reality. Ontological questions include: What exists? What is true? How can we classify existing things? Ontological assumptions shape the way in which we see things and how we study the research objects. Ontological assumptions determine how we see the world, hence our choice of what to study and how to study the research objects chosen. In contrast to orthodox research that utilises quantitative methods and claims to be value free, many qualitative approaches value subjectivity and endorse a subjective-objective stance. Abram, (1996, p. 124) argues that subjective-objective ontology means that there is "underneath our literate abstraction, a deeply participatory relation to things and to the earth, a felt reciprocity". Heron and Reason, (1997, p. 279) explain this encounter as transactional and interactive. To touch, see, or hear something or someone does not tell us either about ourselves all on its own or about a being out there all on its own. It tells us about a being in a state of interrelation and co-presence with us. Our subjectivity feels the participation of what is there and is illuminated by it. Hence, qualitative research is interested in investigating people's understanding and meanings as they experience them in the world. The current study believes that SMEs are heterogeneous and their internationalisation processes are also complex with multiple accounts. The world of business keeps changing as things are not static. The researcher believes that, given the complexity of SME internationalisation, studies concerning SMEs cannot be simplified and every account of SME owners, as well as those of EPO officials who act as a catalyst of SME internationalisation are important in understanding the concept. Hence, the subjective view of actors in SME internationalisation cannot be ignored and these views could be well captured using qualitative methods.

Epistemology, therefore, concerns assumptions about knowledge, what constitutes acceptable, valid and legitimate knowledge and how knowledge could be communicated to others. Epistemology examines the relationship between knowledge and the researcher during the discovery. It, therefore, refers to how we come to know what we know. The ontological beliefs of a researcher will dictate how objective the relationship between the researcher and what can be known is. In epistemology, the researcher considers how knowledge is acquired and how we know what we know. In orthodox science that uses

quantitative methods, the researcher is required to adopt a posture of objective detachment in order to discover how things really are. There is a presumption that the knower and the known are separate and independent entities do not influence one another, (Guba and Lincoln, 1994). There is a search for the truth, for the facts in objective and quantifiable terms that hold empirical data in high esteem. However, the opinions, feeling and emotions of SME owners and their passion to internationalise and grow their business could not be quantified.

Finally, axiology addresses the nature of ethical behaviour. It relates to what the researcher believes is valuable and ethical. Mostly, basic beliefs about what is deemed ethical are embedded in research paradigms to guide the researcher's decision. The current research ascribed to an interpretivist view and, as a qualitative study the research is based on the subjective opinion of the owners of SMEs. However, the researcher believes in extracting valid and value-laden information in a way which is ethical and acceptable. It is equally important for the researcher to be objective in interpreting the views and opinions of the research objects.

6.9 Triangulation

Collis and Hussey, (2003) argue that triangulation is the use of different research approaches, methods and techniques in the same study. Bryman and Bell, (2004) observe that triangulation is the use of more than one method or sources of data in the study of social phenomenon. In triangulation, data is collected from multiple sources using multiple methods with the understanding that they will all converge to support a particular hypothesis or theory, (Bryman and Bell 2004). Jick, (1979) has defined triangulation as the use of multiple methods mainly, qualitative and quantitative methods in studying the same phenomenon to increase the credibility and reliability of the study. Triangulation is especially common in qualitative research although it could be used in quantitative research (Leedy and Omrod, 2005). For instance, in qualitative research such as the current study, the researcher engaged in multiple informal observations in the field and at the same time conducted in-depth interviews and observed common themes arising from both methods (Leedy and Omrod, 2005). Some researchers have argued that triangulation is actually used to increase the accuracy of research, in this case triangulation is one of the validity measures (Webb, Campbell, Schwartz, and Sechrest, 1966); Smith and

Kleine, 1986; Denzin, 1978; Golafshani, 2003). Creswell and Miller, (2000) have described triangulation as “a validity procedure whereby the researcher looks for convergence among multiple and different sources of information to form themes or categories in a study. Hence, the reason or the purpose for the triangulation methodology is to obtain different views about the phenomenon under study in order to understand it better. From the above discussion, it is apparent that triangulation is the combination of two or more methodological approaches, theoretical perspectives, data sources, investigators and analysis methods to study the same phenomenon. The current study adopted multiple methods to collect data from multiple sources in order to ensure that accurate information is collected from respondents.

According to some scholars (Denzin, 1978; Kimchi, Polivka and Stevenson, 1991) five different types of triangulation may be identified. These include methodological triangulation and according to (Mitchell, 1986), it is defined as the use of more than two methods in studying the same phenomenon under investigation. Burns and Grove, (1993), observed that triangulation may occur during the research design or data collection stages. Investigator triangulation entails using two or more researchers in any of the research stages in the same study. It involves the use of multiple observers, interviewers, or data analysts in the same study for confirmation purposes (Thurmond, 2001). Theoretical triangulation requires the use of multiple theories in the same study for the purpose of supporting or refuting findings.

Thurmond, (2001) argues that using different theories in one research study helps the researcher to understand the problem at hand. Banik, (1993), also maintains that both related and/or competing theories can be used in formulating hypotheses for the purpose of providing broader and deeper understanding of a research problem. Analysis triangulation is described as the use of more than two methods to analyse the same set of data for validation purposes (Kimchi *et. al.*, 1991). Finally, data triangulation refers to the use of multiple data sources in the same study for validation purposes. According to (Denzin, 1978), three types of data triangulation can be identified; these include: time, space and person. Explaining further the use of data triangulation, (Begley, 1996) affirms that data triangulation comes as a result of the idea that the robustness of data can vary based on the time data was collected, the people involved in the data collection process and the setting within which the data were collected.

In this study, data triangulation was used for validation purposes. This is because the research used multiple data sources; from documentary search to primary data, which were collected from SMEs owners and managers, governmental and non-governmental organisations who are involved in SME internationalisation in Ghana using semi-structured interviews. In the opinion of Morse, (1991), triangulation gives credibility to the research; it enhances qualitative methods and allows for complimentary use of quantitative methods. Denzin, (1989) claims that triangulation could be used to overcome challenges related to single-methods, single-observer and single-theory bias and, thus, can be applied to confirm the research results and conclusions. Triangulation is known to have its own drawbacks; Foss and Ellefsen (2002) argue that triangulation presents a significant challenge when it is used for confirmation of findings. They maintained that challenges arise when the different methods used produce contradictory results. Patton, (2002) argues that triangulation could be expensive as the researcher tries to employ different kinds of data collection methods, different observers, etc.

6.10 Data Analysis Methods

Qualitative analysis is a rigorous and logical process through which data is given meaning (Gray, 2007). Unlike quantitative data, qualitative data is rarely accessible for immediate analysis, but require a processing stage often involving the editing of notes and transcribing of tape recordings (Gray, 2007). Data analysis was informed by theoretical propositions, case descriptions in the study, research questions, conceptual framework, samples of cases and instrumentation. Yin (2009) identifies and recommends four strategies for data analysis; these include: 1) relying on theoretical propositions 2) developing a case description 3) using both qualitative and quantitative data 4) examining rival explanations.

Bryman and Bell (2007), also proposed five strategies for analysing qualitative data namely: conversation analysis, discourse analysis, narrative analysis, analytic induction and grounded theory. Walcott (1994) argues that qualitative data could be transformed in many ways, and that the transformation process could be broken down into description, analysis and interpretation. The description aspect deals with describing the data in the form of a story, while the analysis aspect deals with extending and expanding the data beyond a descriptive account. Analysis also involves identifying relationships and

features within the data. The interpretation aspect is where the researcher interprets those issues which emerged from the data. Collis and Hussey, (2003), have argued that the methods the researcher uses to analyse the data will depend on the paradigm adopted for the research as well as the research design used. As mentioned earlier, this research is a qualitative study. In qualitative research, the central task during the analysis phase is to identify common themes within the opinions and experiences shared by respondents, (Yin 2009). During the data analysis stage, the semi-structured interviews recorded from SME owners and managers, as well as officials of the various institutions associated with, and promoting SME internationalisation, were rigorously transcribed using express scribe.

The researcher followed Miles and Huberman's (1994) suggestion of analysing qualitative research by reducing the data, displaying the data and drawing conclusions and verifying the validity of those conclusions. The researcher familiarised himself with the data collected by reading the transcribed document repeatedly. Because the researcher conducted all interviews, the familiarisation process actually started from the interview phase. The researcher also had to listen and re-listen to the recorded audio several times while transcribing the interviews. After familiarisation, the researcher compared and critically evaluated all responses to determine whether they differ in any way and to ascertain if themes were emerging.

The captured data on a Word document was then imported into Nvivo 10 for coding to allow the analysis of the data to begin. Thinking, reflecting, linking elements of the data and developing memos and annotating the contents of responses and documents allowed themes to emerge. Critics of data analysis software (QDA) have argued that using software distances the researcher from the data and encourages a mechanical approach to the analysis (Collis and Hussey 2014). The coded data were then grouped into themes and categories that share common characteristics and responses. At this point, the researcher had to reflect on the data. This process was carried out by critically evaluating and comparing individual interview data and responses with other interviews conducted during the study. Constant comparison was an important technique used in the data analysis (Strauss and Corbin, 1998). During the interpretation stage, the aim was to provide descriptive and explanatory accounts of the data by using the information that had been collated during the reflection and indexing stage. Respondents' views and opinions were presented by quoting the original wording as transcribed. This was to

ensure that the authenticity of the data was not lost. The full results of the qualitative interviews have been presented in chapters 7 and 8.

6.10.1 Quality of the Study

The quality of this study was achieved by following the four appropriate steps suggested by Miles and Huberman, (1994) and Yin, (2009) which include construct validity, internal validity, external validity and reliability. In the opinion of Flick, (1998) the issue of validity revolves around the question of how far the constructions of the researcher are grounded in the constructions of those being studied. Hall and Callery (2001) have argued that researchers need to adopt a reflexive stance, through which they will be able to reflect on their influence on the research process.

In the opinion of Gummerrsson, (2000) validity refers to the degree to which a researcher uses appropriate methods to study what they intend to study rather than studying another phenomenon. Gummerrsson further observed that there should be a good fit between theory, model or category and their description of theory in order to be valid. The current study applied the appropriate methodology for data collection, underpinning with appropriate theories. Reliability, therefore, refers to stability of findings. Denzin (1989) is of the opinion that reliability is improved in qualitative research through triangulation, gathering information from multiple sources by using multiple data-gathering tools.

Denzin (1989) offers four types of triangulation; data triangulation, investigator triangulation, multiple triangulation and methodological triangulation. In this study, reliability was ensured through data triangulation and multiple triangulation. As Denzin recommends, the quality of the current study was ensured by using multiple methods to collect the data, for instance, documentary review, semi-structured interviews and observation were used to ensure the robustness of the study. The researcher is well informed that the quality of research depends greatly on what happens in the field. Yin (2009), argues that researchers need to put measures in place to ensure that the desired quality level is achieved.

6.10.2 Measures to Ensure Quality

The following measures were adhered to in order to achieve the needed quality. Firstly, the researcher adopted multiple data collection methods or tools. In this research, the researcher used semi-structured interviews, documentary analysis and direct observation. The use of multiple methods afforded the researcher an avenue to cross check information collected from respondents. Secondly, the researcher made sure that all interviews are recorded and notes taken alongside in order not to lose any vital information (Miles and Huberman, 1994; Yin, 2009). This strategy served as a precaution to avoid data loss because of technology failure (Miles and Huberman, 1994; Yin, 2009). Thirdly, the researcher made sure that the right source of data was selected. Data for the research was collected from both EPOs and government organisations which are involved in SME internationalisation. In the case of the key informants that are involved in internationalisation of SMEs, the researcher ensured that the right organisations were selected. This was to ensure that the right data was collected from the field for the study. In addition, only knowledgeable SMEs who had the required information on the subject matter were invited to take part in the study. In this study, selected SMEs were those involved in active export business.

Finally, the researcher ensured that interviews were done at the convenience of the participants. For instance, participants had to be comfortable in order to provide the necessary information. For participants to feel free and comfortable, they were allowed to select a convenient place to conduct the interview. Furthermore, to avoid the situation where a participant would provide information hurriedly due to time constraints, which had the potential to affect the quality of the research, the researcher ensured that participants selected a time that suited them. The researcher also ensured that ‘leading questions’ which seemed to demand particular answers were avoided. Interferences were avoided in order to allow respondents to provide the needed information. When the researcher needed to probe further, it was done in such a way that it would not interrupt the flow of the interview. Moreover, the researcher resorted to plain and simple language so that the questions could easily be understood. When a participant found it difficult to understand the English language, especially as in the case of few SME owners, the researcher had to translate the questions into “Twi”, which is the dominant language in Ghana, to ensure clarity and understanding.

6.11 Research Ethics

Saunders *et al.*, (2007) maintain that ethics in research defines the appropriateness of the behaviour of the researcher in relation to the rights of those who become the subject of the research work or are affected by it. Gray (2007) cautions that as far as interviews are concerned, the central ethical issue is that the participant should not be harmed or damaged in anyway by the research. Gray (2007) further mentions that a key ethical consideration is informed consent. To ensure that the study followed all the appropriate ethics of research of this nature, written consent was sought from all participants, thus assuring them of confidentiality of the information they provided as the researcher negotiated for access.

In an attempt to access the various participants for the study, both formal and informal, discussions were undertaken. In relation to formal discussions, letters were sent to all export promotion organisations, ministries and agencies, exporters' associations and SMEs who were selected to be part of the study. The letter stated clearly the nature of the study and how information provided would be used. The letter also entreated participant organisations to allow the researcher to review their existing documents as part of the data collection.

Another ethical consideration that was taken seriously was the issue of confidentiality and anonymity. Saunders *et al.*, (2007) argue that confidentiality and anonymity ensure that information provided by research participants would not be divulged to any third party. The researcher ensured that information provided by participants was kept as confidential as possible. In addition, there was the need to safeguard the anonymity of the source of the information, which the researcher holds. Both confidentiality and anonymity were achieved by interviewing SMEs separately. Though some SMEs were interviewed at their association's office, an appropriate environment was created to avoid other participants listening to the information provided by their colleagues. Accessing information within the SME sector is difficult because owner/managers are reluctant to provide such information for fear that their competitors and other government agents will have access to it (Zikmund *et al.*, 2010). Hence, it was crucial to guarantee confidentiality and/or anonymity of all participants in the research for the purpose of the current study. In relation to anonymity and confidentiality, with the exception of personal details such

as age, level of education and gender, participants were not asked to provide any further information that would disclose their identity.

6.12 Limitations of the Study

Outlining the various limitations of a study ensures that the researcher makes known the various constraints of the study. Qualitative research has been criticised because it is normally carried out on a limited scale (Bryman, 2004; Curran and Blackburn, 2001). Bryman (2004) and Curran and Blackburn (2001) argue that qualitative research normally focuses on a small number of individuals in a particular locality. They argued further, that the inability to conduct qualitative research on larger scales limits the generalisability of findings to other settings. The current study, due to resources constraints, was restricted to only Accra, Tema, Kumasi, and Tamale metropolises.

However, restricting the research to these cities did not deprive the study of any quality information as these areas have diverse SMEs that are actively involved in export business. Another limitation of the study was gaining access to participants. It is sometimes difficult to get access to conduct research such as the current one in Ghana. Researchers find it difficult to access the relevant government organisations and agencies to participate in such studies. In addition, owners and managers of SMEs, in most cases, are reluctant to provide vital information for such studies, thinking that their businesses are going to be taxed or information would be divulged to competitors. Other limitations that relate to the research methodology used are that qualitative research, such as the current study, is subjective and cannot be generalised.

Qualitative research is interested in the meanings, interpretations and logic that social actors attach to the world (Curran and Blackburn 2001). Another limitation of qualitative research is that it lacks reliability as the study cannot be repeated and arrive at the same conclusion. Qualitative research has been criticised by pro-quantitative researchers as being too impressionistic and subjective, and that it relies mostly on the researcher's unsystematic opinions of what is important and significant, (Bryman and Bell 2007).

6.13 Summary of the Chapter

This chapter has presented the methodology used for data collection for the study. The philosophical underpinning of the research has also been established. An interpretivist worldview was adopted by the researcher. The data collection methods adopted for the study include semi-structured interviews, non-participant observation and documentary review. The research explored the role of government policies and assistance in the form of export promotion in the internationalisation of SMEs in Ghana. The study was to provide a further understanding of EPOs role in achieving SME internationalisation and markets development in Ghana.

7.0 Export Promotion and SMEs in Ghana

7.1 Introduction

This chapter presents the first phase of the research findings. It presents findings from key informants. The key informants were organisations that are directly involved in promoting SME internationalisation and development in Ghana. The public sector and the government have a responsibility to assist exporting SMEs with resources, information, competencies development and capacity building. Under the Ministry of Trade and Industry, Ghana has an extensive multi-divisional setup of commodity boards, trading standards and certification organisations, as well as regulatory organisations. Furthermore, organisations such as GEPA, GCCI and some Exporters Associations and Federations are all involved in the export facilitation programmes in the country. These organisations were established to accelerate business development, export development and growth. Data was collected from one government ministry, five government agencies, one Non- Governmental Organisation, three exporters associations and federations and one international development partner.

The chapter explores the services provided by EPOs to assist in SME internationalisation. It then evaluated whether assistance was readily accessible to SMEs. Moreover, the impact of export assistance on SME internationalisation was evaluated. It subsequently focused on what constituted a successful internationalisation. Thereafter, the various challenges facing EPOs were discussed. Finally, the level of awareness of export promotion instruments was evaluated.

7.2 Export Promotion Services provided to SMEs in Ghana

The study investigated specific assistance or programmes provided by EPOs to exporting SMEs in Ghana. This section provides answers to the research question that investigated the services provided by EPOs. Although the various organisations offer different assistance to the exporting SMEs, they all have the same goal, which is to ensure export development and growth of the SME sector. Naidu, Cavusgil, Murthy and Sarkar, (1997) claim that the portfolio of export promotion programmes offered differs extensively between countries. The available export promotion instruments offered by the various

organisations in Ghana are similar to what was presented by Naidu *et al.*, (1997). The instruments could be broadly categorised into production planning and support, export information and advice, marketing support, finance and guarantees, and education and training. These broad areas have been detailed in table 7.1 below.

Table 7.1 Five broad categories of export assistant programmes

Production Planning and Support	<ul style="list-style-type: none"> • product development and listing • product modification and advice • production planning
Export Information and advice	<ul style="list-style-type: none"> • export information and advisory services to intended/inexperience exporters
Marketing Support	<ul style="list-style-type: none"> • market information or market research • find customers/agents/distributors • display product (trade fairs, exhibitions, trade centres delegation visits) • feasibility studies • negotiating assistance/contact facilitators • matchmaking events abroad
Finance and Guarantees	<ul style="list-style-type: none"> • export credit guarantees against political/commercial risk, • direct subsidies • indirect subsidies • currency exchange permits • insurance • tax incentives/subsidies
Education and Training	<ul style="list-style-type: none"> • seminars and workshops • mentor programmes • newsletters and updates/reports

Source : Naidu et al. (1997)

7.2.1 Export Information and Advice

SMEs face daunting challenges in their attempt to leave their domestic market to explore markets abroad (Francis and Collins-Dodd, 2004; Gencturk and Kotabe, 2001). SMEs are noted to be at a disadvantage when they are trying to compete for market share internationally due to the complexity of the international business environment coupled with the comparative scarcity of resources (Seringhaus, 1986; 1987). The uncertainties of exporting, the lack of knowledge about foreign markets, and the risks associated with exporting are all inhibitors for SMEs (Seringhaus and Rosson, 1991). It is posited that SMEs require information, contacts and support to expand to new markets (Francis and Collins-Dodd, 2004; Gencturk and Kotabe, 2001). Therefore, programmes that provide information are expected to have a positive impact on SMEs' exporting initiation and development (Naidu *et al.*, 1997). Accessing such services through public export promotion organisations, instead of sourcing it privately, is expected to reduce the cost associated with exporting while increasing the profitability of an international business operation (Francis and Collins-Dodd, 2004). Naidu *et al.*, (1997) posit that trade information and advice are mostly used by starters and inexperienced exporters.

The economic justification for government involvement in export promotion is based on the theory of asymmetric information and other market failures (Hausmann and Rodrik 2003). There are externalities associated with the gathering of foreign market information that relates to consumer preferences, business opportunities, quality and technical requirements, (Johanson and Vahlne, 1977). Private businesses are hesitant when spending resources to procure information on foreign markets, as such information could easily be tapped and used by their competitors without payment (Hausmann and Rodrik 2003). The same applies to pioneer exporters, who make a considerable investment in attempts to open foreign markets, cultivating contacts, establish distribution chains and other costly activities that could be used by rival companies (Hausmann and Rodrik, 2003). However, information on foreign markets is an important strategic tool for successful internationalisation (Hausmann and Rodrik 2003). Hence, there is the need for public export promotion organisations to procure the necessary information for all exporters within the country to benefit. An official of GEPA had this to say:

We provide export trade information for exporters especially starters and inexperienced exporters. First of all, because we want the SMEs to start as “serious exporters” we normally provide them with some basic trade information about what the markets are and the basic exporting procedures and documentations. [Director of Research, GEPA].

It was noted that occasionally GEPA brings the exporters together within what the exporting authority called an “exporters’ forum”. The forum assembles different categories of exporters with different levels of experience from different markets and different sectors of the economy. The forum serves as an important arena for information sharing, networking and opportunity for new exporters to listen to the success or challenging experiences of the experienced exporters. During the “exporters’ forum”, the EPOs share the platform with other organisations that provide specialised services and advice to exporters. A key informant commented that:

Some basic information is provided to relatively new and inexperienced exporters to determine whether their interest could be sustained or otherwise. In addition to that, we have specific information which we provide to individual exporters... this is to deal with certain specific challenges of an experienced exporter. If they need additional information, be it technical assistance or wanting to get in touch with some buyers or any other information relating to their operational challenges, we refer them to any of the specialist organisations available. [Senior Executive, GCCI].

The information and advice services provided to exporters by EPOs are important in the sense that SME owners sometimes undertake programmes or make some investment decisions without professional advice (Kayanula and Quartey, 2000). Thus, the pieces of information and advice assist SMEs in taking business decisions with genuine and authentic information to ensure that they have good returns for their investments (Kayanula and Quartey, 2000). Problems with securing quality information tend to be severe when firms attempt to export to a new country or sell a new product abroad than when they are simply expanding their exporting activities in countries they already export to or increase the sales of already exported products (Martincus, and Carballo, 2010).

Martincus and Carballo, (2010) argue that when exporting to a new destination, firms must learn, among other things, about the alternative ways and respective costs of shipping their merchandise, the tariffs, non-tariff measures, and technical regulations

applied to their goods, both for the home country and for competing countries. Domestic consumer preferences are relevant for the saleability of the goods to be traded; the distribution channels in general, and potential business partners in particular; the mechanisms to make their products known to the public; and the main marketing strategy of incumbent firms.

Gathering accurate and reliable information requires SMEs to perform market-specific studies, the costs of which are partially fixed in nature. As highlighted in recent international trade models, the costs associated with gathering market information could prevent firms with productivity levels below certain thresholds from entering such export markets (see, e.g., Melitz, 2003; Melitz and Ottaviano, 2008). Most SMEs find themselves within the low productivity bracket, however, entering into complex and challenging markets such as the EU and the North American markets requires accurate and reliable information on the potential consumers. However, most SMEs cannot afford to obtain such information without assistance from EPOs. A respondent from the African Growth and Opportunity Act (AGOA) secretariat, which is currently assisting garment and textile exporters to export to the US market, indicated that:

There is the need for SMEs to understand the requirements in terms of standards and quality levels that is acceptable in the USA market, so that they will produce to that quality level in order to take advantage of the quota free slot. We regularly provide them with information to update them of the current developments and what they are supposed to do. [Project Manager, AGOA].

Another respondent from one of the exporters association shared a similar opinion to the AGOA project manager. The second vice president of the Federation of Association of Ghanaian Exporters (FAGE) indicated that:

The association sometimes receives information from partner organisations either locally or international or from the ministry concerning an alert. We always make sure such information is relayed to our members to keep them abreast of the situation on the ground, as well as current developments in order to prevent the tendency of the country to lose such market. [Second Vice President, FAGE].

Ghana has had some of its major NTE commodities banned in some major markets such as the EU, due to suspected contamination of those commodities or traces of hazardous

substances found in those commodities. Hence, it is necessary for the exporters associations, which are relatively closer to the exporting SMEs to provide information for its members about how to handle commodities, packaging and methods of transporting them to avoid possible contamination that could potentially lead to a ban of the product from the major international markets.

Another important area in which the EPOs provide information and advice to SMEs is how they could access certain funds or financial support. SMEs have problems accessing finance due to information asymmetry (Stiglitz and Weiss, 1981). SMEs are seen as opaque as far as information relating to their operations is concerned. Due to issues of information asymmetry, funding may only be available where the entrepreneur has some track record (Petersen and Rajan, 1994) or can demonstrate commitment to the business, such as through the provision of collateral. However, when it comes to SMEs borrowing, most of them often have no track record to mitigate the informational asymmetry problem (Fraser, Bhaumik and Wright, 2015). Some researchers have argued that credit scoring has helped lower the fixed costs of lending and reduced reliance on collateral, improving SME access to finance (Berger, Demirgüç-Kunt, Levine and Haubrich, 2004; Gestel and Baensens, 2009). However, the credit-referencing system is not popular in most developing countries, especially within the Sub-Sahara Africa and, for that matter, Ghana. Hence, banks need to see that a business is doing well and will be able to pay any funding made available to the business. EPOs, therefore, provide information to SMEs about sources of financial assistance as well as how such funding could be accessed. A GEPA official mentioned that:

We provide them with information about sources of funding and how they could access those funds. Where necessary, we make the financier aware of the fact that the exporter has secured a supplying contract and needs the funding to execute it. With that recommendation some financial institutions agree to finance the export through a Letter of Credit (LC).

[Director of Research, GEPA].

Providing such information and assistance to SMEs has been a vital service and one of the most patronised instruments of the EPOs. This is due to the fact that most SMEs lack the needed resources and the goodwill to access funding on their own, because many commercial banks do not trust the repayment capabilities of most of the SMEs.

7.2.2 Training and Education

Another important instrument of the EPOs is training and education. These include seminars and workshops, mentor programmes, newsletters and updates/reports. In general, EPOs provide firms with training on the export processes (Pedersen and Petersen, 2004). National EPOs are increasingly directing support towards the small business sector through export programmes that involve training and network development which are designed to supplement existing export information services and other forms of financial assistance (Demick, and O'Reilly, (2000).

In order to provide SMEs with the requisite skills, new and inexperienced exporters are taken through training programmes. Besides, providing SMEs with needed skills, the training is supposed to equip them with the tools to face the challenges ahead and to reduce the perceived barriers of internationalisation. The trainings most often include basic issues such as dealing with regulations, standardisation and documentation. A GEPA official revealed that:

We have what we call the “Ghana Export School”, which is a faculty that has no campus. We bring the exporters together and what we normally do is that we categorise them into different groups according to their level on the “export ladder”. Therefore, those within a certain category are put together to ensure training is offered in the areas that they need. We also have another programme called “export fundamentals”, this is for new exporters and those who are not new per say, but their levels are not up there. The “export fundamentals programme” includes packaging, food handling, labelling and sourcing of products. [Director of Research, GEPA].

A GCCI official indicated that:

We sometimes invite resource persons to train them on packaging and labelling. For instance, those in shea butter processing could be brought together and offered training on good processing techniques, labelling and packaging, if we notice that is something they need. Moreover, when we discover a particular product has the potential but the producers lack the needed skills to produce it to the standard which is needed or required in the international markets, we quickly identify such a group and offer them the needed skills. [Senior Executive, GCCI].

The preference for group activities does not only reflect a more efficient and cost-effective way for EPOs to deliver support, but also creates conditions conducive for peer group learning and sharing of experiences among participating firms (McNaughton and Bell, 1999). Bringing the new exporters together for such training is crucial judging from the various problems that the country has faced in some of the major markets such as the EU. The EU announced a temporary ban of vegetables from Ghana in 2014 following findings that vegetables from Ghana fall short of the required standard. The country was also banned from exporting citrus to the EU market due to infestation of fruit flies (www.fruitnet.com, GEPA, report 2014). Apart from taking the exporters through the various export processes and documentation, there is the need to train them on how they will manage their businesses. Furthermore, communication skills, good book keeping with simple accounting packages, as well as contract and negotiations skills are also important for SME owners. An exporter association commented as follows:

The fact is that, many of these SME owners are ignorant of good business practices and, therefore, there is the need to organise training to take them through good book keeping practices. For example, some of them combine their personal and business accounts and others do not keep proper records. It becomes difficult when they need to process a funding facility as they do not get enough supporting documents to back their exporting activities due to poor record keeping. [Second Vice President, FAGE].

A respondent from AGI remarked that:

We offer them with training in management and also ensure that they adopt good business practices. Some local entrepreneurs may want to collaborate with some foreign investors for additional capitalisation, but before anybody will collaborate with you, they may want to ensure that you have a good business model, a good book keeping practice. Because of that we try to bring them to speed so that they can present their businesses in a better way. [Executive Member, AGI].

SMEs in Ghana are always struggling to access formal finance from commercial banks due to a lack of collateral security and issues of information asymmetry and being opaque (Buatsi, 2002; Abor 2005). SMEs inability to keep a clean record of their activities makes it difficult for banks to advance any credit to them (Buatsi, 2002; Abor 2005).

7.2.3 Finance and Guarantees

Given the importance of SMEs in developing countries, as discussed in chapter 2, it is not surprising that policymakers and bilateral and multilateral donors have been focusing on SME financing as a priority area for policy advice and intervention (OECD, 2006). Finance has been a major obstacle for SME development and growth (OECD, 2006). Cowling *et al.*, (2012) notes that many economies have seen a significant decline in both debt and equity finance flows to SMEs following the financial crisis. Breedon, (2012) and Nightingale *et al.*, (2009) assert that there is a strong evidence of persistent structural problems in the markets for both traditional bank credit and alternative sources of finance such as venture capital in the UK for instance.

In response to these structural anomalies, the UK government for instance, has established the British Business Bank, which was modelled in line with the German state-owned bank Kreditanstalt für Weideraufbau (KfW), to help improve flows of debt/equity finance to SMEs (Breedon, 2012; Nightingale *et al.*, 2009). SMEs are mostly at a disadvantage in raising finance compared to large firms (Buatsi, 2002; Abor, 2005). SMEs often face difficulties in signalling their creditworthiness, due to information asymmetry and lack of track record (Vanacker and Manigart, 2010). Following this backdrop, one important instrument of export promotion for SMEs is financial support. However, it was made clear during the interview by the promotion organisations that they do not provide finance directly, however, they do assist businesses to access the available funding that is in the system. A respondent from GEPA stated that:

We are not directly responsible for providing finance but we do referral services. If any exporter or group of exporters have problems with finance they do come to us to discuss the challenges they are facing. If there are no available government funding programmes at that moment, then we assist them with information on any financing mechanism or we talk to the banks to assist them.
[Director of Research, GEPA].

Referrals and guarantees from the promotion organisations to the banks are crucial due to the fact that most of the banks, especially the commercial banks, do not trust the SMEs to pay back loans given to them. A respondent from MoTI indicated that:

The government is aware of the difficulties SMEs go through in order to obtain finance, that is why the government has established the Export Development and Agricultural Investment Fund (EDAIF) and other projects that assist exporters with monetary support. The Export and Import (EXIMB) bank is also in the pipeline and will take off soon. [Commercial Officer, MoTI].

SMEs in Ghana struggle in their quest to access finance. In previous business surveys conducted in Ghana, SMEs repeatedly mentioned lack of finance as a major obstacle to their development, growth and innovative capabilities (Abor and Biekpe, 2005). Aryeetey (1998) observed that only a half of applications from SMEs for formal finance, such as bank loans, had any chance of being favourably considered in Ghana. According to Aryeetey, about two thirds of microenterprise loan applications were likely to be turned down. Buatsi (2002) and Abor (2005) mentioned that SME exporters in Ghana had difficulties accessing bank loans because of the high interest rates and collateral requirements. SMEs need finance to implement their strategies; however, to be competitive, such financial assistance has to be affordable and sustainable. A respondent from the MoTI mentioned that:

The EDAIF facility was established by government to assist Ghanaian exporters. The main objective of establishing the fund was to assist indigenous exporters. The fund is for businesses who want to export their products abroad and not focus only on the local market. The interest rate on this facility is 12.5%, 10% as interest for the finance and 2% for the implementing banks for processing and administrative charges. This is cheaper as compared to the 36% that the commercial banks are currently charging. The government is putting measures in place to convert EDAIF to a bank (EXIM Bank) to provide funding to support international business. [Commercial Officer, MOTI].

Another respondent stated that:

We sometimes recommend to government, when we realise a particular sector needs financial support, either in the form of a loan or aid, to assist them achieve certain targets set by government. [Director of Research, GEPA].

The current macro and microeconomic condition in the country has rendered both lending and borrowing very expensive. The Bank of Ghana base rate is over 20% and inflation rate of over 19% has rendered borrowing very expensive for business. Moreover, the Bank of Ghana (BoG) financial stability report for November 2015 (FSR) indicated that

the country's banking sector faces huge challenges, including the decline in profitability, due to increasing operation costs and non-performing loans. The report further indicated that credit to the private sector contributed to 97.4% of the total banking sector's non-performing loans as at September 2015 compared to 93.1% in September 2014 (Bank of Ghana report, 2015). Because of the high rate of non-performing loans, the banks are currently more or less only interested in savings and deposit mobilisation, which they later lend to the trusted few. A respondent remarked that:

Nowadays savings and deposits are what the banks are interested in, hence, what we do is we advocate for those SMEs who are performing well by convincing the banks with evidence of their performance. We also let the banks know the benefits that they could derive so that they would be enticed to assist. [Second Vice President, FAGE].

A respondent from GCCI indicated that:

You see, if you are a business and you do not have proper books of accounts, how could you go to a bank and say you want a bank loan? When you keep proper books of account then we can also come in to assist you to get the needed financial assistance from the financial institutions. But what we have realised is that most of the small businesses do not have proper accounts, hence, making it difficult for them to attract the needed support from the high street banks. [Senior Executive, GCCI].

7.2.4 Marketing Support

Another important export promotion instrument provided to SMEs in Ghana is marketing support. This includes: markets information or markets research, information on customers' tastes and preferences, display of products (trade fairs, exhibitions, trade centres, delegation visits and trade mission) feasibility studies, negotiating assistance/contact facilitators. SMEs in Ghana cannot afford professional advice on these services and, hence, they receive most of their support and coaching from informal sources such as family and friends. However, such advice reflects local realities and is seldom directed at internationalisation (Cumming *et al.*, 2015). To fill this void, promotion instruments directed at this challenge are provided by the EPOs. However, the role of internal firm capability and management related factors on the internationalisation of the firm cannot be denied (Ruzzier, *et al.*, 2007). According to the resource-based

theory of international business, the human capital and resource related factors of the firm are indeed prime stimulants of its international activities (Ruzzier, *et al.*, 2007). From that perspective, entrepreneurial and managerial knowledge and skills are valuable inimitable human capital in the form of knowledge of markets, technologies, consumer preferences, business connections and overseas markets environment that create sustainable competitive advantage for the firm and enhance organisational capabilities to mobilise company resources for international activities (Ruzzier *et al.*, 2007). A GEPA official indicated that:

Searching for markets is an integral part of the activities we perform here. When we get invitations from all over the world to participate in fairs, we first analyse them to determine what products we could take to such fairs and how the products could be packaged in order to meet the preferences of the consuming public of the markets. [Director of Research, GEPA].

Another respondent remarked that:

Exposing SMEs to international markets through fairs and exhibitions opens more avenues for them to meet potential buyers and agents and also showcase what they have and more importantly communicate their capacity to potential distributors. [Vice President, FAGE].

Trade shows provide ready-to-export firms with the opportunity to meet potential customers and are, consequently, favourable to SME managers (Seringhaus and Rosson 1989). Fairs allow potential exporters to sell products, gain access to decision-makers, disseminate facts about products and services, gather intelligence and maintain image in the industry and with the media (Bonoma, 1983). A GEPA official stressed that:

Businesses within the textile industry, especially those in the “Kente cloth” (a traditional Ghanaian cloth) are able to interact with patrons of fairs to show them the differences between the hand woven “Kente” cloth from Ghana and the machine woven one from China. [Director of Research, GEPA].

The opportunity to participate in fairs is necessary as the exporters of the “kente” cloth are able to explain the difference between the high quality hand-woven “kente” cloths from Ghana and the machine-woven one from China. Ghana has lost significant revenue due to competition with Chinese firms that produce similar patterns. Seringhaus and Rosson (1989) find that trade fairs increase sales and participants are more effective

exporters. To be able to achieve favourable trade terms and balance of trade, Ghana needs to increase its exports, especially the NTE, given the high level of imports that come into the country. A GCCI official remarked that:

Last year we went to Equatorial Guinea, Angola, Canada and Malaysia for trade shows and missions, just to promote made-in-Ghana goods and look for opportunities to meet potential customers. Looking at the current situation of our currency and the high-level depreciation to the major trading currencies, the Cedi is fast declining due to the fact that we import more than what we export, so we want to encourage our members to export more to compensate for what we import. [Senior Executive, GCCI].

Singer and Czinkota (1994) conceptualised the role of export assistance in overcoming managers' barriers at different stages of international marketing operations and argued that export assistance programmes stimulate managers' positive attitudes and perception towards international marketing by increasing, accelerating, and substituting foreign markets knowledge, and they gained experiential knowledge to increase their commitment in international marketing activities. An AGI official remarked as follows:

We believe that our members will find their feet firmly grounded in the international markets given the assistance we are currently providing to them. There will be a time that they will wean themselves off the assistance. That is when they have accumulated enough experience on the markets and their attitude to competing in the foreign markets has changed. But as it is now, most SMEs in Ghana need our support. [Executive Member, AGI].

7.2.5 Production Planning Support

Production Planning and Support is another important export promotion instrument. Assistance offered under the instrument includes product development and listing, product modification and advice and production planning. Firms depend on their customers to purchase their goods and services. Regardless of whether demand constraints emanate from domestic or foreign markets, a firm facing these constraints has customers who are unable or unwilling to buy its products or services because the price is considered too high, and/or the quality is considered too low. This can be expected to reduce firms' growth and performance (Hessels and Parker, 2013). In line with the

resource-based view, firms that are facing demand constraints in domestic and/or foreign markets need not scale up production of their existing products, since that will only exacerbate the excess supply problem, rather, they need to improve and/or upgrade their products lines to secure competitive advantage (Lu, Zhou, Bruton, and Weiwen, 2010). Thus, firms facing demand constraints need adaptive capability to manage adverse market conditions (Lu *et al.*, 2010). SMEs lack resources to acquire the necessary raw material and the necessary skilled labour to achieve efficient and effective supply of the targeted markets. Hence, to be able to meet the markets' demand, as well as the quality standard, SMEs need assistance to come out with good products and services at a competitive price. A respondent from GEPA indicated that:

One issue we are trying to address is how to ensure that exporters get enough raw materials to process in order to make the production planning phase of the export process easier. We are currently dialoguing with government to ensure that most of the primary products that we export are retained within the country to feed the manufacturing SMEs for value added.
[Director of Research, GEPA].

Vossen, (1998) argues that the relative strengths of large businesses are predominantly material (economies of scale and scope, financial and technological resources). Large businesses have the capability to plan their production processes in order to achieve economies of scale, thus they are able to supply their target markets. SMEs, unlike their counterparts, lack such capability and sometimes require support to plan their production processes to meet market demands. An official from GEPA indicated that:

In order to meet market demands after successful fairs and trade missions, GEPA sometimes has to coordinate the production processes of the SMEs that participated in the fair or mission by bringing them (SMEs) together in order to meet certain orders, as individual businesses do not have the capacity to supply such orders alone. [Director of Research, GEPA].

Ghana still exports a large quantity of its commodities without adding value to them (GEPA report 2015). This situation deprives the manufacturing sector of the necessary raw materials to process, a situation that has rendered most firms operating under capacity. The bulk of Ghana's cocoa, extracted minerals and timber is exported with little or no value added. A respondent from Ghana Free-zones board (GFZB) indicated that:

There is a policy of government to encourage firms to add value instead of exporting raw materials and semi-finished goods. That is the main reason why GFZB provides incentives for companies who add value to the existing raw materials and also export 70% of their products. [Senior Manager, GFZB].

Love and Roper, (2015) argued that there is the need for SMEs to harness both the internal and external enablers of innovation to ensure export performance and growth. Internal enablers, they argued, are those capabilities of individual SMEs that could be linked strongly to innovation and export success. At the same time the external enablers of innovation and exporting focus on those elements of the operating environment that may enable innovation and export performance. Most SMEs have the ideas; however, they are unable to replicate such intervention in terms of products or services, due to external and internal constraints. A GEPA official indicated that:

Product development and design are necessary for international performance and SMEs' success in foreign markets. Knowing this, we sometimes require the services of consultants to assist if we realise that a particular sector requires that assistance. For instance, we hired a master craftsman and weaver to train firms within the handicraft and the weaving industry in order to keep pace with the competition within that market. [Director of Research, GEPA].

7.3 Level of Awareness of SMEs about Trade Promotion Instruments

This section answers the research question of how service providers are creating awareness of the services they provide. Different studies have been carried out to evaluate the success or otherwise of EPPs using different parameters. One important parameter to assess the success of export promotion instruments is the level of awareness. Haunschild *et al.*, 2007; Van Elk *et al.*, (2009) examine firms' awareness, usage and perceptions of the usefulness of foreign trade promotion instruments as an indication of their outcome. It is argued that although the study gave no evidence of the impact of the instruments on SMEs, the instruments were seen as a helpful tool for programme planning, assessment and decision-making (Francis and Collins-Dodd, 2004), since they can be used to evaluate the transparency and accessibility of the promotion scheme.

Pahud de Mortanges and Van Gent, (1991) measured the success of export promotion using the degree of awareness and usage of the programmes. Freixanet (2012) assesses both the level of awareness and usage of EPPs and found awareness and usage to be high among ‘classic’ programmes such as sponsored trade shows and trade missions. However, Freixanet, (2012) argues that starting exporters show a remarkably low level of awareness of “Programmes for Assistance to Start Exporting”, considering that these exporters are the target of this type of programme. Contrary to their findings, it came out during interview that starting exporters are aware of all the promotion instruments available and patronise them. A GEPA official remarked that:

All new exporters are required by law to register with us, hence, during registration we introduce them to all the support we have for them so I would say the level of awareness among firms is high. [Director of Research, GEPA].

GEPA organises what it terms “export school” for all newly registered exporters and at this training event SMEs are introduced to all the available facilities that are in place to support their internationalisation to make them competitive. The “export school” creates the needed awareness and encourages exporters to make use of the services available. Although exporters are aware of the services available, some of them do not use the services due to the limited nature of resources at the disposal of EPOs to provide for all exporters. This has resulted in rationing of the available services to ensure that all exporters get the opportunity to access the service. A respondent of GCCI indicated that:

We are doing our best to create the needed awareness for the programmes that we offer. We have our brochures wherever we go; we circulate them throughout the regions. We also have a website that talks about the services that we provide and we ensure that it is updated more frequently. One issue that is important in awareness creation strategy is to ensure that communication is targeted at the required audience. [Senior Executive, GCCI].

Many studies have found awareness of export promotion services among SMEs to be very low, given the fact that these services were established to target inexperienced and new exporters who are mostly SMEs (Reid, 1984; Seringhaus, 1986/1987; Hauser and Werner, 2009; 2015). Weil (1978) identified two notable shortcomings of EPPs as far as awareness creation is concerned: (1) a lack of information about what services specific groups needed and (2) inadequate financial resources. Some exporters will not use EPP due to

the “ups and downs” involved when trying to access the facility, especially those that involved financial support.

7.4 Accessibility and Usage of Export Promotion Services by SMEs in Ghana

This section presents responses of interviewees regarding accessibility and usage of export promotion services by SMEs. Available studies have indicated that although export promotion instruments were established with SMEs as the target group, most SMEs are not making use of the services provided by promotion organisations (Hauser and Werner, 2009; 2015). From the perspective of the resource-based view, the limited involvement of SMEs in international business is because of lack of internal resource, needed to enter into international markets (Acs, Morck and Young, 1997; Haahti, Madupu, Yavas and Babakus, 2005). Large enterprises are often seen to possess the required resources to enter and develop foreign markets on their own. On the contrary, many SMEs could only realise their international market potential with the help of public support (OECD, 2006). When asked about accessibility of services and usage of promotion instruments by SMEs, an official of GCCI remarked that:

The large companies sometimes do not need some of the services that we provide. Many of the large companies are well structured; hence have the capability to access international markets on their own. Most of the services that we provide here are for SMEs, however, some of them are “across board” and all sizes of companies patronise them, for instance the certificate of origin, all sizes of companies need it to ensure either 100% tax waver or discount on their tax level. [Senior Executive, GCCI].

SMEs are noted to have restricted management capabilities compared to large firms. Most SMEs are managed by the owner, with support from family members and few hired staff. Hence, their success is strongly determined by the personality, competence and self-image of the owner (Coviello and McAuley 1999; Ritchie and Brindley 2005). Thus, export promotion programmes are created to minimise the impact that lack of internal resources has on their internationalisation and markets development. However, studies have shown that SMEs seem to make less use of public foreign trade promotion

programmes compared to the larger companies (Haunschild *et al.*, 2007; Van Elk *et al.*, 2009). An official of GCCI indicated that:

When it comes to accessibility of our services, it depends on which service the small SME wants to access. For instance, a Turkish EXIM bank facility was opened for our members. Such facilities are mostly open to all members, however, internally we will assess the company whether they can meet the requirements attached to the facility or not. Those firms that met the requirements were assisted with further information for them to access the fund. When it comes to training, we send the information out, then the businesses provide us with their training requirements then we organise it for them. Thus, when it comes to training we write to those who need the training. [Senior Executive, GCCI].

SMEs are often not able to access services provided by export promotion organisations, especially those that required cost sharing or full payment because most of them are financially handicapped (Hauser and Werner, 2015). In most instances, SMEs avoid accessing services completely just to avoid the frustration involved in meeting criteria for those facilities. SMEs are provided with services that they do not need and because services are disjointed, it becomes difficult for the firm to reap the full benefit of the instruments. For instance, if, after training, the SME does not get the needed finance for production because it did not meet accessibility criteria, then such a firm would not be able to see the positive impact on the training provided. Promotion organisations in developing countries and SMEs are facing this dilemma due to lack of funding on the part of promotion organisations to support the cash-strapped SMEs.

A respondent of GEPA explained that:

As an organisation, we rely greatly on government subvention and the fact that government budget is always tight, we have to find a way to get our yearly programmes going. Thus, some of the services are fully funded by government but most of them are cost sharing or fully funded by the companies. As for the services, they are available, but after all, there is a limit to what we could do. Some services required EPOs hiring consultants or resourced personnel. For instance, we recruited a consultant for the craft industry when we realised that most of the master craftsmen are aging, hence we needed to train our craftsmen to become master craftsmen. For such a service we make sure they are available to all SMEs at no cost. [Director of Research, GEPA].

As indicated earlier, some researchers have noted that SMEs use export promotion services to a lesser extent because they lack the required in-house resources to efficiently screen all the public promotion schemes (Curran and Blackburn, 2001; Behrends, 2007; Looi, 2013). Because either most of these services are cost sharing or businesses pay for the full cost, SMEs are expected to analyse which of the services available fit into their internationalisation strategy. However, small firms are noted to lack the needed personnel to carry out such in-depth analysis on each of the services, thus, they end up not accessing the services altogether. An AGI official remarked that:

Some of the SMEs, especially the medium-sized ones, occasionally come together and request a particular programme to be organised for them. They screen their operations and see that we want you to do this for us. For instance, they could ask the association to get them somebody to take them through how they will certify their pack out. These are medium-sized companies who think this one we need it for our market, even if it's not in our budget, they are ready to fund it for us to get somebody to take them through. [Executive Member, AGI].

The medium-sized companies are well-structured and well-organised and they are able to determine their needs when it comes to such decision-making. However, the smaller businesses, which are the most dominant business establishment in developing countries and, for that matter in Ghana, lack the necessary skills and competences to identify which promotional instrument is good for them and fail to prioritise (Curran and Blackburn, 2001; Behrends, 2007; Looi, 2013).

7.5 The Impact of Export Promotion Programme on the Exporting Activities of Ghanaian SMEs

This section presents findings on how trade promotion instruments assist in SME internationalisation and it provides a response on the impact of export promotion on SMEs. Although findings will not provide evidence of the impact of individual promotion instruments, they provide the overall impact of trade promotion activities on SME internationalisation (Francis and Collins-Dodd 2004). A large body of research has focused on the impact of EPPs on SME internationalisation, (Wilkinson and Brouthers, 2006), however, most of these studies have focused on specific aspects of SME internationalisation, such as sales intensity (see Hauser Werner 2009) and SME goal

achievement (see Durmusoglu *et al.*, 2012). Moreover, the bulk of these studies has been conducted mainly at the macroeconomic level, in an attempt to verify the relationship between export promotion programmes and the export performance of countries or sub-national jurisdictions such as federated states or provinces (Coughlin and Cartwright, 1987; Wilkinson and Brouthers, 2000).

Recent studies (Lages and Montgomery, 2001, Gillespie and Riddle, 2004; Hauser and Werner, 2009) have focused on the effect of these promotion instruments at the firm level. Brewer, (2009) argues that, one advantage of examining the effectiveness of the promotion instrument at the firm level is that firm heterogeneity is considered. Brewer (2009) opines that studies at the macro-level abstract from variation among firms. Hauser and Werner (2009) argue that a closer look at the SME subcategories indicates a clear firm-size dependency on export activities. Existing studies also indicate that the share of exporting firms increases with firm size and export shares in total turnover are higher for larger firms than for SMEs (Katsikeas *et al.*, 2005). SMEs need assistance to increase their market share in order to grow their businesses. However, one of the challenges of accessing foreign markets is how to access information on foreign markets, a GEPA official commented that:

For sometimes we have realised that our SMEs' struggle to secure reliable and timely information on foreign markets, hence we have liaised with our missions abroad to provide reliable and timely markets information for us, which we provide to the exporters. [Director of Research, GEPA].

The markets information provided by EPOs reduces the perceived obstacles faced by SMEs in an attempt to access international markets. The poor participation of SMEs in international markets is mainly as a result of a lack of resources needed for entry into and development of foreign markets (Acs *et al.*, 1997; Haahti *et al.*, 2005). The competitive disadvantages of SMEs because of their size and resources, have caused governments worldwide to define SMEs as the principal target group for their foreign trade promotion schemes (OECD/APEC 2006). A respondent from GEPA remarked that:

Most of the activities we organise are geared toward the small businesses; unlike their counterpart, the larger companies, they lack the needed resources to be able to take a market share within the international markets. Some SMEs also

lack the necessary skills to sustain the gains once they are out there, hence the services we provide are expected to assist these disadvantaged SMEs to take market share and sustain themselves within the foreign market. Through the various trade fairs that the organisation organises for the SMEs, we have been able to increase the number of SMEs that are into intensive export business. In addition, the annual sector-by-sector figures show that SMEs exporting activities have increased. Although most of these SMEs have challenges, such as finance, to honour orders from customers they met during fairs, and other unsolicited orders, the current picture shows there is hope and the impact of our activities within the NTE sector is yielding a positive result. [Director of Research, GEPA].

It is important to note that one significant reason for promoting SMEs and the NTE sector of Ghana is to reduce the overdependence on the traditional exporting commodities by diversifying the country's export sector. Czinkota (1994) asserts that to achieve development goals, most countries encourage export-oriented policies and programmes with an agenda to promote national openness in the international marketplace. It is worth noting that export trade has direct and positive macroeconomic implications; it generates foreign exchange reserve, it grows and enhances small business performance, enhances productivity of national industries, and creates new jobs. A GEPA respondent indicated that:

We have a mandate to increase the country's export within the NTE sector and for the past years we have seen a positive growth within the export sector, especially the NTE sector, which is our core focus. One of our objectives is to ensure that the firms export quality products that meet international quality standards. Within the past years, the quality standard of products manufactured by SMEs has increased. Moreover, most of the markets that our SMEs were finding it difficult to access due to lack of information, poor product quality and strict regulations have been accessed due to the support we offer to the SMEs sector. [Director of Research, GEPA].

Miocevic, (2013) posits that over the last three decades, trade policies of countries have focused on export growth, thereby making it feasible for EPPs to support private sector exporting activities. Ghana, for instance, has instituted programmes to grow and diversify its export sector. As per the trade policy of Ghana, the Ministry of Trade and Industry and its trade promotion agencies have set a target of 5 billion USD for the NTE sector by 2019. Figures in Chapter two, section 2.4, demonstrate the contribution of the EPOs in

achieving the set target of the NTE sector. In an era when domestic markets have become so saturated due to the influx of goods and service from foreign companies, international business opportunities are being accessed from a global perspective by local firms in order to sustain themselves in business and to make the needed returns. EPPs could also be considered as external resources that are at the disposal of SMEs as they move abroad. It reduces those perceived barriers that hinder SME internationalisation (Miocevic, 2013). A GEPA official said that:

Through the organisation of fairs, trade missions and other promotional activities such as “match ups”, we have been able to assist most SMEs to increase their international presence. We have been able to provide those resources that the firms were lacking as an internal capability. Information on entry regulations, packaging, standards and product quality has reduced most of the obstacles SMEs were facing. [Director of Research, GEPA]

Another key informant commented that:

SME owners/managers have challenges managing their finances and the business as a whole. We have been organising training to encourage them to follow good business practices in order to attract finance and partnership from local and foreign companies. [Second Vice President, FAGE].

More often than not, SMEs from developing countries are faced with stiff competition from their counterparts from the developed economies due to the fact that those from developing countries produce under a national economy that is not favourable in relative terms. High interest rates, high inflation, duties and levies make their operational cost high compared to their counterparts from developed and stable economies, (Abor and Quartey 2010). Some of these challenges affecting SMEs have been eradicated or reduced through the Ghana Free Zones Board promotional activities. An official from GFZB indicated that:

Some of the services and facilities we offer to exporting SMEs have reduced the negative impact the macro-economic environment “throws” at them. To make these companies competitive, we offer them 100% exemption from payment of direct and indirect duties and levies on all imports for production and exports from the free zones. We also exempt them from payment of income tax on profit for 10 years, which will not exceed 8% thereafter. There is also a total exemption from payment of withholding taxes from dividends arising out of free

zones investment and relief from double taxation for foreign investors and employees from countries that Ghana has a double taxation agreement with. [Senior Manager, GFZB].

7.6 Challenges Facing Export Promotion Organisations and Exporters Associations in Ghana

This section presents providers responses to the fifth research question on the challenges confronting EPOs and their impact on the services that they provide. In their quest to provide services to SMEs to assist them overcome the various barriers associated with internationalisation, export promotion organisations face many challenges.

7.6.1 Funding

One of the challenges facing EPOs in Ghana is funding to carry out their mandate. Funding problems are so acute that most the EPOs are unable to perform their day-to-day tasks. Lederman *et al.*, (2010) posit that around 52% of EPOs obtain over 75% of their budget from public funding. However, organisations that depend on the government budget for subvention, especially countries within the Sub-Sahara Africa, are mostly under resourced. Government funding is mostly inadequate and needs to be shared among various sectors of the economy. It came out during the interviews that the yearly budget of EPOs submitted to the finance ministry is normally “slashed” leaving them woefully resourced. A GEPA official described the funding issue as follows:

We are not achieving our target because there is inadequate funding to carry out our programmes. The little that we get is what we work with. Some researchers have argued that every cent that you spent on promotion you get three-fold but ask us what we get. We are sharing a government subvention with other ministries and agencies. Therefore, what we get is what we work with. We have found out that the resources available are so limited that some services that we need to provide cannot be provided. Just recently, some companies that have gone through our system and we think they have grown and then need big capital to inject into their businesses are not getting it. For them they do not think they need our services anymore because they have grown beyond what we can provide. What these companies say is that they have all the technical know-how and the basic support that they need, all that we need is support to invest. All that we tell them is that they have to explore partnership agreements from

outside instead of looking for government funding. [Director of Research, GEPA].

Most of these SMEs have gone through the programmes offered by the EPOs and have gained all the experience needed to develop and succeed in international markets. However, like the EPOs themselves, there is not enough funding to execute their internationalisation strategies. Most of these companies look up to the EPOs, the exporters associations and government for financial support, however the cash strapped nature of these organisations means there is little or nothing they can do about their financial needs. Therefore, when there is nothing coming from the government to support them, [SMEs] then they have to rely on the little that they have. Most of these SMEs are operating below their capacity because of the challenges involved in raising capital to honour international orders. A respondent from FAGE reinforces what the GEPA official said by indicating that:

FAGE is a non-profit making organisation, so we have funding challenges. We sometimes get funding support from donor agencies however, that source of funding is woefully inadequate. Besides, the funds are mostly for capacity building for exporters and nothing for administrative purposes and to support the capital requirement of the SMEs. [Second Vice President, FAGE].

Lederman *et al.*, (2010) have argued that only 2% of EPOs obtains 75% of their funding needs from either multilateral or bilateral donors. The remaining 98% of EPOs depend on either government for funding or self-generated funding through offering of services. Because of the funding shortfall most of the EPOs have to surcharge SMEs for some of the services they offer in order to raise the needed funding to sustain their operations. However, because most the SMEs are not in a position to pay for such services they do not attend those programmes. A respondent of GCCI remarked that:

Due to financial difficulties we are not able to offer all the programmes we lined up within the year. Sometimes we receive small levels of funding from our foreign partners, for instance Turkey Chamber of Commerce. However, such grants are normally for specific projects, which might not be what the SMEs are looking for. Because of financial difficulties, we have to postpone most of the activities lined up for years. There are instances we will not be able to offer a particular service at all, except for those who could afford to pay for such service. [Senior Executive, GCCI].

7.6.2 Human Resources

Besides the funding shortfall and challenges, another issue that affects the operations of the EPOs is human resources. Due to the fact that government of Ghana is sponsoring most of these organisations directly or indirectly, recruitment of staff into such organisations is also subject to government recruitment regulations. A respondent from GEPA indicated that:

As an organisation we have human resources challenges, the government has currently placed a ban on recruitment into public organisations. We have sent a request to the Ministry of Trade and Industry to recruit staff in areas such as Information Technology, Food Sector, Quality Standards, Manufacturing, and Services; however, the Ministry has not given us the green light to recruit. We need graduate staff to train them so that they could take over from the top management when we are retired. However, we have not been given the go ahead to recruit. The ban on recruitment has a huge impact on our delivery and performance. [Director of Research, GEPA].

The “bailout” of the Ghanaian government by the International Monetary Fund (IMF) has resulted in a freeze on public sector recruitment to reduce the government wage bill. Keesing and Singer (1991a, 1991b) argue that EPOs in developing countries are ineffective due to the fact that they are ill-resourced. They noted the bureaucracy in the process of hiring staff and that EPOs are subject to government interference. The human resource shortage has been compounded by the high turnover of the few experienced workers due to inadequate working tools; a respondent from GEPA stressed that:

We have been dealing with CBI, Netherlands, (Centre for the Promotion of Imports from developing countries), they have been assisting us to restructure and reorganise the organisation and our operations, but after a while they realised that we do not have the resources to work and that all that they have done has come to zero. It came to a time that most of our staff started leaving us because there are no resources to work with. You come out with an idea but money to implement it becomes a problem. [Director of Research, GEPA].

It is evidently clear that a lack of experienced workforce to execute the strategies of EPOs has negative consequences on the internationalisation drive of SMEs that depend on them to reduce internationalisation barriers within the export trade. Lederman *et al.*, (2010)

argue that lack of leadership, inadequate resources and bureaucracy have resulted in many donor partners withdrawing their support for EPOs. An official of GEPA maintained that:

The organisation has no leadership challenges and there is no government interference. Leadership have free hands to work; the problem is that we are constrained by resources. I can share your sentiment that at the end of everything a politician would be appointed to head the organisation. Somebody will be chosen by the president to head the organisation; however, there is no government interference in our operations. [Director of Research, GEPA].

The practice that government appoints top management of export promotion organisations from outside the hierarchy does not augur well for consistent and effective planning and strategy implementation, as every change of government brings in new leadership with different agenda and style. Lederman, Olarreaga and Payton, (2010) argue that private representation in management and consolidation into a single institution, rather than a proliferation of small agencies, will bring some form of efficiency into the operations of EPOs in developing countries. Concerning the issue of political appointment of leadership of export promotion organisations, an official of GCCI remarked that:

We used to appoint the chief executive officer (CEO) from outside the organisation; however, the council of the chamber have decided we have to appoint the CEO from within the organisation in order to ensure consistency in planning and implementation of strategies. [Senior Executive, GCCI].

The practice of filling the top management post with political appointees has the tendency to affect the stable and efficient running of such organisation. These government appointees tend to favour well-connected firms and party cronies and affect the continuity of corporate strategy as a change in government means a change in management and strategy.

7.6.3 Government Policies, Micro and Macroeconomic Environment

Besides funding and human resources challenges, the work of EPOs and exporters' associations is also affected by poor government policies, macro and microeconomic instability. The general business environment is determined by both the micro and macroeconomic situation (De Maeseneire and Claeys, 2012; Sayek, 2004). Government is expected to create the enabling environment for business to thrive (De Maeseneire and Claeys, 2012; Sayek, 2004). Access to affordable and competitive finance depends on the nature of the business environment (De Maeseneire and Claeys, 2012; Sayek, 2004). De Maeseneire and Claeys, (2012) argue that capital market imperfections negatively affect the number of entrepreneurial initiatives, affect firm growth and economic viability. Sayek (2004) argues that a lack of well-functioning financial markets hinders export activities. The imperfections in the financial sector could be exacerbated by poor micro and macroeconomic conditions. An GEPA official remarked that:

If you look at it, most of them [SME owners] it is not their attitude which is affecting their business; but rather it is the environment which is so hostile to them. Some owners/managers have borrowed many times to work, but they have found out that it is not helping them and also is not sustainable. The macroeconomic situation plays an important role in SMEs development and growth. The exchange rate, interest on credit and loans, cost of water, electricity, all affect the smooth running of SMEs. Because of these problems, the Minister of Trade and industry organised a forum to look into interest rates and it became an issue in the country. Many think it is none of his business. The conditions under which the businesses operate affect the result we obtain. We work so hard, however, the business environment is not conducive for the businesses, and, thus, it is difficult for us, as an organisation, to move forward.
[Director of Research, GEPA].

Officials of GEPA, the main promotion organisation as well as the trade minister, Dr, Ekow Spio Garbrah, believe that they face a huge task driving export figures up, growing SMEs and sustaining them within the foreign markets if nothing is done about the basics of the macroeconomic indices that determine the cost of borrowing and production cost. Although government has set out promotion instruments to assist SME internationalisation, some stakeholders think government policies are sometimes hostile and create an unfavourable atmosphere for business to thrive. An AGI official noted that

Some of government regulations come as a surprise to the exporting communities. For instance, Ghana Conformity Assessment Programmes (GCAP) and Advance Shipment information system, these policies were not extensively discussed with the business community before coming into force. However, in as much as these policies and regulations affect international business, government needs to discuss with the business community in order to address any concerns that they may have. [Executive Member, AGI].

The official further indicated that

We don't have control over some of the external factors that affect our members in the foreign markets. A challenge such as price fluctuation is a big issue. There are also internal conditions, such as the currency volatility, that we are experiencing lately. Although it appears to be good for export business because the more you export you tend to rake in foreign exchange, most of our members import their raw material before they can produce for export. Therefore, with this high foreign currency volatility (unstable exchange rate) and poor monetary policies by the government, it is expensive to import those raw materials. Our monetary policies are not favourable, it makes business planning difficult and ineffective as well. Our SMEs are not competitive and this is some of our problems. [Executive Member, AGI].

Leonidou, (2004) has distinguished between different environmental challenges that organisations face as far as internationalisation is concerned. These are either external or internal. Among the external challenges are those classified as procedural, governmental and task. Activities of EPOs become more challenging when government regulations, procedural policies, and the overall business environment tend to be unfavourable. The current economic environment in Ghana poses a huge challenge to businesses, thus the promotion organisations and the trade ministry are finding it difficult to achieve the target set for the NTE export sector.

7.6.4 Attitude of Small Business Owners

Another challenge facing export promotion organisations in Ghana is the attitude of some of the small business owners. The small businesses in Ghana are mostly managed by the owner, family members and a few hired staff. Mostly, SME owners take strategic business decisions without professional advice (Kayanula and Quartey, 2000). Sometimes management of the business becomes a challenge for the owner, and this has an adverse effect on the activities of EPOs, an official of GCCI commented that:

You see..., the Ghanaian exporter, not the exporter alone, the business people, sometimes those SMEs..., because they don't have proper structures in place, management of their businesses and its finances becomes a problem. Hence, we are trying our best to assist them in that regard. However, some will not take good counsel and they will mismanage any credit or grant they have received and then back to their old state in 1 or 2 years.

[Senior Executive, GCCI].

One of the challenges of SMEs in developing countries has been how to manage their limited resources effectively (Abor and Quartey 2010). Levy, (1993) finds that ineffective management of resources has resulted in the failure and collapse of many SMEs, particularly those in the developing world. EPPs are expected to assist SMEs for them to find their feet in the foreign market. Those SMEs who have benefited from the services EPOs offer according to EPO officials are expected to “wean” themselves off the assistance they are receiving as they grow and become more experienced in the foreign markets so that the organisation would be able to support other SMEs who are also coming up. However, poor management and lack of resources have made many of the SMEs perpetually dependent on EPOs. A respondent commented on the poor attitude of SME owners and their management style, which sometimes result in the collapse of their businesses.

When the Ghanaian businessman has a store or a small business, he is always effective and performs well. However, as soon as things get better or when they receive some financial assistance, they then leave the business in the hands of other people, maybe friends or family members who may not be skilful or talented or have passion in that business like the owner does, and eventually the business will collapse or become stagnant. [Second Vice President, FAGE].

This confirms the point made by previous studies on the attitude and poor management skills of SME owners and managers, which mostly lead to the collapse of many SMEs (Levy 1993; Abor and Quartey 2010). SMEs are noted to be opaque due to fear that other competitors might steal their business idea (Abor and Quartey, 2010). This attitude of small business not opening up to share their experiences and challenges with EPOs, is seen as a major setback for the exporters' associations. The associations believed that such behaviour put them in "darkness" and makes it difficult for them to get first-hand information, so they would be able to engage government with their problems. A FAGE respondent summed up the frustration of the exporters' associations with regard to the attitude of SME owners as follows:

As an organisation we are expecting those experienced companies/exporters to assist the young and inexperienced ones but maybe the attitude of the small business owners, is they are not ready to share information. Let me tell you..., the companies are supposed to give us feedback, either positive or negative. Whatever goes on in their operations, it can be monthly or yearly. Issues concerning their operations and any problems they are facing, so that it will inform the Federation to be able to engage government. This is because we need to engage the government with evidence. Because such information can never be generated here at the Federation level, we are expecting the associations to provide the Federation with such information. However, the SMEs are not sharing such information. For instance, if they go to the port and face any arbitrary charges, they are supposed to inform us but they will not let you know. Look, even if we support them to go to exhibitions they are supposed to give us feedback on the market and the kind of product and the volume and all that but they think they won't let you know. [Second Vice President, FAGE].

The opacity of SMEs, unlike their counterpart the large businesses, whose information could easily be accessed from the company website or from the annual reports of the company does not allow EPOs to effectively monitor and provide services to SMEs. This is because the EPOs are not getting the feedback that will allow them to improve their operations.

7.7 How EPOs in Ghana Determine which Market to Move into and Services to Offer to SMEs.

There is evidence in the literature that EPOs provide services that are not needed by exporters (Seringhaus and Botschen, 1991; Seringhaus and Rosson, 1990). However, for promotional instruments to serve the intended purposes, EPOs and agents need to ensure that services provided actually meet the needs of the intended beneficiaries. Naidu *et al.*, (1997) argue that it is vital that firms are targeted by segments and programmes tailored to meet specific needs of exporters. Services have to be created to solve challenges that arise at each stage of the internationalisation process. In this current study, EPOs and exporters associations were asked how they determine which services to offer to SMEs and the market to promote at a point in time. Some of the EPOs indicated that they involve the SMEs in the process of identifying their needs; here are some responses from them:

At the Chamber of Commerce here, what we do is that, at the beginning of every year we ask our members the areas that they want us to touch in terms of training and provision export support. Therefore, when we gather those needs we then plan for the execution. Hence, it is not like we decide for them, we involve them in whatever that we do. [Senior Executive, GCCI].

Most of the SMEs interviewed indicated that they are not patronising the services of the EPOs because they are not addressing their immediate problems. However, the EPOs appear to be poorly resourced, hence, they are unable to provide tailor-made services to SMEs. A respondent from GEPA indicated:

Well, some of the services we provide are based on requisition from the exporters. Others are more or less as a routine work, that one, we do not need somebody to pre-empt us. There are programmes such as the “exporters’ forum”, we create the platform then invite the exporters to come and air their views on the challenges they are facing, either at the farm, the factory level or at markets abroad. It could be transportation issues or challenges at the port. Whatever issue they are facing, we open our doors for them to share them with us as an organisation. [Director of Research, GEPA].

Although the opportunity to allow SMEs to come up with training and other needs as far as their internationalisation is concerned is laudable, the SMEs are mostly not able to identify what best serves their needs, as most of them lack the skills and competences to

determine the services that will aid their internationalisation. Another respondent mentioned that:

There are times that in our own way we knew what is going on, so we pick some group and provide training for them or provide them with whatever services they require to make their operations successful. Thus, if today we think that finance is the problem and that is what a group needs, we invite all the banking institutions to come and tell them about the financial facilities that are available or we invite EDAIF to come and talk to them.

[Director of Research, GEPA].

Early studies have shown that there is a mismatch between SME needs and government assistance priorities (Seringhaus and Botschen, 1991; Seringhaus and Rosson, 1990). A respondent of an exporters' association, Aid to Artisans Ghana, (ATAG) remarked that:

Donor partners and bilateral organisations provide most of the funding for our activities and these organisations will only sponsor programmes that are already on their agenda for that financial year, hence it is sometimes difficult to provide SMEs with services tailored to their needs. However, those services at the end of the day solve some problems. [Export Officer, ATAG].

7.8 Summary and Conclusions

The chapter has presented findings of the research data collected from EPOs, exporters' associations and development partners. Export promotion activities in Ghana are focused on the NTE sector. The sector includes agribusiness, manufacturing, fruit and vegetables, leather work and handicrafts. The EPOs and exporters' associations, as well as development partners, provide various services to exporters in order for them to find markets abroad and further develop such markets to ensure the growth and survival of these businesses. Services provided by EPOs are divided into five broad areas which include; Production Planning and Support, Export Information and Advice, Marketing Support, Finance and Guarantees and Education and Training. Production Planning and Support services assist SMEs to plan their resources in order to achieve efficient and effective supply to the targeted markets with quality and affordable products.

The export information and advice are provided to augment the internal resources of the firms. Due to high-level externalities associated with the gathering of foreign market

information and the fact that small businesses lack the resources to gather such information, government support for foreign market information gathering is crucial for SMEs' survival in international markets. Training and education services include seminars and workshops, newsletters and updates/reports. The finance and guarantee services provide credit facilities to SMEs as one of the central challenges facing SMEs is finance. Finally, marketing-related support includes market information or market research, customers' tastes and preferences information, displaying the product, pricing assistance and product development.

Awareness of the various services among SMEs is high. However, accessibility and usage are dependent on the service the firm wants to access. The resources challenged nature of the EPOs has led to services being rationed among SMEs and others being run on a cost-sharing or fully paid basis. The EPOs have indicated that export assistance has had a positive impact on SME internationalisation in Ghana. EPOs are unable to provide services to all SMEs due to resource limitations, which affects the overall programmes. The EPOs' are beset with challenges such as human resources, financial resources, a hostile business environment and the negative attitude of some SMEs towards good business practices. The literature has documented instances when EPOs have provided services which might not meet the needs of firms that patronised the programmes. However, the interviews with EPOs revealed that they sometimes consult exporters before rolling out services to assist them.

8.0 Searching for New International Markets: The Role of Export Promotion EPOs

8.1 Introduction

This chapter is a continuation of the presentation of the research findings. It presents the findings and responses of SME owners and managers within the Non-Traditional Export (NTE) sector. The current study selected 30 SMEs, and either the owners or a manager who were well involved in the firm's international operations was interviewed. Although these SMEs were at various stages of the export "stance", the studies did not differentiate between these firms. This is because most SMEs in Ghana have not been in operation for such a time that their export "stance" and experience could make a huge difference when comparing with other exporting firms. This situation is because most SMEs in Ghana do not survive after the death of the owner or the founding team due to a poor succession plan (Abbor and Quartey, 2007).

8.2 Factors Influencing the Initial Decision to Export

There is enough evidence in the literature to confirm that the initial decision of the firm to export is influenced by the environment in which the firm operates (see section 3.4). Small domestic markets, opportunities in foreign markets, government policies, micro and macroeconomic environments, unsolicited export orders, excess capacity and government export stimulation are all factors that influence the initial decision. Most of the SMEs interviewed disclosed the reason behind their internationalisation. Although most of the products of SMEs within the NTE sector have potential and a ready market in the domestic sector, some of the SMEs preferred to sell a large proportion of their products abroad. Those that operate within the free zones enclave are required by law to export 70% of their annual production.

During interview, one SME owner indicated that most of his colleague exporters have realised that international activity was imperative for their success. These views were summarised by one of the respondents whose company exports cocoa butter paste to Europe, the Far East and North America:

You must remember that we are a small firm operating in a limited domestic market to be competitive we need to increase our production capacity to be able to benefit from economies of scale. The capacity of our plant is such that the local market cannot use all the butter paste we produce; hence it was clear from the outset that we would have to develop international markets to sell the excess production. [Interviewee No. 15].

Other responders indicated that the uniqueness of their products is such that there is no demand for them in the domestic market; hence, they have no option but to look for markets abroad where the demand for their products is high. The Managing Director (MD) of one timber processing company indicated that:

We went into production of a product that has no demand in this country, so right from inception our focus was to export 100% of our production. Well, we, however, produce some few quantities to supply the local market in order to satisfy government regulation. [Interviewee No. 7].

Most of the SMEs indicated that, prior to seeking assistance from EPOs and the various exporters associations; they had already made efforts to get their product into some foreign markets. There is a consensus in the literature that, unlike SMEs, large firms have what it takes to develop international markets themselves (Hauser and Werner 2015). Most of the large companies have effective structures that assist them to develop their international operations and they, therefore, use export assistance to complement their internal capabilities. Other respondents indicated that environmental conditions such as declining domestic sales coupled with reactive factors, such as unsolicited enquiries or orders, have played an important role in their export initiation. A handicraft exporter indicated that:

We used to sell only within the local market; however, most of our customers are holiday-makers who have come into the country from other parts of the world. Therefore, we created a website where we displayed our products. When we started receiving too many enquiries then we decided to consider looking for markets abroad. [Interviewee No. 12].

Another respondent commented that the business needed to boost its sales level in order to repay a bank facility:

When the domestic market was not moving the way I wanted I took a bold decision to look for markets abroad though I didn't know where to start from

initially, the pressure to pay a loan I have received from my bankers served as the push factor to look for markets abroad in order to boost sales and increase profit. [Interviewee No. 1].

Some respondents mentioned that their initial target was the domestic market until they attended a local fair organised by some EPOs.

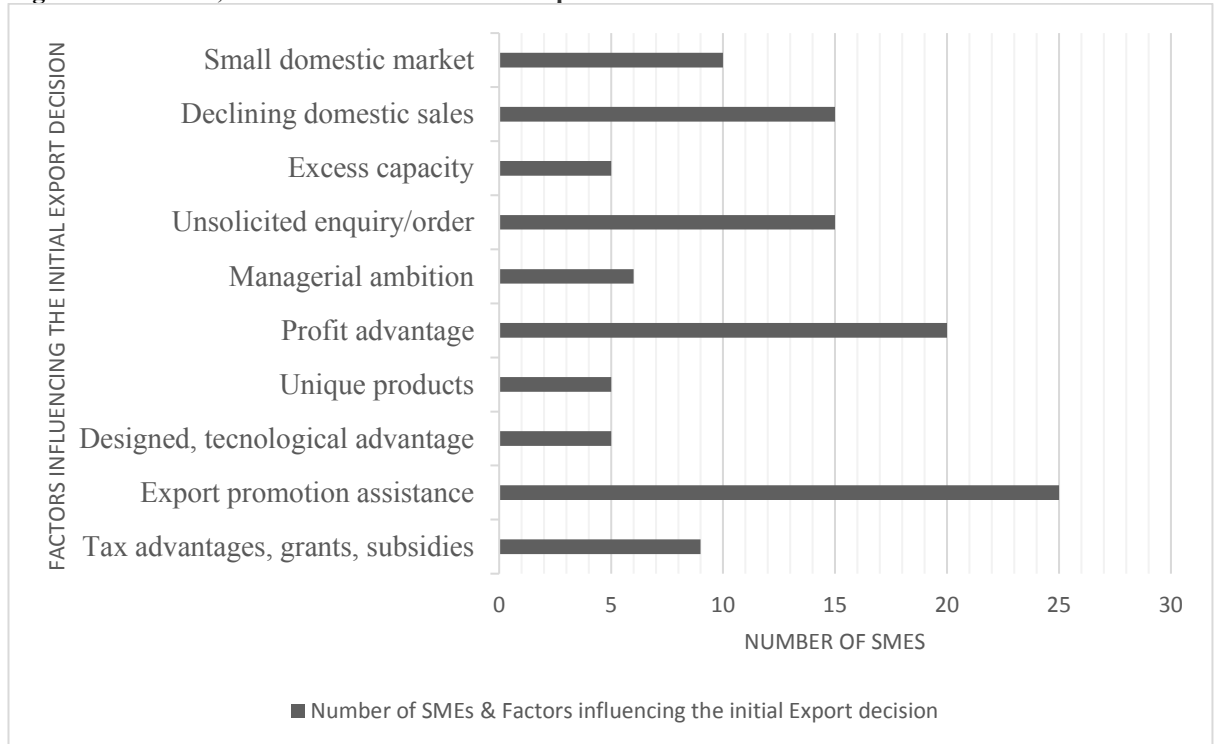
We were only producing for the local market with no immediate plans to export abroad, however, after the fair GEPA selected my products as one of the best and offered to assist in exporting them abroad. [Interviewee No. 24].

Another interviewee disclosed that:

The idea of exporting my products was not something I had given thought to until GCCI offered to find buyers for my products abroad.
[Interviewee No. 18].

EPOs, in their bid to increase export levels, have been organising local fairs in order to identify potential exporters and products that could be exported to international markets. A large number of the respondents, as depicted in fig 8.1, indicated that the initial decision to export was influenced by the activities of EPOs and trade associations. This appears to be the case as most of the SMEs that took part in the study were very small firms. Although some SMEs took the initiative on their own in their international markets acquisition, it became known during the interviews that EPOs play a crucial role in that regard. Most of the 30 SMEs interviewed indicated that they initiated their internationalisation process by taking advantage of the export initiation drive of the promotion agencies and the exporters' associations. As stated earlier, most of the SMEs lack the needed resources to initiate international business even though they might have the desire.

Figure 8.1 Factors, which influence the initial export decision



Source: Author's fieldwork 2015

8.3 Internationalisation Process of SMEs in Ghana

This section presents answers from SMEs and small business owners concerning their process of internationalisation and market selection. This section answers the research question of how Ghanaian SMEs select foreign markets and their subsequent internationalisation. The process of SME internationalisation has been a source of constant debate within the literature. It has been argued that the available theories which explain SME internationalisation are not robust enough to provide a complete account of how SMEs internationalise (Leonidou *et al.*, 2002; Laghzaoui, 2011). Researchers have, therefore, resorted to the use of multiple theories to explain SME internationalisation. As indicated in section 3.3, researchers have argued that there is the need for a general framework to allow integration of all the contributory factors, given the insufficient nature of the explanatory capacity of each one of these approaches. Consequently, theories that explain SME internationalisation lack the capability to adequately explain the process of SME internationalisation. Johanson and Vahlne, (1977), using the stage approach, consider SME internationalisation as a linear and sequential process, composed of multiple stages. In this approach, the firm harnesses both internal and external resources

to go through the various internationalisation processes. Two principal concepts of the stage approach are the learning process and the psychological distance or psychic distance. Another internationalisation theory is the network approach by Coviello and Munro (1997). Coviello and Munro (1997) observe that SMEs show a pattern of “externalisation” in their activities during the internationalisation process by associating themselves with a network relationship while they select the market and the mode of entry. They recommend that a rapid process of internationalisation could be launched by taking advantage of existing networks, particularly by international networks in which the main partners do not only initiate the internationalisation process but also influence the mode of investment in markets (see section 3.2.2). The international entrepreneurship approach was developed in the work of several researchers (Oviatt and McDougall, 1994; McDougall and Oviatt, 2000). Under the international entrepreneurship approach, internationalisation became a presupposition or an entrepreneurial decision led by an entrepreneur or a management team which possesses a strong capability and a desire to learn new concepts, ideas and a high-level of competence to manage complicated networks, as well as aptitude to adapt with different cultural contexts (see section 3.3.3).

This section concentrates on the aspects of the internationalisation processes, which relate to market selection decisions and entry strategies. According to Hsu, Chen and Cheng, (2013) SMEs operate in the context of high power distance culture, where most of the decision-making activities are centralised in the hands of the owner, hence, most internationalisation decisions and processes rest on the owner. Thus, the owner/manager’s capabilities and competences affect the internationalisation process.

8.3.1 Market Selection

Responses from most of the SMEs indicated that “psychic distance” is a factor they consider, but not an obstacle, when selecting a destination export market (see section 3.3.1.1). Most of the respondents indicated that they started their internationalisation process by selecting the West African market before expanding their search of international markets to Europe, America and the Far East. These firms were noted to have exported to Nigeria, Togo Benin and Guinea due to the similarities in the environmental factors as well as consumers’ tastes and preferences. This confirms Coviello and McAuley’s (1999) stance on the SME internationalisation process. Apart

from using international markets with a similar environment as that of their domestic market to gain international markets experience, SMEs also use markets of close proximity as a learning process, which tends to address the issue of psychological distance and liability of foreigners. An interviewee who exports locally made clothing to the West Africa market and is currently exporting to the US indicated that:

My first consignment went to a fair in Nigeria. It was my first international market; however, I was a bit confident my goods would be accepted because Nigerians have similar fashion taste and preferences to Ghanaians. Although it was my first attempt, it did not feel like I was selling in a foreign market as the customers were aware of the quality of my product. [Interviewee No. 6].

Another textile exporter who has established herself in the textile export business in the past twelve years remarked that:

The first export was sent to Burkina Faso for a fair under AGI sponsorship. That was my first experience and I learnt that my products were far better than most of the exhibitors who have attended many fairs and have years of experience as exhibitors. Therefore, I took the decision to continue by attending trade fairs through that I gained the interest and the experience. The second consignment went to South Africa with GEPA before I moved on to export to Europe". [Interviewee No. 2].

It came out during the interviews that most experienced exporters who have exported for a relatively long time have focused on the West Africa market before looking for markets in Europe, which has a different business environment from that of the home country. The respondents indicated that the export initiation process was to help them gain international market experience before entrusting more resources to internationalisation by exporting to far more challenging markets.

Another factor which came out during the interviews that strongly determines a firm's initial and subsequent markets selection decisions relates to the customer base of the exporter. Many SMEs follow their customers to the international markets. These SMEs target a niche market within that large market. For instance, most Ghanaian SMEs are exporting to the US and Europe because of the large concentration of Africans in these markets. However, this would not hold true for every product. A respondent who deals in assorted foodstuff and exported to Europe and North America indicated that:

Currently, I sell most of my products in Europe and North America, due to the large concentration of Africans and Afro-Caribbeans in these markets; it's easy and less costly to sell in those markets given the fact that I know my target customers and no need for expensive market research and detriments. [Interviewees Nos. 5, 9, 10].

A textile and garment SME that deals in a Norwegian traditional outfit and exports solely to Norway remarked:

We have a ready market in Norway due to the kind of product we are dealing in. Our customer base is in Norway; as a traditional outfit all we need to do is to make sure the finishing is perfect and we need not spend on market research and other customer-based research because we know our target customers. [Interviewee No. 21].

The business is a joint venture between some Ghanaians and some Norwegians. The strong ties of the Norwegian partners make it easier for the firm to access the Norwegian market. The study noted that they have used services provided by GEPA and GCCI; however, it is the management which influence the export decision and market selection.

8.3.2 Decision-makers' characteristics and Internationalisation process

The international entrepreneurship approach is developed in the work of Oviatt and McDougall, (1994) and McDougall and Oviatt, (2000). The theory was proposed based on the understanding that internationalisation is a presupposition, or an entrepreneurial decision led by an entrepreneur or a management team which possesses a strong capability, competencies and the required attributes to manage complicated networks and also to take important decisions regarding the internationalisation process. These attributes include age of the decision-maker, education of the decision-maker, decision-makers' overseas experience (nationality), Decision-makers' foreign language skills and prior work experience of decision-makers. Although these attributes during the interviews were noted to affect the internationalisation process of SMEs, it was the decision-makers' overseas experience (nationality) and prior work experience of decision-makers that respondents indicated which had some influence on the initiation and the internationalisation process, as well as exporting success. Respondents confirmed the

international entrepreneurship theory assertion that SME internationalisation is a presupposition or an entrepreneurial decision.

Most of the SMEs owners interviewed were foreigners who have settled in Ghana long term or Ghanaian owners who were previously residing abroad. Out of the 30 SMEs interviewed, sixteen of them have foreign nationality or strong international exposure prior to starting exporting. These were Lebanese and nationals of India and European countries or Ghanaians who were previous residents of other foreign countries. Most of these owner managers indicated that it was quite easy to export their products to those countries they have more knowledge about. A responding company with the parent company based in India, which processes Shea butter and exports to India indicated:

We export almost hundred percent of our product to India. It was quite easy exporting to India because we already have contacts and know the terrain. We are currently planning to export to the Far East because we have gained a lot of experience from what we have done so far. [Interviewee No. 3].

It has been argued that information processing increases and becomes more complex when firms move into international markets (Roth, 1995; Sanders and Carpenter, 1998; Tihanyi and Thomas, 2005). During the internationalisation process, the owner or the management team attributes exert critical influence on the SME capability to process information associated with the firm's internationalisation (Roth, 1995). SMEs find it less difficult exporting to a country the owner has prior knowledge about. Another respondent, originally from Italy, whose SME processes specialised timber for flooring and exports mainly to the continental and the European market indicated that:

We export mainly to all the Europeans countries; however, our first export went to Italy fifteen years ago. The process of exporting to Italy, which actually started our international markets engagement, was less challenging because of the personal experience I have as an Italian. We used the same strategy to replicate our entry into the other European countries. [Interviewee No. 20].

Another respondent who exports handicrafts to Europe and the US markets indicated that:

I had an informal discussion with some managers of T.K Maxx when I was a resident of the US. Thus, when I returned home and decided to export my wares to Europe and US, I did some formal enquiries about how I will be able to supply them with some of my handicrafts. Through the contact I made while in the US I was able to get some orders from them. [Interviewee No. 25].

It was also noted during the interviews that SME owners previous work experience is a strong determining factor during the internationalisation process. Bell (1994) conducted research on SMEs in the computer software industry in three European countries and observed that the previous work experience of decision-makers is very instrumental in the internationalisation process and export success of SMEs. Bell observed that over 80% of his respondents' have worked in other large companies prior to establishing their own businesses but observed that most of the respondents did not work in IT or with computers but rather in sectors which their current product is targeting. Some owners who have worked in a similar industry prior to establishing their own businesses indicated how their previous work helped them in selecting foreign markets and the entire internationalisation process:

It took me 12 years to send the first consignment to abroad. The first consignment went to Canada and then the UK. I first worked for 10 years with the Ghana Assorted Foodstuff Exporters Association. Within these years, I gained considerable experience in the export business. When I felt that I had learnt enough and acquired the necessary skills, I registered my own business and subsequently registered with GEPA to start exporting yam. [Interviewee No. 5].

Another owner manager responded as follows:

We have been exporting for a long time; however, the business was for my father. Currently, I am working in my own business. Exporting the product abroad was not difficult because I knew the buyers already. [Interviewee No. 25].

Another timber exporter indicated that:

I started this business as a logger, I was selling the raw logs to other companies between 2000 and 2002 for them to export so out of supplying the raw logs I gained the needed experience to process and export my goods instead of selling to agents locally for them to export. [Interviewee No. 24].

Another exporter who exports to several European countries, as well as North Africa, also supported the response of the previous respondents by indicating that:

I have the background and good experience in the timber processing business from my previous work. Thus, when I started my own processing company, I already knew most of the buyers and distributors; hence it was not difficult to export my first product. [Interviewee No. 11].

One owner summed up his comments as follows:

Because I have worked with three other factories before establishing this factory, I knew from my three previous projects what markets my product would be in demand. I was also convinced that I should work on specialities and forget about working on primary species, which are endangered species. From those previous employments, I knew all the timber buyers who were coming into the country. Hence, when I built this one I knew all those who want to join efforts with me here. [Interviewee No. 11].

As indicated earlier, attributes such as age of the decision maker, educational background and decision-makers' foreign language skills did not come out as an important determinant factor of export initiation and internationalisation. During the interviews, respondents confirmed that there are times when they think language is a bit of a problem, especially during foreign fairs and trade shows; however, it has not been an obstacle for their export initiation and foreign markets acquisition. Respondents were from different educational backgrounds, from basic education to masters. Although those with higher qualifications were of the opinion that their educational level was a bit of an advantage in decision-making, those with basic level maintained that they do not see themselves as being handicapped because of their level of education as far as their export business is concerned.

8.3.3 Government Policies

Another factor that came out during the interviews of SME owners and managers, which tends to influence their internationalisation process, is government policy. SMEs during the interviews were noted to react based on the environmental conditions created by government policies. Most often, owners and managers respond to policies that affect their businesses either positively or negatively. According to Seringhaus and Rosson (1990), the broad purpose of foreign economic policies is to regulate, restrict, promote or otherwise influence the conduct of international trade and investment. SME managers are expected to react to these policies depending on how they affect their businesses and operations.

As indicated by some exporters in the handicraft industry, the decision to export their products rather than produce for other exporters was as a result of government policy to promote the handicraft sector, he indicated that:

After producing and selling to other exporters for over seven years, I realised that I was working for them. However, it was difficult accessing any market abroad until GEPA took me through the export school and also to fairs within the West African Market. The experience I gained from those fairs and the export school increased my confidence to export to Europe and the US. [Interviewee No. 26].

Another interviewee indicated that:

I exported based on the advice of GCCI; however, I have not regretted venturing into the export business. [Interviewee No. 1].

Apart from the fact that most SMEs lack the necessary financial and skilled human resources to move abroad, SMEs are also known to lack confidence and required government support to leave their local markets (Hauser and Werner, 2015). Sometimes, SMEs need to be innovative in order to respond appropriately to certain government policies and regulations. A manager of a timber-processing firm summarised his company's response to government regulation to protect the environment by reducing the yearly timber concession allocation as follows:

Actually, the directive of the government was to export more and earn more revenue for the country; however, that same regulation appeared to restrict the allowable cut. Hence, to respond to the government policy of saving the environment, timber companies were expected to add value to every wood they processed. Hence, we decided to experiment with other non-traditional species. However, most of the products we came out with were not needed in the local market; hence we needed to look elsewhere for a market. [Interviewee No. 7].

8.4 Market Entry strategy

All the 30 SMEs interviewed said their international markets entry strategy took either direct or indirect exports. This market-entry strategy is quite typical with SMEs. SME decision-makers choose export as a strategy for internationalisation because it involves less investment of resources and risk is relatively low (Lages and Montgomery, 2004; Agndal and Chetty, 2007). Various reasons were provided for the entry strategy; however, the underlying factor that cut across all the SMEs was that it is less risky and requires fewer resources for that mode of entry. Concerning the decision-making behaviour of the sampled SMEs, most of them did not do any systematic market research before exporting their product abroad. Most of the SMEs depended greatly on promotion organisations and their agents abroad to get their products into the foreign markets, one exporter indicated:

Our market entry was definitely not marked by any strategic analysis or extensive market research. [Interviewee No. 13].

Others indicated that:

We responded to an unsolicited order from a company abroad. [Interviewee No. 29].

Most of the exporters have said they rely on agents/importers as well as EPOs for market information. However, some SMEs claimed they do not use EPOs or they have not been useful to their internationalisation drive. Those SMEs who claimed they have never used the services of EPOs mentioned they rely solely on their internal mechanism to access market information. With these SMEs, the decision to export was made consciously without any kind of systematic consideration of other possible strategic options. Most of them mentioned that their main concern at foreign markets entry had been to minimise

risk and keep resource investment low while they study the market. The following interview statements support this assertion:

We rely greatly on fairs and trade missions, anytime we get the opportunity to attend such programmes we do post fair analysis to determine whether there is any chance we will be able to export directly or indirectly to that market. It mostly depends on the response and the interest we get from the market. We always need to tread carefully in order not to do too much in a short space of time. [Interviewee No. 29].

Others indicated that:

We have never used the services of EPOs; it appears they do not have any plan for our industry. Most of my colleagues were having problems finding markets for their products, we approached them to assist but they did nothing. Since then I have not bothered to approach them anymore. [Interviewees No. 14, 23].

None of the SMEs interviewed have thought of using any other entry strategy. They mentioned that they have chosen export as an international entry strategy to ensure that investment of resources is done in order not to pose any risk to their businesses or limit flexibility. The respondents were of the opinion that export as an entry mode was chosen in order to leave future options open and not limit the firm's development.

Well, I started by exporting indirectly. I was producing for some agents or distributors, some of them are local buyers and some came from the neighbouring countries until I received assistance from GEPA to attend a fair. It was quite successful and the market was good so I decided to export directly". [Interviewee No. 18].

It was noted that there is a relatively low level of planning and no complex market research prior to foreign market entry among Ghanaian SMEs. Owners and decision-makers either chose direct or indirect export as a means of gaining knowledge of the foreign markets while maintaining low risk.

8.5 Indicators of Successful Internationalisation, Performance and Growth

Internationalisation has been identified as a major dimension of business growth (Peng and Delios, 2006). Early researchers (Lu and Beamish, 2001; Oviatt and McDougall, 1994) have recognised the important role played by SMEs in international markets. Past studies regarding the impact of internationalisation on firms' performances have resulted in a vast body of literature. Whilst some studies showed a positive effect (Bausch and Krist, 2007; Pangarkar, 2008), others have shown a negative relationship (e.g., Collins, 1990; Geringer, Tallman, and Olsen, 2000), others have depicted it as a U-shaped (e.g., Lu and Beamish, 2001; Ruigrok and Wagner, 2003) others, still describe it as an inverted U-shaped (e.g. Hitt *et al.*, 1997; Chao and Kumar, 2010), (section 2.4). The literature has shown that little effort has been made to understand the effect of internationalisation on SMEs' (see Lu and Beamish, 2001). Similar results have been realised in studies involving large businesses (Lu and Beamish, 2001).

The current study researched what SME owners and managers perceived as successful internationalisation or how internationalisation has affected their businesses. Aspelund and Moen, (2005) have measured internationalisation and firm performance from three dimensions: perceived success, firm growth, and financial returns. Early researchers underscored the need to use multiple measures to capture unique and valuable facets of performance (Diamantopoulos, 1999; Katsikeas *et al.*, 2000; Shoham, 1998; Styles, 1998). Katsikeas *et al.*, (2000), review export performance measurement literature and identify several categories of performance outcomes.

These include: accounting measures, non-economic measures related to export markets (such as number of countries exported to), products and miscellaneous items (including projection of export involvement) and generic subjective measures (including perceived export success, achievement of export objectives, and satisfaction with specific export performance indicators). Both objective and subjective measures have been used in the literature. The subjective measures enable a much wider range of outcomes to be addressed (Francis and Collins-Dodd, 2003). Some researchers have argued that there is no universally accepted criterion to measure export performance; different firms' measure and judge export performance on various dimensions (Zou and Stan, 1998; Sousa, 2004). Looking at the same construct from many different angles might be seen as an enriching

exercise, however the dimension used to operationalise the construct should be consistent with the context of the study (Zou and Stan, 1998; Sousa, 2004). In this study, International Performance is defined as the extent to which a firm's objectives are attained in foreign markets as a function of specific orientation and strategy, (Knight and Cavusgil, 2005). Consistent with the literature on traditional internationalisation and firm performance, some accounting-based measures of firm performance and other parameters were used to assess what SME owners perceived as a successful international performance.

SME owners and managers were asked what they perceive as good performance as far as internationalisation is concerned, and whether they have been able to achieve this objective. As shown in the studies of (Karadeniz and Gocer, 2007; Koksall, 2008), respondents highlighted various parameters to measure performance and international success.

8.5.1 Sales Growth

Most (25, representing over 80%) of the owners and managers interviewed mentioned that an increased sales level is considered as a good indication of international performance. Chiao *et al.*, (2006) used Return on Sales (ROS) as a measure of international performance in a study of Taiwanese SMEs. Most of the respondents maintained that an increase in sales level is judged as a good performance.

Currently there is a decline in demand for my product here in Ghana due to the influx of cheap clothes from China and used ones from the developed countries. I had to look for markets elsewhere. To be able to stand the competition in the markets, I have to reduce the price of my goods hence, there is the need to sell more in order to increase the profit level. To me sale is an important indicator of international market performance. [Interviewee No. 6].

The textile industry in Ghana and Africa has suffered a major decline in sales and market share due to what industry players describe as “cheap textiles” from the Far East. It was noted that most of the importers of textiles from the Far East do not pay the correct port duties, as they smuggled these products through unapproved routes. Hence these tend to be less expensive as compared to the locally manufactured textiles. The government of

Ghana, in order to boost the textile sector, has set up a task force to clamp down on such activities to ensure an even playing field and to boost import taxes. However, this has not discouraged people from smuggling. This high influx of garments and textiles from abroad has resulted in the decline of the local market; therefore, SMEs need to search for international markets in order to increase their sales.

Our installed capacity is huge; thus, to be effective we need to operate in full capacity which means we need bulk and big orders for our products. Hence, we need markets outside the local market. However, if the Sales volumes are not high within the international markets, we cannot operate in full capacity. Thus, sales are important determinant of international performance and, so far, moving abroad has increased our sales. [Interviewee No. 7].

Most of the SMEs interviewed were in the early stages of their internationalisation process and, therefore placed a strong emphasis on sales growth (Pangarkar, 2008). Ghana and the other Economic Community of West African States (ECOWAS) are currently discussing the Economic Partnership Agreement (EPA) with the EU. This agreement will reduce the barrier faced by ECOWAS member states trading with the EU, in this way international expansion would no longer be the domain of large firms. SMEs have been observed to internationalise, sometimes at an early stage of their development, as shown in the literature with the “born globals”. Higher sale volumes might allow SMEs to allocate resources for research and development (R&D) and devote sufficient resources allocation to its key functions to sustain competitiveness (Kobrin, 1991).

8.5.2 Cost Reduction and Profitability

Another factor used in determining SMEs’ international performance is how the firm minimises operation costs in order to ensure profitable international activities. Internationalisation has been associated with its own costs (Buckley and Casson, 1976; Hymer, 1976). Firms adopting an international strategy are likely to face rising costs at the initial stages of expansion. However, these costs are expected to reduce through increased international experience and organisational learning (see Section 3.4). Koksall, (2008) and Karadeniz and Gocer, (2007), have argued that exporting activities increase profitability. SMEs are expected to reduce the costs associated with internationalisation in order to make the international operation profitable. Previous empirical studies on

samples of SMEs have revealed the existence of a “liability of foreignness” at the initial stages of the internationalisation process; however, there is a positive relationship between profitability and exports (Beamish and Lu, 2001). As SMEs reduce the liability foreignness through learning, the firm stands to reap the benefit of internationalisation. One owner manager indicated that:

There are a lot of costs associated with exporting because it involves varying levels of international commitment and expertise. As a small business, we lack certain skills. When we need certain services, we have to outsource it to company with those skills. This eventually increases the cost of our production. However, when we manage to train our workers to perform those tasks we are currently outsourcing, our operational cost will reduce. Hence finding the needed strategy to reduce the costs associated with internationalisation is an important success indicator. [Interviewee No. 13].

SMEs are noted to lack skilled staff and expertise; hence production costs tend to be high. Small businesses are not in a financial position to acquire state-of-the-art technology to assist in production. Where these production resources are needed for better finishing of their products, such services are hired at exorbitant cost to the company. Another firm which exports textiles and garments to Europe and the US indicated that:

Moving abroad has been good for my business because the profit is far better than producing for the local market; however, it needs consistency and frequent exporting. If you do not actively and regularly export, it becomes difficult to reduce the costs associated with exporting. A successful export business goes hand in hand with effective costs reduction. [Interviewee No. 30].

Wyer and Smallbone, (1999) mentioned stability and sustainability as an internationalisation strategy for achieving good returns. Most Ghanaian SMEs are unable to sustain their international operations due to lack of funds to facilitate the foreign markets operations. This was summarised by an exporter as follows:

There is no doubt the export business is good looking at the size of our local market. We needed to export our products in order to increase sales. There is huge competition from other countries, so we need to reduce prices in order to increase sales volume and to drive costs down. However, the problem we have is the cost of the resources that we work with; high interest rates, and fluctuation of the local currency against the major trading currencies. All these issues make

it difficult for us to achieve sustainable performance and growth in the international operations, as we find it difficult to reduce the costs associated with the exporting process. [Interviewee No. 26].

8.5.4 Increased Market Share and number of export destinations.

SME owners' and managers' perceptions of the extent to which they have achieved their objectives have been advocated by some researchers to be included as a bona fide measure of performance. This is because they are the only ones who know their export goals (Seifert and Ford, 1989; White *et al.*, 1998). SME owners mentioned during the interviews that increased market share and number of destinations exported to as one of the performance factors. One owner indicated that:

One of our objectives is to increase the market share of our type of flooring material. In order to ensure stable and sustainable international operations, our strategy includes exporting to multiple destinations. Exporting to multiple destinations has been a helpful strategy as buyers in different markets behave differently. Some buyers' pre-finance their orders while others will not. Depending on what we want from a partner and the situation we find ourselves in, we know which market to send a particular product to, which is an advantage of having multiple export destinations. [Interviewee No. 7].

The challenge of accessing credit for SMEs in developing countries is so acute that SMEs are looking for every opportunity to get access to credit to finance their operations. Previous researchers have used export market share, export market share growth and market diversification as an indicator of firms' performance. Madsen (1998) finds that market-related measures have been promoted as a good indicator for export success, the reason being that high market share leads to economy of scale and experience advantages in cost as well as more power in approaching customers. A plastic manufacturer, which currently exports to the continental market, indicated that:

We started exporting to the West African market, for so many years we were trying to export to other countries within the continent; however, we could not do that because the quality and the finishing level we were looking for, we weren't achieving it. Currently we have been able to export to other markets besides the ECOWAS market. This tells us that our quality has improved and we are achieving the international standard we are looking for. We are looking forward to moving outside the African continent. To us being able to meet the

standard and export to multiple destinations is an important performance indicator. [Interviewee No. 13].

8.5.5 International Networking and Relationships Building

It has been argued that the old models of stage and incremental internationalisation (Bilkey and Teasar, 1977; Johanson and Vahlne 1977) are not entirely valid, due to issues of “Born Globals” (BGs) and “International New Ventures” (INVs). These are businesses that started internationalisation from inception of their operation. A common feature of most internationalisation studies is the emphasis it places on networking and relationship building in international business (Oviatt and McDougall, 1994; Bell, 1995; Coviello and Munro, 1997). Anderson *et al.*, (1994, p. 129) define networks as “a set of interconnected business relationships in which each exchange relation is between businesses conceptualised as collective actors”. Anderson and Weitz, (1992) have argued that relationships develop gradually when SMEs learn from the interactions with each other and commit themselves more strongly to the relationship. They further maintained that during the relationship-building process, partners gradually learn about each other’s needs, resources, strategies and business context. A director of a firm that has built a business relationship as part of its internationalisation process remarked:

Networking and relationship-building are two important ingredients in internationalisation, and we see it as a strategy for efficient internationalisation. For instance, some buyers could pre-finance your activities depending on the relationship you build with them. When we were expanding production capacity, some of our buyers’ pre-financed us so that we would pay them with the product. The pre-financing that we had was very beneficial because interest on it was low compared to what the commercial banks were charging at the time. This was possible due to the long-term relationship we have built with our importers. [Interviewee No. 23].

Mutuality is a basic feature of business relationship (Johanson and Vahlne, 2003), when SMEs lack resources, especially finance. Therefore, there is a need for SMEs to build such relationships that support themselves to achieve their strategic goal and perform well internationally. Hakansson and Snehota (1989), argue that relationship partners have a common interest in the future development of the resources, hence, they look for a better

way to develop such resources for the benefit of all partners. A garment and textile SME representative from a firm which exports solely to Norway said that:

Relationship building is an important indicator of international performance given the fact that it could remove all barriers in exporting and international trade. Initially we were only producing certain aspect of the garment, however, after a long relationship our partners agreed to offer training to our local workers at their own cost so that we will be able to produce everything here in Ghana then export it to Norway and they will take all the marketing responsibilities. [Interviewee No. 21].

Effective relationships with partners within networks reduce the psychic distance (Johanson and Vahlne, 2003). SMEs are able to reduce the real and perceived barrier of internationalisation when they are able to build strong networks.

8.5.6 Innovation and Creativity

Another performance indicator that was identified during the interviews is innovation and creativity. Although SMEs' contribution to economic development cannot be overemphasised, the sector is often faced with market imperfections. Moreover, the limited resources of SMEs hinder their access to innovation and creativity (Verheugen, 2003). The SME sector in Ghana and other parts of the world, has been the target of international and national aid agencies (Department of Trade and Industry (DTI), 2005, 2006; Omankhanlen, 2011a, 2011b). SMEs need to be innovative and creative to succeed in the international markets. Ardic *et al.*, (2011) have argued that SMEs in developed countries often enhance their competitiveness through high-quality products, flexibility, and responsiveness to customer needs. For SMEs from developing countries to succeed in the international markets, there is the need for them to emulate examples of their counterparts in the developed countries. Most of the interviewees were of the opinion that the international market is an arena for innovation and creativity due to the fact that it affords SMEs the opportunity to learn what other businesses are doing for them to either emulate or improve it. A respondent who deals in handicraft stated that:

I think the quality of my products has improved greatly since I started exporting my wares abroad. The international markets afford you the opportunity to know what other businesses are doing, and also challenge you to be creative in order to keep competing. If I have not achieved anything at all since I moved abroad, one thing I can say is that internationalisation has helped me to achieve creativity in the products I offer to my client.

[Interviewee No. 25].

Some researchers have indicated that more attention has to be given to SMEs in developing countries in the manner those in developed countries are receiving (Ajayi and Morton, 2013). SMEs in Ghana have not received enough support, given the sector contribution to national development (Abor and Quartey 2010). Another handicraft exporter commented that:

When your attention is on the local market you tend to care less about bringing new things into the market, however, if your focus is sending your products abroad then you need to be creative and innovative as you cannot send the same design to the international markets every year. [Interviewee No. 1].

This is to say that SMEs feel relaxed in their local markets which appear to be their comfort zone. Most SMEs shy away from venturing into international markets due to the demand it places on them to be creative and innovative in order to withstand the fierce competition within these markets. Four types of innovations could be identified within the literature. Product innovations (innovations that represent significant changes to goods and services), Process innovations (innovative activities that represent significant changes in methods of production and delivery), Organisational innovations (innovative changes that facilitate and/or involve the implementation of new organisational methods), Marketing innovations (innovative changes that involve the implementation of new marketing methods, such as new or significant changes in product design and packaging, product promotion and placement, and pricing methods (OECD/Eurostat, 2005). One owner and manager mentioned that the learning process associated with internationalisation enhances the firm's creativity and innovation. Therefore, when SMEs are able to turn international learning into creativity and innovation, such a learning process could be an important indicator of internationalisation success. The respondent summarised his experience as follows:

We used to process traditional species such as mahogany, “odum” and the rest. However, when there was shortage of these species due to government policies, we were dejected and did not know how we were going to feed the plants with and keep ourselves in business. Our investigation led us to a species called “celtis” which is in abundance. To keep the business running, we managed to use this species to produce flooring material. The product is currently exported to Europe, Asia and the US, because there is no local demand for it. A lot of marketing went into letting the customers know this product is of good quality. This breakthrough is because of our experience in the international markets. If we had remained in the local market we would not have probably known we could use that tree species for something, which is in high demand. Thus, when we are able to innovate as an exporter then that is a success. [Interviewee No. 7].

The European Union Programme Horizon 2020 (EUPH 2020) aimed at investing in SMEs’ innovative capacity to accelerate SME development and growth. For SMEs to be an active partner in economic development and continue to play a meaningful role in international markets, creativity and innovation need to be given the attention they deserve.

8.6 SMEs Internationalisation Challenges

SMEs are key players in both developed and developing economies as far as economic development is concerned (OECD 2008a, 2008b; Audretsch, Van der Horst, Kwaak and Thurik, 2009). SMEs, according to statistics, comprise the overwhelming majority of private sector businesses and account for more than half of total employment; however, their contribution in international markets is less than 20% (OECD 2008a, 2008b). They also drive economic growth and development (Audretsch, *et al.*, 2009). The existing literature has documented barriers or constraints that may impede their growth and development. Given their small size, however, SMEs are vulnerable to barriers, especially during internationalisation. These constraints have often been divided into internal (e.g. lack of management time and skills) and external (e.g. adverse market conditions and institutional arrangements) (Demirguc-Kunt, and Maksimovic, 2005; Malo and Norus, 2009).

Notwithstanding the importance of the SMEs, the sector faces daunting challenges that limit its ability to achieve growth. Smaller and younger firms may be particularly

susceptible to export barriers, as resource constraints and organisational limitations increase their vulnerability (Miesenbock, 1988; Katsikeas and Morgan, 1994). Various studies have mentioned challenges facing exporters both SMEs and also large firms (see section 3.7). The current study has divided these challenges into financial and non-financial; SME owners and managers mentioned both the financial and non-financial challenges and how they affect their exporting activities.

8.6.1 Financial Challenges

The current study looked into the various finance-related challenges that affect SMEs in Ghana with respect to their exporting activities. One main challenge facing these SMEs is how to access finance for their activities. Kayanula and Quartey, (2000) argue that finance is a big challenge for SMEs in Ghana. During the interviews it was found that the limited access to finance for SMEs is due to the high cost of credit in the country. The costs of finance, especially from the commercial banks in recent years, have been very high, making lending and borrowing difficult and unattractive for the commercial banks and SMEs in the country. SME owners and managers agreed that finance poses an enormous challenge and remains a hindrance in their quest to maintain international presence and grow their businesses. Aryeetey *et al.*, (1994) report that 38% of the Ghanaian SMEs surveyed mentioned credit as a constraint. Responses, such as below, emerged when an interviewee was asked about the challenges they face when accessing finance:

The banks are not interested in lending to small businesses in this country, hence, they always request for collateral which they know the small businesses do not have. Most SMEs have no such properties to use as collateral. Moreover, the high interest rates charged by the banks make the loans unattractive. [Interviewee No. 28].

Bigsten, Collier, Dercon, Fafchamps, Gauthier, Gunning and Söderbom, (2000) find that about 90% of SMEs were refused bank loans when they applied to the formal financial intermediaries, due to their inability to fulfil conditions such as collateral security. Another owner indicated that:

The loans facilities offered by the banks are expensive due to the high interest rates. Moreover, the banks demand collateral, which most SMEs do not have. In

addition, the slow pace the banks process loan applications sometimes make it a disincentive. Sometimes you need the loan to add to existing funds in order to process an order; however, the funds will not be ready on time. Sometimes contracts are lost to other businesses which have funds to produce the order. [Interviewee No. 18].

Other respondents also indicated that:

The main challenge of accessing credit from the commercial banks is that, the interest rates on the loans are too high, and they also demand collateral which discourages most SMEs from applying for loans. The micro finance companies which sometimes offer loans to SMEs, request for some deposits to be made before a loan facility is approved. This arrangement sometimes locks up the small amount of capital we are working with. [Interviewee No. 19].

The banks have the notion that they have to protect their investment; hence, there is the need to request collateral security. The Bank of Ghana (BoG) Financial Stability Report for November 2015 indicated that the country's banking sector is facing huge challenges, including a decline in profit due to rising operating costs as a result of rising non-performing loans. The report indicated that credit to the private sector contributed 97.4% of the total banking sector's non-performing loans as at September 2015, compared to 93.1% in September 2014 (Ghanaweb.com, 2016). It appears the challenges faced by SMEs in accessing finance is not something that is going to be resolved anytime soon due the cyclical nature of the problem. Currently, interest rates from the commercial banks are around 36% (Ghanaweb.com, 2016). The high interest rate on loan facilities is being blamed on the high level of Bank of Ghana base rate (which is currently at 21%) and the current macroeconomic situation (Ghanaweb.com, 2016).

Another challenge that owner/managers face in relation to credit facility acquisition is the length of time that both banking and non-banking financial institutions take to process loan applications. Interviewees indicated that:

The process of loan application is too cumbersome; it takes a long time for a company to access the funds once the application has been made. [Interviewee No. 12].

Another respondent remarked that:

I have lost business due to delays in processing a loan application. I had an order from a customer in Germany, however, I did not have enough money to produce the order so I applied for a bank loan to add to my working capital to process this order, however, by the time the loan was ready the contract has been taken away from me.[Interviewee No. 14].

The international market is highly competitive; therefore, efficient and effective organisation of resources is required in order to take advantage of international opportunities. The excessive scrutiny of credit applications from SMEs leads to delays in receiving the funds. The extended processing time of applications from SMEs in Ghana and most developing economies, clearly affects SMEs, as most of them could miss many opportunities as they move into international markets. Buatsi, (2002) noted that insufficient finance for large-scale production and marketing has been identified as a significant hindrance to the success of Ghana's export-growth strategy.

Apart from delays in processing credit facilities, respondents also expressed concerns over the maturity period of these credits. It was found during the interviews that financial institutions in Ghana are reluctant to provide long-term credit facilities to SMEs. Occasionally, this situation also applies to larger firms. SME owners complained about the lack of access to long-term finance from banks, as equity finance is not available to small businesses in Ghana. These are some of the concerns expressed by the respondents:

Currently the banks are not interested in providing us with long-term financial support. The longest loan repayment term my business had ever received from the bank is one year; some banks even give you 6 months to repay the loan back. [Interviewee No. 6].

The situation where SMEs are not able to access long-term finance from banks makes it difficult for effective export strategy and planning. Another manager indicated that:

The banks are not flexible when it comes to the repayment of the loans. The timeline for repayments of the Loan is so strict that if you don't take care you will have to borrow to pay the loan back or else you will default. [Interviewee No. 3].

The inflexibility in the repayment appears to put pressure on the SMEs. The rigid repayment regime put some SMEs owners and managers off from accessing bank credit. This situation tends to affect the development of the sector and the growth of the SMEs involved. Another challenge in relation to SME finance in Ghana is the amount of money the banks are willing to lend to SMEs. SME owners remarked that financial institutions in most cases fail to provide them with the amount of money they have requested.

The banks, in most cases do not provide the entire amount you requested for”. “It is difficult to implement an export strategy when you don't have all the funds needed to make such strategy successful, the financial institutions in many occasions reduce the loan amount we requested, making it difficult, if not impossible, to go ahead with the purpose of the loan application.

[Interviewee No. 2].

Such situations have the potential of putting more financial strain on SMEs as they find it difficult to close the funding gap. Other interviewees indicated that:

The financial challenges are sometimes deepened when distributors and agents failed to pay on time for goods and services we have offered to them on credit.
[Interviewee No. 28].

Most of the exporters were noted to depend greatly on how fast they can turn their wares over in order to plough back their profits for production to continue. Therefore, when there is a delay in payment, it then affects their working capital. A respondent who exports processed wood to Europe and Asia indicated that:

One problem we face is payment of goods supplied on credit to customers. Sometimes buyers fail to honour their promise of the agreed payment arrangement. I have sent couple of my buyers to Timber Industry Development Division (TIDD) for mediation, because they failed to settle their debt on time.
[Interviewee No. 24].

Table 8.1 below summarises the economic outlook of Ghana. SME owners during the interviews indicated how the economic outlook impacts their operations. The high interest rates affect how much they will sell their products on the international markets.

Table 8.1 Ghana's Economic outlook from 2013-2016

Indicators	2013	2014	2015	2016
GDP (USD billion)	45.2	37.2	36.2	42.4
Economic Growth (GDP annual variation in %)	7.3	4.0	3.8	3.5
Inflation Rate (CPI annual variation in %, eop)	11.8	17.0	17.7	15.4
Inflation Rate (CPI annual variation in %)	8.3	15.5	17.2	17.5
Policy Interest Rate	16.00	21.00	26.00	25.50
Exchange Rates (vs USD)	2.37	3.19	3.81	4.30
Exchange Rates (vs USD)	2.07	3.05	3.78	3.94
Trade Balance (USD billions)	-3.8	-1.3	-3.2	-1.8
Exports (USD billions)	13.8	13.2	10.3	11.1
Imports (USD billions)	17.6	14.5	13.5	12.9
Exports (annual variation in %)	2.1	-4.3	-21.6	7.9
Imports (annual variation in %)	-1.2	-17.7	-7.5	-4.4
Industrial Production (annual variation %)	6.6	0.8	-0.3	-1.4

Source: Bank of Ghana Report 2017

8.6.2 Non-Financial Challenges

Besides the financial challenges, SMEs in Ghana are also beset with other non-financial challenges. As enumerated in section 3.7, the non-financial challenges could be divided into internal and external barriers. The internal barriers are further divided into informational, functional and marketing barriers. The external challenges are those that are beyond the control of the firm and they emanate from the environment in which the

firm operates. These are grouped into procedural, governmental, task and environmental. The decision to engage in exporting activities can be a difficult one for many exporters. Primarily, information on the viability of distant and foreign markets and new customers is often difficult to obtain (Kalafsky, 2009). Informational barriers refer to problems in identifying, selecting, and contacting international markets due to information inefficiencies (Morgan and Katsikeas 1997; Katsikeas 1994). Respondents indicated that accessing reliable information on foreign markets has been very challenging for SMEs:

Information is an important tool for effective international activities. The high level of uncertainties surrounding foreign markets needs to be assessed before committing resources. However, it's sometimes difficult to access credible information on a potential market". [Interviewee No. 10].

Despite the crucial nature of information in international business, many SMEs do not have the capability to source the information for themselves. Leonidou (2004) has argued that, most of the time, SMEs do not know what information is required and some find it difficult to retrieve such information. Others indicated that, there are many occasions when information is manipulated before it reaches them. One fresh fruit exporter indicated that:

I once relied on information I received from one of my agents; although the information was authentic it was not relayed to me well so I ended up losing out in that transaction. [Interviewee No. 26].

SMEs are often confronted with numerous problems associated with the source, quality and comparability of the information they require (Czinkota and Ronkainen 2001). SMEs are noted to have difficulty in gaining access to some data sources, for instance, packaging requirements and how products should be labelled for a particular market. Another challenge that the study found during the interviews was marketing. Marketing includes product design and quality, pricing and distribution, logistics and promotion. Leonidou (2004) posits that SMEs in developing countries are faced with challenges relating to product quality and logistics management whilst those from a developed economy faced issues such as country differences, general business risk, and logistics. As noted by Leonidou (2004), most of the owners interviewed indicated that they have challenges meeting the quality standard, especially in the developed economies or markets. This is what one owner said:

Meeting the quality standards in the developed economies is a huge challenge; however, we have made some improvement. [Interviewee No. 30].

Others also indicated that;

I don't face any quality issues within the West Africa markets, however some of my customers within Europe have complained about the finishing of some of the products. We are working hard to improve on the finishing.
[Interviewee No. 6].

In 2015 for instance, GEPA at its annual National Exporters Forum (NEF) lamented that poor finishing and functionality remains one of the handicraft sector's challenges, causing prospective buyers to look elsewhere for better alternatives. Some exporters, such as the timber processing SMEs, who are under the supervision of TIDD, indicated that they do not have any issue with standards and quality as TIDD ensures that the quality level specified in the order contract is met before clearing the product to be exported. However, some exporters who ignore good counselling sometimes frustrate the efforts of the organisation as they deliberately failed to adhere to the standards set out, consequently tarnishing the image of the rest. This is what one owner of a timber processing SMEs said:

Well, some of our colleagues deliberately mix sub-standard products with their order hence tarnishing the image of the industry within the international markets. [Interviewee No. 23].

SMEs from developing economies sometimes find it difficult to meet the strict quality standards of developed economies; hence, deliberately subverting the quality of the product will hinder the firm's effort to secure a share of the international markets. It was also noted that, some exporters were having quality challenges due to the ignorance of some of their suppliers (farmers). Most of the exporters within the NTE sector export fruit and vegetables. However, the wide gap in relation to farmer-extension officer ratio has decreased extension services to producers of these commodities. Hence, farmers are not able to ensure good planting and chemical application practices. This has resulted in some products such as garden eggs, pineapples and groundnuts being banned temporarily from the EU market in 2014 ([www.fruitnet .com](http://www.fruitnet.com)). Some vegetable and pineapple exporters remarked:

We face huge challenges when it comes to quality and standard. Sometimes it becomes frustrating as we have little or no control of the source of the problem because the problem is from the farmers. [Interviewee No. 26].

Another interviewee indicated that:

It's sometimes difficult to determine whether the chemical application was done right or not as some of the produce shows no visible sign of defect until they are tested by the standard authorities of the foreign markets or at the ports of Ghana. [Interviewee No. 8].

Most exporters' associations interviewed expressed concerns over the insufficient extension services provided to farmers by the Ministry of Agriculture and the Extension Services Department. Some export commodities from Ghana have been banned from entering the EU market due to inappropriate application of chemicals. Most exporters have lost thousands of dollars due to their goods being confiscated or being refused entry into the foreign markets. The issue of exporters not meeting the quality level of most developed economies have prevented most Ghanaian exporters from accessing these markets, hence limiting them to West Africa and neighbouring countries. Some exporters said that:

Currently I export to the ECOWAS market only, I have to improve on the finishing of my products before thinking of exporting to Europe or America. [Interviewee No. 24].

Others indicated that:

The fierce competition in the EU and the US markets means I have to ensure that my products can compete, if not, I will find it difficult to sustain the business. For now, I want to remain within the West Africa market. [Interviewee No. 27].

MoTI has argued that Ghana Standard Authority (GSA) is doing its best to ensure all exported commodities meet the quality level of the targeted international markets. Moreover, the implementation of the traceability programme is to ensure that every fruit or vegetable going abroad is labelled well, so that defective products can be traced to the producer to ensure problems are resolved at the root. The fierce competition in the international markets dictates that exporting SMEs must ensure their products are

competitively priced. However, SMEs have been cited in the literature for facing challenges in ensuring that their products are competitively priced (O'Cass and Julian, 2003; Leonidou 2004). Some owners and managers indicated that the high cost of production in the country, due to overhead costs has made it difficult to match their Far East competitors when it comes to pricing. Exporters expressed the following concerns:

The root cause of our pricing dilemma, to me, is due to the unfavourable environment in which we operate. The depreciation of the Cedi against the major trading currencies especially the dollar is a factor. [Interviewee No. 6].

Another commented that:

The problem is the high utility cost. We produce with water, electricity and the rest. The high costs of all these utilities make it difficult to produce at a cheaper cost. [Interviewee No. 13].

The current study was conducted at a time when Ghana was experiencing one of its worst power outages; the unreliable supply from the national grid caused many SMEs to use their back up generating plant, which was very expensive. Others mentioned the high cost of borrowing in the country; they commented as follows:

Currently, I am borrowing at a high cost of 37% compared to a SME owner at the nearby Cote D'Ivoire where interest rate is less than 5%. The high cost of production, due to high borrowing rate, high transport cost and lack of support from the government have made it difficult to be competitive; our prices are always on the high side. [Interviewee No. 17].

Another challenge facing the exporters is inadequately skilled human resources, which form part of the functional challenges. Ghana has an abundant labour force, however, it is difficult to recruit skilled labour that could help to produce high quality goods. Most SME owners see this as a huge challenge that is limiting their bid to capture a share of the international markets. One textile exporter indicated that:

It's difficult to recruit skilled labour to assist in the sewing and it's even more difficult to retain them because most of them don't want to work for somebody. [Interviewee No. 16].

It was noted that most of the trained tailors and seamstresses want to be their own bosses and find it difficult to commit to working under somebody; hence they end up leaving the company as soon as they have attained certain skill level. Another exporter indicated that:

Labour turnover is high among the small business sector, we spend money to train them, and as soon as they become skilful they leave you and take employment in other companies. [Interviewee No. 19].

An exporter of fresh fruits indicated that:

Complexity surrounding documentation and packaging of fruit to international markets required knowledgeable and trained staff to handle it. However, we sometimes struggle when there is a big order. I have decided to cut down the export to make sure that the little I would be able to export meets international standards in order not to lose my customers. [Interviewee No. 26].

SMEs need to devise strategies to maintain their staff in order to reap the benefit of their accumulated experience over time. High labour turnover affects the ability of SMEs to maintain skilled labour, which is needed for high performance and productivity. Some of the non-financial challenges noted could not be controlled by SMEs. The non-financial challenges have been broadly divided into environmental challenges, procedural challenges, governmental and task challenges (Leonidou 2004). Exporting SMEs in Ghana complained about the level of infrastructure available. Port and harbour facilities, transport, electricity and water were described as inadequate. It was noted that, the high overheads cost as result of the ongoing power outages and high electricity cost have resulted in high production costs given exporters pricing challenges. They mentioned the following:

The current high utility cost means we are not competitive at the international market, the Chinese and the Indonesians that we are competing with in the craft industry are producing at a cheaper cost, hence we are always at a disadvantage. [Interviewee No. 1].

Others mentioned that:

I have to hire a standby generator to ensure that orders are delivered on time due to the frequent power outages; however, this has increased my production cost. [Interviewee No. 20].

Most of the exporting SMEs depend on electricity for their production, so interruption or irregular supply affects their operations through from production to pricing. Others, especially those in the perishable goods sector, complained about storage facilities at the various ports. High costs of storage facilities and inadequate storage space/capacity were also noted to affect storage, especially perishables. They indicated that:

We don't have enough storage facilities to keep our export commodities. It's too expensive to use the storage facilities at the ports and, besides, there are not enough facilities available hence when your ship delays you incur a huge cost as they want to discourage people from storing their goods for a long period of time without shipping them. [Interviewee No. 26].

Although the government has spent significant amounts in upgrading the various ports and harbours, there is more to be done to keep pace with the level of export and imports going out and coming into the country if the government is to achieve the export target. Moreover, some SMEs commented on the challenges they face when it comes to shipments to the North American market. Exporters to the North American market complained of lack of straight cargo from the ports of Ghana to the North American markets. An exporter of yam to both USA and Canada indicated that:

The long route from Ghana through Europe before going to USA and Canada does not only increase my transportation cost but some of the boxed yam get rotten. [Interviewee No. 9].

Another exporter of processed wood indicated that:

There is always a problem with shipment, when we send the product to the port with an understanding that the ship will come at this day you will send the goods and the ship will not come and the goods will attract extra charges. This extra cost is not a cost you have budgeted for. [Interviewee No. 10].

Although some exporters mentioned regulations, documentation and restrictions as challenges, they argued that, the Economic Partnership Agreement (EPA) between the EU and ECOWAS, for which Ghana has yet to sign, has reduced these challenges although there are some pertinent issues to address. Moreover, the AGOA programme, of which Ghana is a beneficiary country, gives exporters of garment and textile quota free access to the US

market, with few or no restrictions. However, export documentation remains a significant challenge for most exporting SMEs.

8.7 Export Promotion and SMEs Internationalisation in Ghana

Research has shown that EPOs have increased their number and weight in governments' budgets (Freixanet, 2012). This is because of the important role export promotion plays in the internationalisation of firms, especially SMEs (Hauser and Werner 2015). Lack of resources and skills required for entry into and development of foreign markets might explain SMEs' weaker orientation towards international markets (Haahti *et al.*, 2005; Piantoni *et al.*, 2012). Researchers who are in support of EPPs (Spence 2003; Martincus and Carballo, 2008; Hauser and Werner 2015) have argued that such programmes support SMEs that lack the resources and skills required for entry into and development of foreign markets by reducing real and perceived obstacles. Others have a contrary view regarding such assistance.

Portugal-Perez and Wilson (2011), argue that EPOs funded by governments are ineffective because of political influence and interference in their operations, especially those in developing countries. They argued that government favouritism for well-connected firms has the tendency to negatively affect the activities of such EPOs. The same authors further mentioned that most of the EPPs could only be accessed by party cronies. Wilkinson and Brouthers (2000) find mixed results for government assistance use and internationalisation of US firms. Other studies have found no clear relationship between the use of EPPs, internationalisation and export performance (Leonidou *et al.*, 2007; Freixanet, 2012; Durmusoglu *et al.*, 2012). The current study asked SME owners and managers about their views on EPP use and SME internationalisation. Respondents commented as follows:

The information support I received from GEPA assisted me to know which markets my products will be in demand. [Interviewee No. 18].

Others also indicated that:

I was not sure at the initial stages how I will start the whole internationalisation process until I had the opportunity to attend a seminar which was organised by GEPA. [Interviewee No. 6].

Another exporter also indicated that:

My first trade fair with GCCI to Canada was very fruitful, I met a lot of distributors who agreed to import from me. I had the opportunity to send my first consignment to Canada and the US just after the trade fair. [Interviewee No. 18].

Spence, (2003), Hutchinson *et al.*, (2009) have argued that measures which promote foreign trade are provided to help small businesses to overcome real or perceived barriers to internationalisation. Other respondents argued that they were able to enter into certain markets because of the assistance they received from promotion organisations.

Though they always talked about the ECOWAS market as a common market, it was still difficult to sell in certain countries. They always demand for so many documentations, however, with the assistance of GEPA we have been able to build a stable presence in many of the ECOWAS countries. [Interviewee No. 6].

SME owners indicated the usefulness of the support they have received from the EPOs in their bid to sell abroad. Others were of the opinion that they did not receive enough support to give their business the needed assistance to develop and grow a market share that could sustain their business. Some of these views are summarised as follows:

Though my company received assistance some time ago, they were not able to sustain my business at the critical point I needed the assistance very much. They always complained about lack of resources; hence, they are unable to support you even if you provide the best business ideas. [Interviewee No. 30].

Others were with the opinion that the assistance and support from the export promotion organisations are good only if they can support you until you find your feet on the ground. However, the lack of resources in these organisations means they have to “ration” the assistance they provide to the SMEs. Although a particular SME with potential has not “weaned” itself from the programme due to the fact that it cannot survive on its own when left alone, the lack of resources to the EPOs means they have to leave such a firm in order

to support other firms that also require such assistance. Some responders who have found themselves in that situation commented as follows:

My business is currently not using any assistance from any EPO because the last time I tried to patronise their services I did not receive the assistance I was looking for. [Interviewee No. 7].

Others indicated that:

They seem to provide you with what they can afford and not what you need, I think it's not worth wasting my time as they cannot provide what my business is looking for. [Interviewee No. 28].

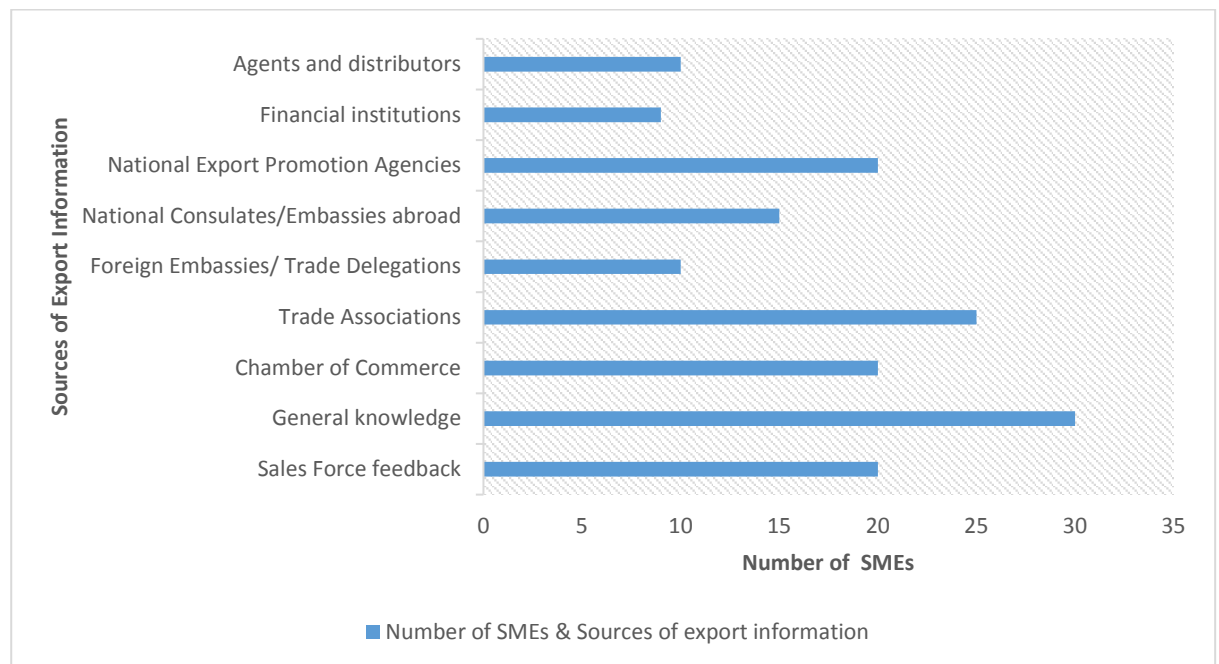
SMEs have been noted to make less use of public foreign trade promotion programmes than larger companies (Haunschild *et al.*, 2007; van Elk *et al.*, 2009). However, reasons for these rather unintended and unwanted findings from the government's perspective have not been analysed in depth in the literature. One assorted foodstuff exporter who has not obtained any assistance from any EPO indicated that:

I find it a waste of time to follow EPOs for assistance, because you end up wasting your few resources without getting anything in return. I think the assistance is for firms who have managed to reach a higher level of their exporting activities because EPO officials appear to be looking for results before providing assistance to you. [Interviewee No. 8].

8.8 Sources of Export Information

The primary sources of export information used by responding SMEs are shown in Figure 8.3 below. Although a high proportion of the SMEs have gained export information through EPOs and exporters' associations, there are clear indications that most SMEs access information through personal experience and contacts. General knowledge and sales force feedback are also important sources of export information gathering for SMEs. This appears to confirm views in the literature that SMEs use personal networks more widely when it comes to accessing information on foreign markets. Moreover, the high number of respondents claiming that they rely on general knowledge as major source of export information also appears to confirm the entrepreneurship theory assertion that internationalisation is a presupposition or an entrepreneurial decision.

Figure 8.2 below shows sources of export information



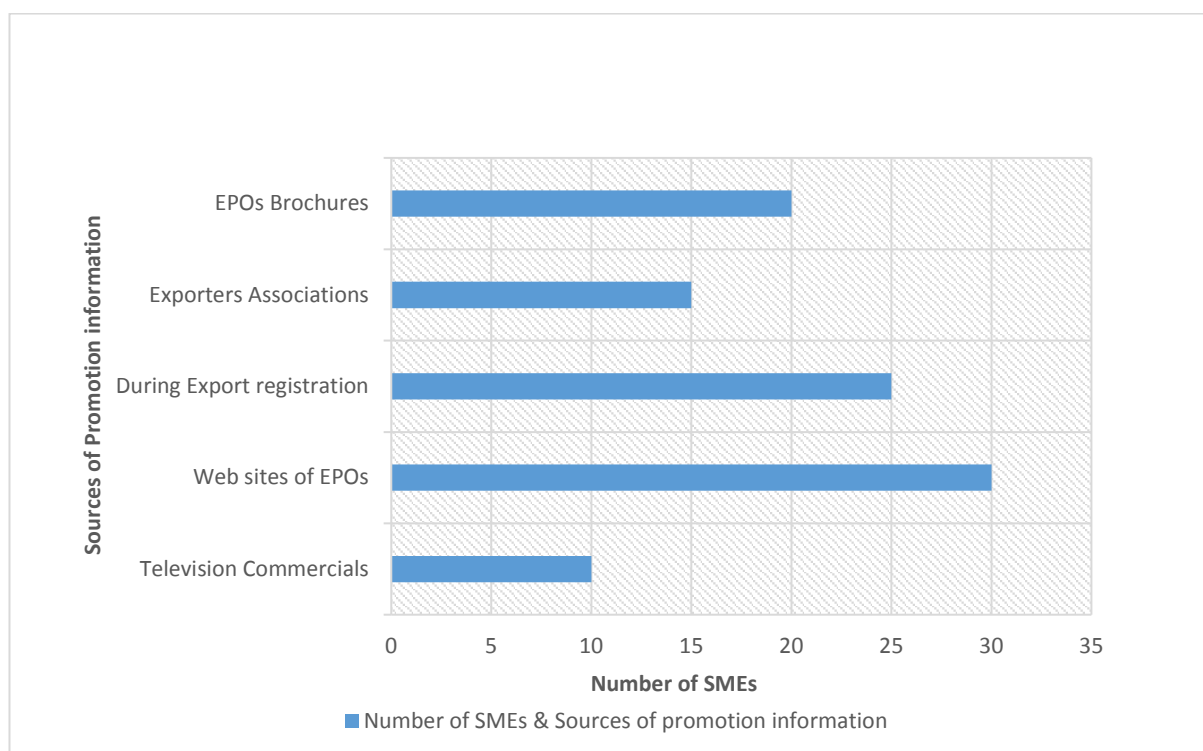
Sources: Author's field data 2015

8.9 SME Awareness of Export Promotion Programmes

Multiple studies have been conducted on the awareness level of EPPs in many parts of the world. Haunschild *et al.*, 2007 and van Elk *et al.*, (2009), examined firms' awareness, usage and perceptions of the usefulness of foreign trade promotion instruments. Pahud de Mortanges and Van Gent, (1991) measure the success of export promotion using the degree of awareness and usage of the programmes. Freixanet, (2012) assesses both the level of awareness and usage of EPPs and found awareness and usage to be high among 'classic' programmes such as sponsored trade shows and trade missions. However, Freixanet argues that inexperienced exporters show a remarkably low level of awareness of "programmes for assistance to start exporting" considering that these exporters are the target of this type of programmes. Albaum (1983) studied 129 US SMEs in the manufacturing sector in Idaho, Oregon and Washington and revealed that only 38% of firms were familiar with Department of Commerce (DoC) services to SMEs. In another study, Reid's (1984) research into the information needs of Canadian exporters found that just over 50% of the respondents were aware of some form of government assistance. Other studies have indicated low level of awareness, especially among SMEs (Freixanet 2012). Seringhaus (1986) concludes that

levels of awareness increase with company size and are higher among exporters than non-exporters.

Figure 8.3 How SMEs became aware of export promotion instruments



Source: Field data 2015

All the 30 SMEs interviewed indicated they have heard of those organisations that provide export assistance. A small business owner who exports garments to the West African market, as well as US and the EU markets, mentioned that:

I have heard about the Ghana Export Promotion organisation and AGI and I am also aware that they provide support for exporters to send their product abroad. I heard about GEPA through my association, Aid for Artisan Ghana, we were told GEPA was organising a seminar so I went there, and they registered me and sent me through their export school, which has really helped my business. I have been to several fair and trade shows since then with both GEPA and AGI, as for AGI, I am not sure, how they heard about my business. They called me and sent me to a fair with free exhibition stand; it was after that fair that I said to myself wow I have been sitting in the dark, why didn't I start this earlier. [Interviewee No. 24].

Most of the respondents became aware of the existence of both GEPA and GCCI through their various associations. The associations accused the major EPOs of inconsistencies

and lack of direction. However, the two major EPOs are cash-strapped, making it difficult for them to discharge their mandates effectively. A timber processing company, which specialises in wooden floors and export to Europe, China and US indicated that:

There are certain organisations that came to support exporters. I am aware of the existence of GEPA, but, as of now it appears the main focus of the government is on agriculture and agro-processing. Thus, any assistance which is coming from the government is being channelled through GEPA, where they are getting a lot of applications from farmers and industries that are into agro processing and whatever, but timber is no more a priority, hence I have never used any of their services.[Interviewee No. 7].

Most of the SMEs are not patronising the services of the EPOs because, although they are aware of their existence, they seem not to know the detail of what the support is all about and what their priorities are (Reid, 1984; O'Rourke, 1985). Some researchers have expressed concern about studies that question firms on their general awareness of export assistance rather than about their knowledge of specific support programmes and whether they have the capability to know what service is required at a particular point in time (Seringhaus, 1986; Diamantopoulos *et al.*, 1993). It has been suggested that a mere awareness of the service will not necessarily guarantee an increase of usage unless offerings are regarded by firms as being appropriate to their needs (Albaum, 1983). One respondent who exports yams and other foodstuffs to Europe, Canada and US indicated that:

I became aware of the services provided by GEPA when I registered as an exporter. I have attended few of their trainings however, I have stopped attending trainings and other seminars they organise because that is not what I want at the moment. My business is at the early stage and I need capital to inject into my business in order to meet suppliers' deadlines. The size of the capital I am working with currently does not make my business profitable. [Interviewee No. 5].

Another timber processing company that has been exporting in the past 15 years indicated that:

I have heard about them, but I have not received any assistance from any EPO. GEPA has trained my workers before; however, I did not see any impact it has on my business. They have never sourced markets for me. My problem is not about markets, because if I have the product I will know where to get the market;

my problem is how to get raw materials to produce, that is all. [Interviewee No. 23].

Another respondent who exports treated wood commented that:

I have heard about them; however, they have never assisted us before. Even when they organise their award night they never mention the timber processing industry at all. We are not sure if we are part of their programme or not. Even when the wood processing business was collapsing and we called on them, they never helped us in any way. [Interviewee No. 7].

The awareness of the existence of EPOs is high among exporters; however, in reality not all exporters have details of the services they provide. Most of the SMEs interviewed have not used the services of any EPO because they do not know the scope. Most of the SMEs interviewed argued that although services such as trade information and fairs and markets research are important, there is the need for the promotion organisations and the government to look at the issues confronting them in a holistic manner. From the interviews of the exporters, it has become clear that most of them have issues with production. However, the promotion organisations appear to be interested in how to get the finished product or service to the international markets. Some agro processing SMEs which have their own farms shared their frustration of why they are no longer patronising the services of the EPOs. They mentioned that what they are offering does not address their problems:

We have been to several fairs and trade missions with GEPA and GCCI. However, the problem we have now is how to get quality seedlings, which we have asked GEPA and the ministry to support us but that is not coming. There is no need to attend training on how to export when you can't produce. [Interviewee No. 26].

Early studies have shown that there is a mismatch between company needs and government assistance priorities (Seringhaus and Botschen, 1991; Seringhaus and Rosson, 1990).

8.10 SMEs Usage of Export Promotion Programmes

The literature clearly indicates substantial variations between the usages of individual EPO services among small business. Most evident, is a higher use of services that provide financial assistance. SMEs, according to the extant literature, have difficulties accessing credit of any kind; hence, facilities that appear to provide such assistance are highly patronised. Apart from services that provide financial assistance, support for export activities and trade fairs, trade missions, trade match ups and offerings that provide expertise or additional operational resources are also popular. Usage of promotion services in Ghana is high; however, the problem is the inability of the service providers to supply all the services needed by the exporters. Some respondents commented as follows:

As a small business we lack the resources to undertake foreign markets research, hence the service provided to us by GEPA is essential. [Interviewee No. 6].

SMEs, unlike their large-scale counterparts, are very sceptical in undertaking markets research because of the fact that they do not have the resources and also because of the level of externality associated with market information. One pineapple exporter mentioned that:

Services such as regulatory information and foreign markets information have been used couple of times. Some of my staff have also attended export training with GEPA and Sea-freight Pineapple Exporters Association which my firm is a member. In addition, other services provided by GCCI are beneficial, but we are unable to attend because we are either required to pay or the numbers are too large, so some of us cannot go. [Interviewee No. 26].

Lack of resources, of both financial and skilled human resources, is a challenge for the EPOs and the Exporters Associations. Hence, they seem to “ration” the services they provide or ask exporters to share the cost of providing the service. Indeed, during the interviews, it was revealed that the SMEs are mostly not prepared to pay. The medium-sized enterprises sometimes agree to contribute to receive the needed service. Some of the SMEs mentioned that the inconsistencies within the service delivery affect the

benefit they receive. They argued that sometimes certain follow-up programmes are either delayed or are not provided at all.

The problem with the usage of these services is that, they always appear to have left you in the middle of nowhere. They provide you with a service that will not completely assist you to derive the total benefit. The next time they provide the follow-up service either you will not be selected for the programme or they will ask you to pay something which many of the small exporters are not in a position to pay and, for that matter, will not get the full benefit of the services earlier rendered.[Interviewee No. 6].

Some exporters who have used the services of either GEPA or GCCI and are no longer using it indicated that:

Because we are not ready to move to new markets and we are not bringing out any new product, we are currently relying on the information and the market we already have. What we always look out for is extra financial support from the government. However, The Export Development and Agricultural Investment Fund (EDAIF) is being disbursed by some commercial banks which are making the requirement to access the fund very difficult". "What we require at the moment is finance to assist in production and meeting orders of our clients, however, this is not forth coming. [Interviewee No. 26].

SMEs who are not able to access the services that they need often fail to enquire about other services. Services that involve financial assistance, according to the literature, are often provided to those firms who have attained a high level of export propensity, hence, ignoring the new and inexperienced exporters who require such assistance greatly.

8.11 Perception and Level of Satisfaction of Export Promotion Assistance

In order to determine the level of satisfaction with export promotion services, firms were asked for their perception of the services provided by the EPOs, AGI and the various exporters' association. Although respondents believed there are problems with services being provided by the various EPOs, they think that the EPOs are doing their best given the limited level of resources available at their disposal. A respondent summarised his satisfaction and perception of the services as follows:

They are doing a fantastic job with so little money. I think they are channelling the money to where it is supposed to go. However, more money is needed to sponsor projects that would be more innovative. I also wish that personnel of the promotion organisations would be paid better so that they can attract more top personnel for various positions to drive the agenda of diversifying the country's economy through the promotion of the NTE sector. [Interviewee No. 24].

From the responses of both EPO officials and SME owners, there is no doubt the resources-challenged nature of EPOs affects their operation. EPO informants mentioned that the range and scope of services are constrained by limited financial and human resources. They also indicated that EPOs have problems recruiting and retaining high-calibre staff because they cannot compete with salaries offered by other sectors within the economy. The inability to provide services in certain areas is all because EPOs lack personnel with such expertise. There is also the problem of maintaining a reputable database for firms due to personnel changes within the EPO. Officials of EPOs argued that poor data management makes it more difficult to foster meaningful and long-term relationships with the exporting communities to monitor their progress and development. However, other respondents were happy with the services provided by EPOs given the level of resources available to them and argued that:

The EPOs themselves are underfunded and could only provide limited services, this makes it difficult for exporters to face challenges headon as we are not well-equipped. Because we are half baked" and lack total understanding of happenings of the international markets, if you do not have other external source for information the challenges become insurmountable. [Interviewee No. 13].

Another respondent indicated that:

The available offerings are not sufficiently targeted to the specific needs of NTE sector and the agencies do not have enough industry expertise either. [Interviewee No. 12].

Other respondents indicated that:

Too much support is given to large and successful exporters at the expense of small, inexperienced firms which had greater need of assistance.

[Interviewee No. 6].

The literature has argued that EPOs sought to assist high-performing firms. Most of these high-performing firms are those who have the capability to develop foreign markets on their own with less or no assistance. Some of the SMEs complained about the bureaucratic red tape associated with EPOs, especially those which are fully-funded by government. Most SMEs, which are not effectively patronising the services of EPOs, blamed this on the high level of bureaucracy that they have to go through when accessing services. A respondent indicated that:

Support systems are too bureaucratic to respond quickly. There are too many forms to fill in before we get assistance and this is very time-consuming.

[Interviewee No. 5].

Small firms are very opaque due to information asymmetry. Most of them are not comfortable with managing paper work and will want to do things in their own ways.

8.12 Revised Conceptual Framework for SMEs Export Initiation, Internationalisation and Export Assistance

Judging from the findings of this research, it is evident that the conceptual framework in chapter 5 has to be revised. The revised conceptual framework suggests that in a situation where the promotion organisations are handicapped due to resource constraints and adverse macro and micro-economic environments, exporting SMEs may have to rely on their internal attention evoking stimuli to complement the external resources and assistance from EPOs to initiate and sustain their international market operations. In this study, it is clear that internationalisation is an entrepreneurial decision led by an owner or a management team which possesses a strong capability and the desire to learn new concepts and ideas. In the case of SMEs, especially the smaller firms, the owner in many instances is the sole decision-maker (Hsu *et al.*, 2013).

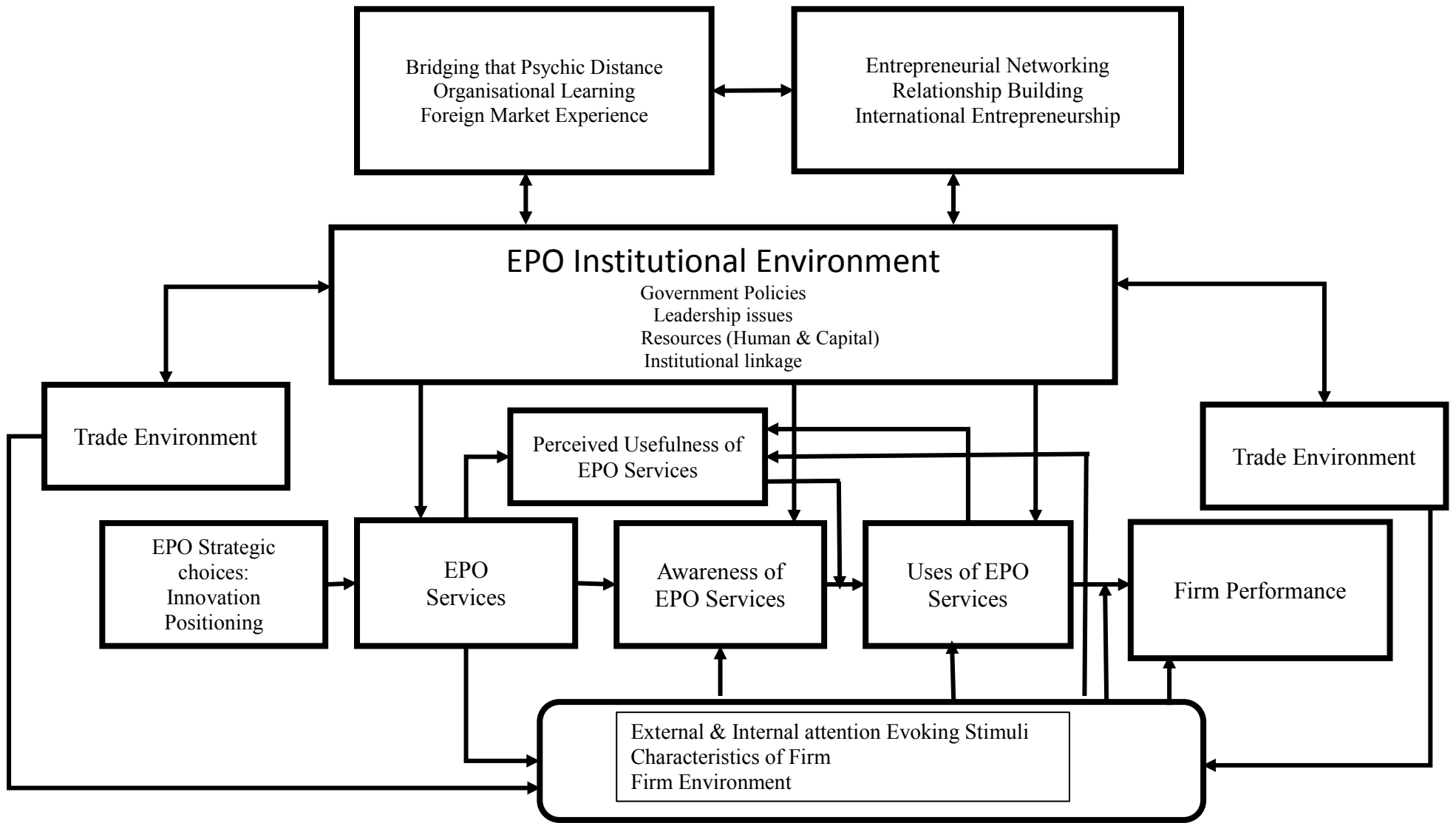
In this instance, the owner's competencies are crucial for successful internationalisation. The revised framework suggests that external or internal 'attention evoking' stimuli act as 'triggering cues' in the initial export decision-making process. However, the alternatives evoked depend not only on the characteristics of the firm and the environment in which it operates, but also on the characteristics of the individual decision-maker. In the case of the SME, the owner influences the internationalisation process to a larger extent. It was also observed during the study that poor institutional linkages are a huge challenge for effective and efficient international business in Ghana. Under the Ministry of Trade and Industry, there are institutions such as the regulation authority and the standard board. These institutions are supposed to work harmoniously with the EPOs to ensure that goods and services leaving the country's ports are of the required standard and also meet the quality standard of the destination market. Some of the key informants remarked that, the certification role of the standards authority and the regulatory institutions are so lax that exporters decide whether to follow the process of certifying their products or not.

Moreover, because the products that come under the NTE sector are mostly agricultural produce, one would expect that there would a strong link between the Ministry of Food and Agriculture and the Extension Services. However, during the interviews it was found that there are not enough extension officers to provide the farmers with the advice needed on cultivation, chemical application, harvesting and storage to ensure that produce meets international standards. As indicated the study, Ghana has had most of its vegetables banned from the EU market due to excessive chemical application and worm infestation. Both respondents from the EPOs and the exporters agreed that the inadequate nature of Extension Services affects their operations. The revised framework, fig. 8.6 focused on the EPO environment and how it affects SMEs' internal and external attention evoking stimuli.

EPOs' strategy choices, as seen in the level of their innovative capability and how they position themselves, will determine the response of the SMEs. It is noted that, the perceived environment, both home and abroad, will determine whether SMEs seek export assistance or not. The revised diagram shows that EPOs' strategic choices, i.e., their innovative capabilities and how they position themselves will determine how SMEs will see the services they provide and their usefulness to their internationalisation

process. EPOs' activities are required to bridge the "psychic distance", ensure effective and efficient organisation learning and foreign market experience. Moreover, services are expected to foster networking, as well as relationships building. Hence, at the centre of their operation is EPOs' own environment. These environments include government policies, issues relating to leadership, the level of resources available to the EPOs' and the level of the institutional linkage (link with other organisations to ensure smooth export process).

Figure: 8.6 Revised Conceptual Framework



8.13 Summary

This chapter has discussed the activities of EPOs. The services provided by the EPOs have been of tremendous assistance to the SME exporting communities in Ghana. Although the benefits of these services could not be overemphasised due to the positive impact they have had on the NTE sector, the organisations are noted to be beset by many challenges, which limit the level of assistance they can offer. The micro and macro-economic situation is noted to have had negative impacts on business activities in the country. High interest rates, resulting in high costs of borrowing and high production costs are noted to negate gains made by the EPOs as Ghanaian SMEs are unable to compete favourably on the international market. The ill-resourced nature of the EPOs, in terms of finance and human resources place major constraints on their activities.

Most of the exporters, as well the EPO key informants, believed that the implementation of the Ghana export strategy and the full operationalisation of the EXIM bank will remove most of the bottlenecks bedevilling the operations of the EPOs and of the exporters. Although many of the SMEs claimed to have received assistance from the EPOs, others have not used or have not received any assistance from any EPO, although they have heard about some of them. There is the need to refocus strategies to ensure that services are targeted at the needs of beneficiaries.

9.0 Discussions of Findings of SME Internationalisation and EPOs in Ghana.

9.1 Introduction

This Chapter discusses the findings of the study and identifies areas where the results support or are in conflict with existing studies of export assistance and SME internationalisation behaviour. It discusses SMEs' export initiation and their internationalisation process, indicators of successful internationalisation and firms' performance. It then discusses the various challenges that SMEs face in their drive to acquire and develop international markets. Thereafter, it will discuss the need for export promotion for SME internationalisation, the various services provided to SMEs, the level of awareness of the services and whether SMEs are using the services or not. In addition, the impacts of export promotion services on Ghanaian SMEs, as well as the challenges facing export promotion organisations, are also discussed. Finally, how EPOs determine what services to provide to exporters is also discussed.

Resources and management limitations are known to be the main weaknesses of SMEs (Hauser and Werner, 2015). Constraints of resources and competencies required to enter international markets and the limited ability to develop foreign markets could account for SMEs' weaker orientation towards international markets (Verwaal and Donkers, 2001; Haahti *et al.*, 2005; Piantoni *et al.*, 2012). Acknowledging the size-specific disadvantages that confront SMEs, governments worldwide have attempted to remove the barriers that these firms experience by introducing export promotion instruments so that they can achieve their full growth potential in international markets (European Commission, 2007; OECD, 2008).

Larger enterprises are noted to possess the capability and competencies to enter and develop international markets with less or no external assistance. Moreover, they are more likely than SMEs to use other forms of internationalisation, such as international cooperation, international licensing and foreign direct investment (Haunschild *et al.*, 2007; Lo *et al.*, 2007; van Elk *et al.*, 2009; Kranzusch and Holz, 2013). SMEs seem to make less use of foreign trade promotion programmes, as compared to larger companies (Haunschild *et al.*, 2007; van Elk *et al.*, 2009). Despite the substantial amount of money and resources spent on export promotion activities, the literature on export promotion and

firms' internationalisation is inconclusive on the benefits. Past decades have seen numerous studies focusing on the topic, however, the sharp division within the literature keeps widening. Substantial studies have focused on the effectiveness of official foreign trade promotion (Wilkinson and Brouthers, 2006). The existing studies have focused on promotion activities and the export performance of countries or sub-national jurisdictions, such as federated states, provinces (see Coughlin and Cartwright, 1987; Wilkinson and Brouthers, 2000).

Other studies have also examined SMEs' awareness, usage and perceptions of trade promotional instruments as an indication of their outcomes (Vanderleest, 1996; Moini, 1998; Haunschild *et al.*, 2007; van Elk *et al.*, 2009). Other empirical studies in this branch of the literature have assessed the effects of the various programmes on the foreign trade performance of SMEs. However, the findings of these studies remain ambiguous. While some findings indicate that foreign trade promotion has positive effects on the internationalisation of SMEs, other studies have not found a clear relationship between the use of promotion schemes and export performance (Leonidou *et al.*, 2007; Freixanet, 2012; Durmusoglu *et al.*, 2012). Others have questioned the effectiveness of the various types of governmental promotion programmes (Leonidou *et al.*, 2007).

Despite all the attempts of previous studies, the question as to whether export promotion activities affect SME internationalisation, growth and markets development remains unaddressed. Most studies have focused on the firm and not the service providers. Thus, this study extends the existing literature in two ways. Firstly, the study examines the role of export promotion on SME internationalisation. Given the resources challenge experience of EPOs, the study investigates how the resource constraints affect the delivery of service to exporting SMEs. Secondly, the study also fills a gap in the existing literature by examining how the domestic economic environment of SMEs affects the internationalisation process and the effectiveness of services provided by EPOs. It is noted that high interest rates, fluctuations in the local currency against the major trading currencies, such as the US Dollar, poor and ineffective supply of utilities affect production and costs of production. With this situation, there is the likelihood that export promotion services will struggle to achieve the desired impact.

9.2 Factors Influencing the Initial Decision to Export

Multiple factors have been identified to influence the export initiation decision of SMEs from the literature in Chapter 3 and section 8.2. Figure 8.1, which indicated that the activities of EPOs have significant effect on the export initiation of most Ghanaian SMEs. Most of the SMEs operating within the NTE sector are relatively young and lack international markets experience, hence required assistance in foreign markets accessibility and development. In addition, most of the firms lack the needed resources to enter and develop foreign market on their own, and thus depend greatly on promotion organisations to support their limited internal resources. However, size and age did not come out during the interviews of SMEs as a major impediment to export initiation. Respondents remarked that, the intervention of EPOs initiated their exporting decision.

Other reactive factors, such as declining domestic profit, unsolicited orders or enquiries, declining domestic market and small domestic markets appear to play an important role in export initiation. These opportunistic factors could be seen by other managers' while others will not notice it or will ignore such opportunities completely due to perceived export barriers (Hollensen, 2007). Thus, the pivotal role of the decision-maker in the initial export decision of SMEs is confirmed (Westhead, Wright, and Ucsbasaran, 2001). Wiedersheim-Paul *et al.*, (1978) observe the export decision is influenced by the complex interaction between external and/or internal "attention-evoking" factors of the firm and decision-maker characteristics. Early studies have reported that EPOs' stimulation measures play a small part in the initial decision to export, (Simpson and Kujawa, 1974; Silkey, 1977; Karafakioglu, 1986; Paliwoda's, 1993). They argued that stimulation measures reinforce, rather than influence. Contrary to this assertion, this study finds that EPO stimulation measures play a pivotal role in export initiation of small firms in Ghana, as well as those in developing countries with a similar economic situation and environmental factors as Ghana.

9.3 Internationalisation Process of SMEs in Ghana

The views in the literature that firm internationalisation is in “stages” (Johanson and Vahlne, 1977) has gained a considerable momentum (see Chapter three section 3.3). Moreover, the beliefs that firms internationalise in a series of incremental steps and other underlying assumptions of stage models have been challenged because they are too deterministic (Reid, 1983). Respondents of this study hold a contrary view to the “rigid” stage approach to firms’ internationalisation. This study finds that some SMEs start their internationalisation process by exporting to markets of close proximity and with similar market characteristics as their domestic market before venturing into more distant and complex foreign markets. This gives credibility to the concept of “psychic distance” and “geographic proximity” assumption of firm internationalisation by Uppsala. However, not all SMEs follow that path. The in-depth interviews revealed that unsolicited orders, enquiries from potential distributors and agents EPO activities sometimes determine the first export market, regardless of the psychological or the physical distance. Another concept of the Uppsala model is the learning process. The learning process explains a firm’s internationalisation as a gradual process of learning.

The gradual experience gained by firms is key to the firm’s internationalisation (Johanson and Vahlne, 1977). They explain further that by integrating knowledge acquired from this experience on the foreign markets, the firm improves its decision-making process. The series of incremental decisions then result in firms’ internationalisation. Respondents of the current study gave credence to this assertion. They mentioned that years of exporting and learning gave them enough experience to take decisions on subsequent market acquisition and development.

Exporting to nearby West African countries gave them enough experience to move to matured markets such as Europe and North America (see section 8.2.1). Apart from exporters selecting export market with the concept of psychological distance as guiding principle, it came out that exporters follow customers to create a niche market. The large African migrant population in Europe and America makes those markets easy targets for Ghanaian exporters. The overall findings (see section 8.2.2) suggest that the “establishment chain” theories proposed by the Uppsala School do not adequately reflect

the underlying motivational factors, which influence patterns of internationalisation of small firms.

9.3.1 Attributes of decision-maker and the Internationalisation process

The existing literature has given credence to the attributes of the decision-maker in the internationalisation process of SMEs (Bell 1994; Enderwick and Akoorie, 1994; Manolova and Manev, 2004). The current study found that decision-maker's attributes such as age, education, international experience, foreign language skills and previous work experience are contributory factors of SME internationalisation and subsequent export success. The attributes of the decision-maker as a contributory factor for successful international operations has been researched in many studies with different findings (Roth, 1995; Sanders and Carpenter, 1998; Tihanyi and Thomas, 2005). Information processing increases and becomes more complex when firms move into international markets, (Tihanyi and Thomas, 2005) thus, attributes such as education and skills to process information are critical. This study finds that age, education and language skills are not a critical factor for the internationalisation process and subsequent export success. Respondents' age was between 35 and 65 while their educational background was from junior high school through to master's degree.

Although some respondents could speak other foreign languages such as Arabic, Dutch and French, Italian and Spanish and believed it facilitates easy communication with clients, those who could not speak any foreign language, apart from English said language has not been a barrier to the internationalisation process. This finding agrees with that of (Bell 1994; Enderwick and Akoorie, 1994; Manolova and Manev, 2004) who argued that foreign language skills are unnecessary to English speaking international decision-makers as English is the acceptable business lingua franca throughout the world. However, factors such as international experience and prior work experience were noted to be critical factors in the internationalisation process and successful exporting of SMEs. Some respondents who have international experience, because either they were previously residing abroad or they are foreign nationals indicated how critical their foreign market experience contributed to successful, exporting to those markets (see section 8.3.2). The literature points to the fact that international experience impacts

positively on perceptions of foreign market opportunities and on managerial competencies (Bell, 1994). Moreover, experience in a foreign market facilitates the establishment of contact with buyers and potential distributors. Moreover, the study finds prior work experience is a critical factor for successful internationalisation. Many of those interviewed had prior work experience in large and internationally active companies as either managers or employees; thus, prior work experience was used as a source for new ideas and innovations in their internationalisation process and export initiation.

9.4 Indicators of Successful Internationalisation, Performance and Growth of SMEs

The literature identifies internationalisation as a major dimension of firm growth. Findings on internationalisation, performance and firm growth appear inconclusive within the literature. Whilst a section of the literature shows a positive relationship (Peng and Delios, 2006; Bausch and Krist, 2007; Pangarkar, 2008), other scholars show negative relationships (e.g., Collins, 1990; Geringer, Tallman, and Olsen, 2000). There are others who think the relationship is U-shaped (e.g., Lu and Beamish, 2001; Ruigrok and Wagner, 2003), while others argue it is inverted U-shaped (e.g. Hitt, Hoskisson, and Kim, 1997; Chao and Kumar, 2010).

9.4.1 Sales Growth

Respondents mentioned various indicators for successful internationalisation, performance and growth of their businesses. Chiao *et al.*, (2006) argued that sales growth is an important indicator of successful internationalisation and firm performance among Taiwanese firms. Most respondents of the current study indicated that a decline in sales in the domestic market, as well as the small domestic market size was among the factors that led them to look for markets abroad. They argue that to be able to compete within the international markets there is the need to ensure that products are competitively priced. High production volume often drives unit cost of production down, so there is the need to search for markets abroad to sustain a high production level that will cater for a high volume of orders from the international markets. This finding is in agreement with Pangarkar (2008), who argues that because most SMEs are in the early stages of their international evolution, strong emphasis was placed on sales growth.

9.4.2 Cost Reduction and Profitability

Internationalisation is associated with rising cost (Buckley and Casson, 1976; Hymer, 1976). Thus, firms adopting an international strategy are likely to face rising costs at the initial stages of the expansion. However, this cost is expected to reduce through increased international experience and organisational learning (see Section 3.4). Koksall, (2008) and Karadeniz and Gocer, (2007) argue that exporting activities increase profitability; however, firms are expected to reduce the cost associated with internationalisation to realise this benefit. SMEs in this current study - during the interviews - maintained that, reduction in cost associated with their exporting activities is a critical indicator of good international performance and export success. Respondents agreed that cost associated with internationalisation is high; however, prudent management of the limited available resources would drive costs down with time. SMEs, in order to reduce cost associated with exporting, need to ensure consistency in international market operations by exporting frequently. Regular exporting activities increase the learning process and the necessary experience (see section 8.5.2). This finding is consistent with the finding of Wyer and Smallbone, (1999) who mentioned that stability and sustainability are crucial to drive down cost and increase return.

9.4.3 Increase market share and multiple destinations

The existing literature agrees that SME owners' and managers' subjective perceptions of the extent to which they have achieved their objectives of internationalisation have to be included as an indicator of international success and export performance, because they are the only ones who know their export goals (see Seifert and Ford, 1989; White *et al.*, 1998). Findings of the current study show evidence of how SMEs perceive market share and multiple destinations as an indicator for international performance and export success (see section 8.5.4). Increases in market share and multiple destinations ensure stable and sustainable international operations. The exporter has the option as to which market the product would be sold to. Respondents also argued that they are able to reduce their financial constraints by looking for multiple and alternative foreign markets. They maintain that some buyers and partners are able to pre-finance their order, hence giving

them the funding they needed to continue production. However, a single destination market with limited trading partners or buyers means they will not have that alternative. It was also noted that the desire to export to multiple destinations shows the commitment of the firm to satisfy all the regulatory requirements and the quality standards of all these markets. Internationalisation is associated with a learning process. SMEs are expected to meet both regulation and quality standards through learning. Thus, when an SME is able to export to multiple foreign markets, especially the developed and advanced markets such as Europe, America and Far East, then there is an indication that the firm is going through the learning process of its internationalisation successfully.

9.4.4 Networking and Relationship Building

Networking and relationship building has been a common feature of most internationalisation studies (see Oviatt and McDougall, 1994; Bell, 1995; Coviello and Munro, 1997). The “stage” and incremental approach to internationalisation championed by some scholars (Bilkey and Teasar, 1977; Johanson and Vahlne 1977) has been challenged in the literature due to issues of “Born Globals” and International New Ventures (INVs). Firms are believed to internationalise through association, networking and relationship building (Oviatt and McDougall, 1994; Bell, 1995; Coviello and Munro, 1997). Ghanaian SME owners and managers maintained that successful networking and effective relationships are important ingredients for successful internationalisation and exporting. Efficient and effective relationships with both suppliers and buyers are required to ensure successful international operation. Johanson and Vahlne (2003), comment that mutuality is a basic feature of a business relationship. SMEs lack resources, especially financing, hence there is the need for SMEs to build relationships with suppliers and customers, as well as other organisations, in order to achieve their strategic goal and perform well internationally. Hakansson and Snehota (1989), argue that relationship partners and firms within a network have common interest in the future development of a resource; hence, they look for a better way to develop such a resource for the benefit of all partners. SMEs believe that networking and effective relationships reduce barriers to internationalisation. Networking with firms with international orientation tends to harness each other’s potential and unique competencies.

9.4.5 Innovation and Creativity

The SME sector's contribution to economic development cannot be overemphasised; however, the sector is often faced with market imperfections such as limited resources which impair access to innovation and creativity (Verheugen, 2003). SMEs need to be innovative and creative to succeed in the international markets. The SME sector has been the target of both international and national aid agencies in many countries of the world (Department of Trade and Industry [DTI], 2005, 2006; Omankhanlen, 2011a, 2011b). This is as a result of the role they play within national economies. Ardic *et al.*, (2011) argue that SMEs in developed countries often enhance their competitiveness through high-quality products, flexibility, and responsiveness to customer needs. For SMEs from the developing countries to succeed in the international markets, there is the need for them to emulate the example of their counterparts in developed countries. Internationalisation exposes SMEs to trends within the sector they are operating. The fierce competition that is associated with international operations challenges SMEs to be creative and innovative in order to remain in the foreign market. The study found during the interviews that most SMEs feel secure with their market share within the domestic market and do not invest in research and development or use innovation to bring new products into the market, however, in the international markets, competition forces them to be creative in order to survive.

9.5 Challenges of SMEs Internationalisation

SMEs' contribution to the economic development of both developed and developing countries has been registered in the literature. The contribution of SMEs to employment creation has equally been recognised within the literature (OECD, 2008a, 2008b). Other studies have mentioned SME contribution to overall economic growth and development (Audretsch, Van der Horst, Kwaak, and Thurik, 2009). Although the SME sector contributes enormously to their national economies, the literature has documented multiple challenges that limit their ability to realise their full potential. These challenges increase when SMEs attempt to move out of their domestic markets to venture into international markets. Such challenges could be financial or non-financial.

9.5.1 Financial Challenges

Like all other SMEs in developing countries, SMEs in Ghana face numerous challenges when trying to move abroad, the most prominent challenge the study found is their financial challenges. Kayanula and Quartey (2000), report that financial constraints affect the growth of the Ghanaian SME sector. Many reasons have been attributed to this dire situation. Aryeetey *et al.*, (1994) report that 38% of the Ghanaian SMEs surveyed in their study mentioned credit as the number one constraint of their growth and development. This study also found that of all the challenges facing the SME sector in Ghana, finance is the most talked about constraint. The current study also finds that the commercial banks are not interested in lending to small businesses in Ghana due to the level of risk associated with the SME sector. Collateral security has been demanded from SMEs that approach the high street banks for finance. Most of the SMEs mentioned that their inability to provide such collateral security has resulted to their inability to access credit from the commercial banks. Bigsten *et al.*, (2000) find that about 90% of SMEs are refused when they apply for a loan from formal financial intermediaries.

SMEs also mentioned the high interest rates charged on credit from the banks as a factor for their financial woes. The prevailing poor economic climate at the time of the study dictated that banks would have to lend to businesses at a high interest rate of 36% and greater. The micro-finance companies that would have been the preferred alternative to the commercial banks are charging even higher rates and require deposits from SMEs before advancing loans. The SMEs have argued that taking deposits before offering credit locks up the limited capital they are working with. The financial institutions have the notion that they have a responsibility to safeguard their investment. The Bank of Ghana Financial Stability report for November 2015 indicated that the banking sector is facing a significant challenge due to the high level of non-performing loans. The report indicated that credit to the private sector contributed 97.4% of the total banking sector's non-performing loans as at September 2015. The high level of non-payment of credit facilities advanced to SMEs has resulted in a lengthy processing time for SME loan applications. Obviously, this is to allow banks enough time to do the necessary background checks. However, the delay in processing loan applications has affected most exporters who have mentioned that they have lost businesses and orders due to delays in accessing the needed funds to facilitate the production of such orders.

Buatsi, (2002) states that insufficient export finance for large-scale production and marketing have been identified as a significant hindrance to the success of Ghana's export-growth strategy. Respondents corroborate with the assertion of Buatsi; they mentioned that most of the time the banks do not provide the entire loan amount requested for in the loan application. They argued that such practice affects business planning, as it makes it difficult for them to implement their export strategy. Apart from banks not providing the entire amount requested, the study found that loans repayments are not flexible and loans are not offered long-term. It was noted that most of the loans for SMEs are for a period of 12 months. In this situation, SME owners and managers have argued that it is difficult to do any long-term planning with such facilities.

9.5.2 Non-Financial Challenges

Besides the finance-related challenges that SMEs face in their exporting activities, SMEs are known to face other non-financial challenges while expanding globally to increase sales and, in most cases, to survive (Kalafsky, 2009). For newer export markets, firms must often design entirely distinct strategies and generate innovative product lines in order to appeal to a faraway and unfamiliar clientele. The first non-financial challenge interviewees discussed was information on foreign markets. The literature noted that informational barriers which relate to problems in identifying, selecting, and contacting international markets due to information deficiencies affect international markets development. SME owners and managers recognise the importance of sourcing reliable foreign markets information prior to committing resources to that particular market. They, however, mentioned that accessing information on foreign markets has been overly challenging. They argued that information obtained is sometimes outdated, not accurate and not timely. SME owners and managers have commented that obtaining foreign markets information could be expensive.

Additionally, some exporters find it difficult to interpret the information they have received on foreign markets. With the unreliable nature of the services provided by EPOs, SMEs have to take matters in their own hands if they are to access specific services such as obtaining detailed information on foreign markets. The ill-resourced nature of EPOs in Ghana means they are not able to offer tailor made services to the exporting SMEs.

However, SMEs at different stages of the export business require different information and assistance. The interviews also brought up marketing related challenges. The marketing-related challenges include product design and quality, pricing and distribution, logistics and promotion. Challenges relating to product design and quality were mentioned by both key informants from the EPOs and SMEs owners and managers. Although some exporters were noted to be doing well as far as product quality is concerned, there is a wider consensus that more needs to be done.

Leonidou (2004) posits that SMEs in developing economies face challenges relating to product quality and logistics management while those from developed economies face issues such as country differences, general business risk, and logistics. Results from the interviews with both key informants and SMEs indicate that SMEs are facing challenges meeting the quality standards of most of the foreign markets. This issue of meeting the quality level in the international markets has been the bane of EPOs. GEPA officials indicated that poor finishing and functionality remain the handicraft sector's main challenge, and that is causing prospective buyers to look elsewhere for better alternatives (see section 8.6.2). Kalafsky, (2009) argues that for newer export markets, firms must often create entirely distinct strategies and generate innovative product lines in order to appeal to distant and unfamiliar clientele.

In addition to the challenges related to the quality of the products, SMEs face difficulties accessing information on foreign markets and customers' preferences. Apart from quality in terms of product appearance and functionality, challenges associated with product wholesomeness were topical. Fruit and vegetable exporters commented about the challenges they face ensuring that their products meet the international standard as far as chemical application is concerned. For instance, Joyfmonline.com in 2015 reported that Ghana faces possible ban of exporting vegetables to the EU market due to poor agricultural practices such as misapplication of chemicals for weeds and pests. Ghana exports 4000 metric tonnes of vegetables to the EU market (GEPA Report 2015) and this is likely to increase if production and shipping conditions meet international standards. The President of Ghana Association of Vegetables Exporters (GAVEX) Juliana Opuni, in a press interview, mentioned that the association intentionally cut down on the volume of export to ensure that members export the quantity they can manage to avoid sub-standard products being exported abroad. One main challenge facing Ghanaian vegetable

export is the packaging of the produce. A key informant from Federation of Association of Ghanaian Exporters (FAGE) indicated during the interviews that “it is disheartening to see packaging being done in the open air at Kotoka airport” a situation he argued can lead to a decrease in quality and product shelf life. Currently Ghana does not export peppers, bottle gourd, luffa gourd, bitter gourd and aubergines to the EU market due to an audit which identified pest infestation on such vegetables.

The EU has assisted in implementing the Trade Related Assistance and Quality Enabling (TRAQUE) programme. The TRAQUE programme is designed to support businesses which want to export to the EU market. Christian Peters, the Head of Economic and Trade Section of the EU, said an audit in September 2016 by the European Commission would determine whether the ban on the above vegetables would be lifted by 2017 or not. The Ghana NTE sector faces competition from countries such as Indonesia, China and other South America countries. To ensure that consumers of the various international markets accept goods from Ghana, commodity pricing must be competitively done. SMEs mentioned that the environmental conditions in which they operate always make it difficult for their goods and services to be competitively priced. High interest rates on credit facilities, as well as fluctuating and fast depreciation of the Ghana Cedi against the major trading currencies, especially the dollar, were identified as reasons for the challenge. The literature has cited SMEs as facing challenges when it comes to pricing in order to remain competitive (Tersptr and Sarathy 2000; Leonidou 2004).

Another challenge SME owners and managers complained about is recruiting and retaining skilled human resources. Although Ghana has a large youth population, SMEs struggle to attract skilled labour to assist in production. Interviewees mentioned that the SME sector’s inability to pay premium rates makes the sector unattractive for skilled workers. Trained and experienced employees of SMEs leave them for larger companies as soon as they acquire the skills and experience to perform well. A situation, the SMEs argued that has resulted in high labour turnover among small businesses, which prevent the sector from having experienced staff. Although, in recent decades, governments have worked steadily in expanding roads and ports infrastructure to open up trade between Ghana and the neighbouring landlocked countries of Mali and Burkina Faso, there is much to be done if export and import trade is to be facilitated with fewer obstacles. Interviewees maintained that the current facilities at the various ports and harbours are

not enough to support the increasing imports and exports trades of the country. Storage facilities are noted to be insufficient, hence, exporters argued, they are made to pay huge penalties if there is a problem and the goods do not get onto the ship and fail to reach their destination market. The researcher noted that ports authorities use such punitive measures to discourage exporters from keeping their wares in the storage facility for a long time before shipping them to their final export market. Apart from issues with ports and storage capacity, road networks from the various production regions to the ports, especially from those regions that produce the agricultural products, are mostly not in good condition.

This situation, most of the exporters argued, has an adverse effect on their operations when the trucks transporting the produce from the farmland to the port break down due to the poor nature of the roads in the production areas, resulting in produce being left at the mercy of the tropical sun, hence reducing the quality. The worst of the problem is that few trucks have been fitted with refrigerators to keep produce, such as fruit and vegetables, fresh whilst in transit. ME owners and managers also complained about an ineffective transport system to send their products abroad. Those who export to the US complained that there is no direct cargo ship to send their wares to the US and Canada without stopping at Europe. They mentioned that the long route through Europe is not helping those dealing in perishable goods. A senior official of GCCI informed the researcher that the West Africa Chamber of Commerce is trying to purchase some cargo ships to assist exporters in that regard.

9.6 Export Promotion and Ghana's NTE Sector

The activities of EPOs have been evaluated in many studies (see section 4.2). The existing studies have shown variable impacts of export promotion on firms' internationalisation. The available literature indicates that export promotion is more useful to small firms because, unlike their counterparts the larger firms, they lack the needed resources to access and develop international markets on their own (Haahti *et al.*, 2005; Piantoni *et al.*, 2012; Hauser and Werner, 2015). The literature indicates that EPOs need to remove obstacles or perceived obstacles to accessing information on foreign markets by SMEs. EPOs' activities are noted to be critical of SME internationalisation because of the notion that SMEs are likely to face challenges accessing market information (Martincus and Carballo 2008). The mixed results of the existing studies on EPO activities are evident in

the literature. Spence (2003) showed a positive impact of trade mission on the internationalisation of UK firms. Durmusoglu *et al.*, (2012) find that EPO activities have a positive impact in four strategic areas of the firms; these include financial, stakeholder relationships, strategic and organisational learning goal achievement.

9.6.1 Awareness of EPO services

Export promotion services available to SMEs in Ghana are indicated in table 7.5. Generally, the level of awareness among Ghanaian SMEs is high, contrary to the findings of Kanda *et. al.*, (2015) which indicate low awareness among SMEs (see Section 4.3). SMEs owners and managers pointed out that they are aware of the various services of the EPOs. The interviews with key informants from the EPOs revealed that effort has been made to create the needed awareness among exporters and potential exporters. The study noted that the various exporters' associations maintain constant dialogue with the main promotion organisations and relay information back to their members. GEPA laws require every exporter to register with the authority before engaging in export trade.

During the registration process, firms are taken through the “export school” which also provides all the available assistance to the exporter prior to exporting. However, exporters maintain that the inconsistencies in the various export regulations in different government agencies make the process confusing and they are often oblivious of certain policy issues. There are also inconsistencies in the activities of the various exporting associations and the main EPOs, GEPA and GCCI. There is the need to ensure a constant flow of information among these organisations so that SMEs benefit from the available services. The in-depth interview revealed that the high level of awareness of certain services of promotion organisations, unfortunately, could not be related to the level of usage of the services. Some information gathered from key informants, as well as owners and managers, indicated that most SMEs appear not to meet the conditions attached to most services, hence, are not able to access those services. Some services required SMEs to make some financial contributions due to the resource constraint of the EPOs. This indicates that there is the possibility that SMEs will not be aware of all the information available because not all SMEs could afford to pay for those services. Other small businesses are also noted to lack the skilled personnel to scan the available services from

various organisations to ascertain the needs of their firms at a particular moment in their internationalisation process.

9.6.2 Usage of export services

Findings indicated that usage of export promotion services by SMEs are mixed in the literature (see section 4.4). Hauser and Werner (2015) report that small businesses use export promotion services less, as compared to large businesses. Responses of the key informants indicated that usage of services which provide information on foreign markets and export documentation is high. This is mostly because those services are open to every exporter. In addition, they maintain that services such as training on chemical application and good practice in farming, for both exporters and producers of fruits and vegetables, are highly patronised because EPOs receive assistance from development partners providing those services. However, services that involved either cost sharing or required full payment by SMEs are mostly not patronised by the majority of the SMEs due to financial constraints. Although EPOs are doing their best to provide export services to SMEs, the resources constraints make it impossible for them to implement all their programmes within the financial year. Funding is a critical problem for SMEs in Ghana. The EDAIF fund was, therefore, established to provide financial support for exporting SMEs. However, the study noted that over 80% of SMEs are not able to access the EDAIF fund. This is due to the fact that the fund is being managed by the commercial banks who apply all the lending requirements of the high street commercial banks to the lending process. SME owners and managers' complained that; the banks are not interested in disbursing the EDAIF funds which are cheaper (10% interest and 5% processing fee). On the contrary, they prefer to offer borrowers their loans, which attract 37% interest. Some SME managers mentioned that they are not using the services provided by the EPOs because they mostly do not get the services they actually needed. A high level of usage is recorded in services that involved fairs, trade shows and trade missions. Although these services are mostly cost sharing or fully paid for by exporters, patronage is very high. Most of the responding SMEs maintained that they rely greatly on their agents and contacts for specific information on foreign markets, so attending these programmes gives them the opportunity to display their products, interact with prospective buyers and meet prospective leads and contacts. Almost all the respondents commented that trade fairs and

trade missions are very important for increasing foreign market sales and devising a strategy to access new foreign markets. The overall usage of EPO services among Ghanaian SMEs is encouraging and EPO services are noted to have positively influenced international trade development and export success. There is the need for the government to provide enough resources, both financial and human in order to expand the services for all exporters to benefit. Moreover, SMEs need to train their export staff to equip them with skills to scan the available services in order to identify those that will aid their international market operations at every stage. Key informants maintained that because the promotion agencies depend on government subvention for their funding needs, there is always the tendency that services would be rationed among the exporting SMEs.

9.6.3 Perception and satisfaction of EP programmes

The perception SMEs have of EPPs has led to mixed results within the literature (see section 4.6). Tan and Kau (1987) indicate that Singaporean exporters did not find those available EPPs useful. This is because SMEs claim that the export assistance is undifferentiated, either for export promotion purposes or for providing assistance for development purposes. However, Gencturk and Kotabe (2001) assert that EPPs contributed to export success, but the extent of that contribution is dependent upon the dimension of export performance being examined. They argued that EPO services did not contribute to SMEs international sales, but enhanced the competitive position of SMEs.

The current study noted that the overall perception of the services provided by EPOs is satisfactory. SMEs maintain that the various promotion organisations are beset with resource challenges and could do a better job if the situation were different. SMEs in the NTE sector argued that the available services are not sufficiently targeted to their needs because the EPOs lack expertise to research current developments within the international markets. Some SMEs, however, argued that much attention is given to large and successful firms at the expense of small and inexperienced firms. The interviews with key informants revealed that SMEs are required to demonstrate that they have finished products that will appeal to foreign markets consumers before being able to attend fairs and trade missions. However, there is the need to encourage less experienced SMEs, as well those with potential, to attend fairs in order to have that international interaction. The limited resources available to EPOs has created a situation in which only successful

SMEs with well-developed products are catered for. It is a situation which many SMEs are not content with because it has the potential to affect the international business aspirations of many of them. SMEs maintain that the struggling economy could be turned around if export businesses were supported, hence there is the need to encourage SMEs who have shown a strong desire to move abroad because not all SME owners and managers will venture into international markets, even with 100% assistance.

9.6.4 Impact of export promotion services on SMEs exporting

The literature has emphasised the various constraints SMEs face in developing foreign markets. Resources constraints have been identified as the dominant challenge for SME international markets development (see section 4.1). Studies that argue for the support of SMEs to become international base their argument on the resource-based theory. The activities of government-assisted programmes have had a positive influence on internationalisation and markets development of SMEs in Ghana (see section 2.4). Although there is evidence of resources constraints, EPOs have assisted SMEs to annex foreign markets through information support and market research. Although most SMEs argued their number one challenge is finance, the assistance provided by EPOs in the area of product development, credit guarantees, and tax incentives has had a positive impact on their international operations. The promotion of the NTE sector has assisted in the economic diversification programme, which was started after the structural adjustment programmes, (see Chapter 2). The organisation of fairs, trade missions and “match up” have opened avenues for indigenous Ghanaian firms to partner foreign businesses to drive international business through extra capital injection by foreign partners. EPO officials maintain that incentives on export duties and levies have reduced the high operation costs of SMEs. In their study, Abor and Quartey, (2010) argued that high interest rates, high inflation, export duties and levies increase the operational cost of SMEs in Ghana, comparing to their counterparts from stable economies. Although there are huge challenges due to an unstable macroeconomic situation in Ghana, incentives and assistance provided to exporting SMEs through export assistant programmes have increased the export figures and the number of SMEs operating abroad.

9.6.5 Challenges of Export Promotion Organisations

EPOs have been associated with export development for some time. Since the first EPO was established in Finland in 1919, the services of EPOs have become a popular instrument in the last decades to boost countries export trade. Although EPOs have been contributing in to developing national export trades in both developed and developing economies, there have been questions as to whether these organisations are really worth the public money being spent on them (Keesing and Singer, 1991a; Keesing and Singer, 1991b; Lederman *et al.* 2010). Lederman *et al.*, (2010), investigate the efficacy of EPOs in developing countries and argue that they lack strong leadership, are inadequately funded, used bureaucratic recruitment procedures, have no client orientation and are suffering from government involvement, which has resulted in many development institutions withdrawing their support from EPOs.

9.6.5.1 Funding Challenges

This study maintains that the challenges facing EPOs in developing countries are the reasons behind their ineffectiveness and inefficiencies. The current study noted that funding is a major challenge for EPOs in Ghana. Interviews with key informants and EPO officials revealed that EPOs are underfunded and rely solely on government subvention to implement their programmes. Government support is noted to be inadequate, hence EPOs have to prioritise their operations. With the current decrease in donor support for EPOs in developing countries, EPOs are asking exporting SMEs to pay for services rendered to them or they rely on only the basic information provided by EPOs. It was noted that SMEs who are unable to fully or partly pay for services, are not likely to receive such services. In similar studies by Cumming and Fischer, (2012), Hjalmarsson and Johansson, (2003), these noted that SMEs are often unable, or unwilling, to pay for the private provision of such advisory services. Thus, partially or fully publicly funded advisory services are provided in nearly every developed country. The results of the study presented in section 7.6.1 indicate that inadequate funding for EPOs affects their efficiency and effectiveness in delivering excellent export assistance services to SMEs. The funding difficulties, presented in section 7.6.1, corroborate that of Lederman *et al.*, (2010).

9.6.5.2 Human Resources Challenges

The poor funding of EPOs has affected their ability to attract the experienced and skilled human resources needed to support their operations and the implementation of policies. Lederman, *et al.*, (2010) argue that EPOs in developing countries lack strong leadership. However, the findings of the current study do not suggest that. Although EPOs are inadequately resourced, their contribution to promoting the NTE sector cannot be overemphasised (see section 2.4). Portugal-Pérez and Wilson (2011), argue that EPOs are not effective because of political influence and interference, especially those in developing countries. They claim that government favouritism for well-connected firms has the tendency to negatively affect the activities of EPOs. They further mention that most EPPs could only be accessed by political party cronies. This assertion is inconsistent with the findings of the current study.

The Current study found that services are open to all SMEs with no political interference or influence. Although some SMEs are unable to access services due to their inability to partly or fully pay for such services, key informants did not mention government interference. Although the Ministry of Trade and Industry is supportive of the activities of EPOs, government commitment to providing the needed resources is lacking. Although the government do not directly influence the recruitment of personnel in the EPOs in Ghana, with the exception of the appointment of Chief Executive Officer (CEO) and deputies, government, as the main financier of the EPOs, has to give the green light to enable them to hire new personnel. Currently, government austerity measures place a ban on recruitment into public sectors. This situation affects all organisations that receive government funding, including EPOs. Human resources challenges do not only affect EPOs but also the work of other supporting organisations that ensure that SMEs are able to export with less difficulty. Institutions charged with enforcing regulation and standardisation are likewise not adequately resourced to ensure effective supervision and regulatory activities. Lack of extension services personnel affects farmers receiving the necessary advice to ensure that vegetables and fruits exported to foreign markets meet the quality standards.

9.6.5.3 Environmental challenges

The socio-economic and political environments in which SMEs operate also pose challenges for the firms and the EPOs. The microeconomic environment and government policies affect businesses negatively when such policies do not create an atmosphere conducive for businesses to thrive. Findings of the study in section 7.6.3 are consistent with De Maeseneire and Claeys' (2012) argument that capital market imperfections negatively affect the number of entrepreneurial initiatives and drive down firms' growth and economic viability. EPOs' key informants maintain that the unfavourable economic situation affects the gains they are making. SME owners and managers maintain that their major challenge is finance. However, the high interest rates due to the falling value of the Ghanaian Cedi, high rate of inflation and high Bank of Ghana base rate of over 20%, make both lending and borrowing very expensive. SMEs are, therefore, not able to access the needed funding from the banks to finance their exporting activities.

Consistent with Sayek's, (2004) argument that a lack of fully-functioning financial markets hinders international business activities. The findings of the current study show that exporters are not able to meet deadlines due to difficulties in accessing finance on time. The high cost of utility and inadequate supply of such services have resulted in most businesses operating under capacity. Government trade policies need to create the necessary enabling environment for both import and export businesses to thrive. However, in many developing countries, policies are implemented with limited or no consultation with stakeholders. EPO officials have argued that most SMEs are caught unaware with many trade policies due to ineffective consultation. A situation, they argued, which has the potential to create a hostile environment for international business activities.

9.6.5.4 Attitude of SME owners

The general attitude of some SME owners remains a challenge for EPOs. Most SMEs are managed by the owner, with assistance from family members and a few hired employees, and are unlikely to seek professional advice before taking decisions (Kayanula and Quartey, 2010). Most SMEs owners or managers lack the managerial skills to manage

their finances satisfactorily. EPO officials indicated that most of the time SMEs fail to effectively manage funds procured from banks, hence, the high rate of defaults. This situation, they have argued, makes it difficult for the banks to trust SMEs in order to provide more funding to facilitate intensive exporting activities. Most SMEs referred by the EPOs to access EDAIF and funding provided by banks have been declined due to the high level of defaults and their attitude of not following proper business management practices.

This finding is consistent with a study conducted by Levy (1993), who asserts that SMEs are noted for not managing their resources effectively, thus resulting in the failure of many SMEs, particularly those in the developing world. Besides the lack of managerial skills that lead to poor resource management, Ghanaian SME owners are noted to spend extravagantly on funeral and marriage ceremonies. Such spending, more often than not, affects the operating capital of the business. In addition, Ghanaian SMEs, as in other developing countries, are noted to be opaque and fail to share information due to fear of their business ideas being stolen by competitors (Abor and Quartey, 2010). Officials of some of the exporters' associations argued that such an attitude affects information gathering among the exporters. The situation also affects the gathering the feedback on their activities in term of dialogue with government to improve the conditions in which they operate.

EPOs also need feedback to streamline their activities in order to provide bespoke services to SMEs. However, the feedback needed is not forthcoming because exporters fear that providing such feedback would afford their competitors information to compete with them in foreign markets. Some SME owners and managers commented that they are not looking to expand due to the fear of losing control of their businesses. The interview revealed that most SME owners are concerned about their inability to monitor their business operations when they begin to grow. Theft by employees is one occurrence that most owners and managers mentioned. They argued that most SMEs in Ghana have collapsed due to employees 'failure to be honest. This notion curbs plans by most SME owners to grow their businesses because of the fear of losing control of the business when it becomes bigger. EPO officials believed that such a mentality affects the outcome of their services because businesses refuse to grow.

9.7 Determining which Market to move into and Service to Offer to SMEs

Against the backdrop of the literature indicating that the services of EPOs in developing countries do not address the needs of exporting firms, (Seringhaus and Rosson, 1990; Seringhaus and Botschen, 1991). The current study asked EPO officials how they determine which services to provide to exporting SMEs. In addition, the study enquired about how EPOs select foreign markets to promote local businesses. Promotion organisations maintain that they consult with the various exporters' associations and the exporters directly about what services they required. In order to ensure that the limited resources are channelled to areas where assistance is needed, inputs of SMEs are solicited through the various associations. However, specific services are organised as a response to certain alerts or issues that come to the attention of the EPOs.

The EPOs commented that some of the programmes they implement are initiated by development partners such as USAID, DFID, CBI, the European Commission and the Danish Government. This is because the EPOs have limited resources to initiate and implement all the services needed by SMEs. The key informants maintain that, programmes initiated by the development partners' mostly targeted specific issues or problems; they might not be what the exporters are looking for at that particular time, they address some key issues. The issue is that the resources constraint situation facing EPOs does not allow them to provide tailor made services to SMEs, given the heterogeneous characteristics of SMEs.

10.0 Conclusion of the Study

10.1 Introduction

This chapter revisits the research objectives and the questions. It shows how the study has fulfilled the various objectives and dealt with the research questions. It then provides recommendations to policy makers and researchers. Finally, it provides suggestions for future studies and outlines the various limitations of the study. The main objective of the study is to understand the role of EPOs in SMEs internationalisation in Ghana. The recent liberalisation of the ECOWAS and Ghana markets put SMEs under intense competition. To survive competition from multinationals and large companies from developed

economies, Ghanaian SMEs need to be assisted through provision of export promotion services to reduce perceived obstacles that arise from foreign markets entry in order to increase internationalisation.

Chapter 2 is devoted to a discussion of the background of the study area; the socio-economic and political evolution of the country trade regimes and the evolution of private sector participation in economic activities. Chapters 3 and 4 discuss the literature on SME internationalisation and export initiation, as well as the literature on export promotion assistance and SME internationalisation. Chapter 5 presents both the research objectives and the research questions. The various inconsistencies within the literature of SME internationalisation and export promotion assistance are examined to establish the objectives and the corresponding research questions for the study.

Chapter 6 outlines the methodology and the data collection strategy of the study. The study has adopted a qualitative approach to investigate the issue. Chapters 7 and 8 are dedicated to findings of data collected from 12 organisations which were identified as key informants and 30 exporting SMEs operating within the NTE sector. The general discussions of the findings have been presented in chapter 9. This chapter highlights findings that are either consistent or inconsistent with previous studies within the research area. The final and tenth chapter, concludes the study by summarising the key findings.

10.2 Achievement of the Research Objectives

The main objective of the study is to investigate the role EPOs play in SME internationalisation in Ghana's NTE sector. The study aims to devise a conceptual framework to guide policy makers' and make recommendations to improve export promotion services in Ghana and developing countries with a similar environment to Ghana. In pursuing this, five specific objectives were established. The subsections below show how the various objectives have been achieved and, more importantly, how they answer the various research questions raised.

10.2.1 EPPs and Exporting Ghanaian SMEs

The study found that the activities of EPOs and exporters associations have had a significant impact on the internationalisation of SMEs. Although SMEs rely on their contacts in foreign markets to access information, EPOs provide vital information for exporters, which reduces both the risk and barriers associated with internationalisation. One of the challenges SMEs face is how to access credible and timely information on foreign markets. Most SMEs are not able to pay for the services of consultants or research firms to obtain market information because of resource constraints. Most often information obtained by SMEs from foreign markets is either not reliable or timely. EPOs provide timely, reliable and credible information which SMEs can use to take vital decisions. Moreover, the study revealed that EPOs provide various degrees of training for SMEs to overcome real and perceived barriers associated with internationalisation.

In addition, basic training in good management practice and bookkeeping skills has helped most of the SMEs to improve on their performance; thus, attracting both local and foreign partners. The study also found that the activities of EPOs have increased the overall export volumes of Ghana, as well as the quality of the products involved. GEPA has set a target to increase export within the NTE. The available figures in Chapter 2 show the effect of the EPOs on the exporting activities of SMEs in the NTE sector; however, the challenges facing EPOs make such target a mirage. EPOs need to position themselves in order provide adequate support to SMEs. Currently, EPOs are inadequately resourced and unable to provide bespoke services to diverse SME exporters. Access to services is limited, and not all SMEs are able to access the services they require. SMEs are occasionally expected to share the cost or pay the full cost of some services, which prevents some SMEs from accessing such services.

10.2.2 Challenges facing EPOs in Ghana: How the challenges affect their operations.

The study shows that EPOs in Ghana are beset with numerous challenges that affect the services they provide to exporting SMEs in the country. The study found that funding is

a huge challenge for EPOs in Ghana and in many developing countries. This is because EPOs rely solely on government budgetary allocation, which is woefully inadequate. EPOs had previously been assisted by foreign partners and development organisations, however, these sources have dwindled in the last decade, hence forcing the organisation to charge for some of the services provided for the SMEs, or not providing the services at all when funds are not available. SMEs in Ghana have challenges accessing credit from financial institutions and are expecting to receive assistance from EPOs, however, the under resourced nature of the EPOs means they are not able to assist SMEs in that regard.

Moreover, the study revealed that EPOs in Ghana are also faced with human resources challenges. Promotion organisations are not able to recruit new talents or retain experienced staff due to resources constraints. High labour turnover is associated with the EPOs because of their inability to offer premium wages. EPOs depend on government subvention and, hence, are subject to government recruitment policies. The study found that skilled and experienced professionals do not want to work for EPOs due to their poor salary and remuneration. Moreover, the study found that the social, political and economic environment in which the Ghanaian SMEs operate poses a huge challenge for both SMEs and EPOs. The study found a lack of credit facility for SMEs at affordable interest rates is a result of the dysfunctional economic situation. High cost of utilities affects production costs. High interest rates have rendered borrowing unattractive, making Ghanaian SMEs uncompetitive in the international market as far as product prices are concerned.

As mentioned earlier, the study found that the attitude of SME owners poses a significant challenge to EPOs. The owners, family members and a few hired workers, manage SMEs in Ghana and most developing countries. The study found that most SME managers and owners take decisions with little or no professional advice. Ghanaian SMEs, the study found, do not manage credit well that they receive from the financial institutions and this has resulted in a high default rate. The mismanagement of funds received from banks and the high loan defaults rate have resulted in a reluctance on the part of commercial banks to lend to the SME sector. Moreover, the study found that SME owners are reluctant to share information or give feedback to EPOs so that they are able to roll out services which are more useful and improve on the existing services. The study also revealed that most SMEs are reluctant to expand their businesses even when they have the resources and the

capacity to do so. Some respondents maintain that they want to keep their businesses small because they will not be able to monitor the business when they expand it. Most owners fear losing control of their businesses when it becomes larger. However, the EPOs want these SMEs to grow and expand their production and the export level.

10.2.3 Services provided by EPOs in Ghana, the level of awareness and usage of these services by SMEs.

The study investigated the various services provided by EPOs to exporting SMEs in Ghana. This was to confirm or refute the assertion that EPOs are providing services which are not serving the needs of exporting SMEs and that services are not targeting the needs of SMEs. The study found that, although there are different organisations providing export promotion services, the services they provide are similar, with each organisation having a mandate to boost SME internationalisation. The broad services provided by EPOs include production planning and support, export information and advice, marketing support, finance and guarantees, and education and training. GEPA is the main EPO and thus provides the bulk of the services while the other organisations support their efforts. Patronage of these programmes is high, however, due to resources constraints, the EPOs are not able to provide all the services they want to provide to SMEs. Programmes relating to trade fairs and trade missions are well patronised by exporters. However, some SMEs are not able to access some programmes due to their inability to pay for those services.

10.2.4 Awareness of EPPs

The study found that the EPOs have put measures in place to create and further increase the awareness of the level of services they provide. The study revealed that all exporting SMEs are required to register with GEPA before commencing any exporting activities. Moreover, GCCI provides a certificate of clearance to all exporters which reduces the tax burden on the international market. The EPOs revealed they take advantage of such encounters to educate the exporters about the various services available to them. At the point of registration, exporters are introduced to the various support programmes on offer. The study found that the majority of the SMEs are aware of the various programmes offered by the promotion organisations. However, most SMEs do not take it upon themselves to make frequent enquiries as to what is available at a particular time. Some

SME owners or their workers lack the competencies to research the EPO websites to identify the services that are available. Moreover, the poor institutional linkages between EPOs and organisations such as Ghana Standard Authority, Extension Services and Ghana Food and Drugs Board Authority help SMEs to deal with the quality issues which have been widely discussed.

10.2.5 Usage of Export Promotion Services

The study revealed that patronage of services such as trade fairs, trade missions and programmes that involve provision of credit are very popular among SMEs. Most of the SMEs in the study attend fairs and trade missions to search for distributors and agents in order to boost their sales. In addition, programmes that provide credit and finance are also popular among SMEs due to the difficulties these firms face when accessing finance from the high street banks. Responses from SMEs and key informants indicated that some services could only be accessed when the exporter is ready to pay in full or make half payment. The study found that some services are only available to exporters of a certain category. Hence, although a particular service could be of immense help, the firm could not access the service if it cannot pay for it. Moreover, SMEs are also expected to reach a certain level of their internationalisation process before they can access some services. This means that only those SMEs who are doing well or have shown great potential could access promotion services.

10.2.6 Factors Influencing SME Export Initiation and Internationalisation

The first objective of the study was to investigate the various factors that influence the SMEs' experience of exporting or initiating internationalisation, as well as understanding the process of SME internationalisation and the various challenges, they face while accessing international markets. The research findings show that the experience which SMEs have of export initiation is determined by multiple factors. The NTE sector of Ghana is dominated by small enterprises with fewer medium-sized enterprises. Most of these SMEs lack both the financial and human resources required to develop an international business; hence, activities of EPOs, such as provision of information on foreign markets, training on export documentation, production planning and organisation

of fairs and trade mission influence the initial decision. Access to finance remains a huge challenge for SMEs in Ghana. Thus, export promotion services that provide financial support to increase production and improve the quality of goods and services are likely to boost the confidence of SMEs to initiate international activities. Other reactive factors such as declining domestic profit, unsolicited orders or enquiries, declining domestic market and small domestic market appear to play an important role in the export initiation. SME managers and owners indicated that environmental factors force them to initiate internationalisation.

10.2.7 EPOs and SME Internationalisation process

Another objective was to investigate the internationalisation process of SMEs in Ghana. The study finds that the stage approach and incremental steps to internationalisation do not hold true at all times, as stipulated by previous studies. EPOs are noted to influence SME internationalisation in Ghana to a great extent. EPOs' activities such as trade missions, trade fairs and match ups influence the internationalisation process of SMEs. It was noted that SMEs start the internationalisation process by exporting to countries and markets of close proximity with similar market characteristics to their domestic market before venturing into more distant and complex foreign markets, giving credibility to "psychic distance" and the "geographic proximity" assumption of firm internationalisation of the Uppsala model. Unsolicited orders and enquiries influence the export initiation and the internationalisation process. However, the activities of EPOs defy these assumptions, as SMEs move abroad, irrespective of the distance, through trade fairs, trade missions and match ups. Most of the SMEs interviewed have exported right from inception to countries that are not close geographically or psychologically through trade missions and trade fairs, as well as following core customers. The situation is true for exporters who export to the EU and the US markets. The large concentration of Africans in these markets makes it less difficult to identify the target customers. This finding might not hold true for every product.

In addition, the study found that attributes of the decision-maker are crucial in the internationalisation process. In the case of SMEs, the owner is influential in taking decisions concerning internationalisation and expansion of the business. Hence, attributes such as international experience and prior work experience, are crucial during the

internationalisation process of Ghanaian SMEs. The study found that owners and managers who have resided abroad, especially in Europe and US use their contacts in those countries to facilitate entry into those markets with little or no assistance from EPOs. However, SMEs with no such contacts and experience have to follow the process of gathering and obtaining information, which is sometimes difficult to access. Some SMEs were noted to rely on agents and distributors for data. It was noted that information from such sources was not entirely accurate or did not arrive on time. Some SMEs reported that they export to less competitive markets to gain experience before venturing into complex and developed markets such as Europe and US.

10.2.8 Challenges SMEs face accessing markets abroad and the Role of EPOs

SMEs face both financial and non-financial challenges when accessing international markets. The challenges faced by SMEs within their domestic markets are enormous; however, these challenges are compounded when they attempt to move into international markets. Financial challenges result from the difficulties SMEs face when accessing credit from the financial institutions. The study found that apart from the high interest rate, SMEs lack access to long-term credit. The high interest rates on credit renders the Ghanaian SMEs non-competitive in the international markets. Ghanaian SMEs are not able to compete with their peers from countries that have stable economies with low interest rates because the high interest rate often results in high production costs. The unavailability of long-term credit to SMEs also affects long term planning. International operations require long-term planning. However, financial institutions in Ghana are not providing such long-term facilities to exporting SMEs, making it difficult for them to plan. The study also found that delays in processing loan applications from SMEs affect their international activities. SMEs sometimes miss out in processing and supplying orders due to their inability to access funds on time to respond to orders. The EPOs have argued that poor financial management and poor record keeping by most of the SMEs make it difficult for them to support them either directly or refer them to financial institutions.

Besides the financial challenges, the study found that SMEs face non-financial challenges. Accessing information on foreign markets is crucial for international business

success; however, SMEs in Ghana face huge challenges accessing information on foreign markets. The study found that information received from agents and distributors, on whom SMEs rely greatly for foreign markets information, are sometimes not accurate and not timely. Apart from information-related challenges, Ghanaian SMEs face marketing-related challenges. The marketing-related challenges include product design and quality, pricing and distribution, logistics and promotion. Poor product quality affects most of the small exporters. The study found that the high-level quality and finishing required by the US and EU markets are difficult to achieve by most Ghanaian SMEs. There are also problems with packaging and product wholesomeness, especially among the vegetable and fruit exporters. SMEs also mentioned poor infrastructure, such as facilities at the various ports and harbours, are not enough to support the increasing import and export trade of the country. Road networks connecting most producing regions to the ports are also in a deplorable state.

10.2.9 Impact of Internationalisation on SME Performance and Growth

The current study has discussed the impact of internationalisation on SME performance and growth. Respondents indicated that internationalisation has a positive impact on SME performance and growth. Sales increases were identified to be associated with internationalisation. SMEs with a small domestic market, such as Ghana, could increase their sales by acquiring market share within an international market. The study also found that internationalisation leads to cost reduction and increases profitability. Although cost increases at the beginning of internationalisation, SMEs reduce this cost, as it becomes more experienced in the international market. Decrease in costs associated with internationalisation and cost of production due to large-scale production, reduce the overall budget of internationalisation. The respondents maintain that by increasing the market share, the firm will increase the sales level and in the end increase profitability of the firm.

Finally, internationalisation brings innovation and creativity. The current study revealed that within the international market SMEs have different options on how to use their limited resources. The study revealed that resources not in demand on the local market could be harnessed into innovative products to be sold in the international market. Moreover, the study has indicated that internationalisation ensures effective relationship

building and networking. Internationalised SMEs associated themselves with other firms in a network to tap into each others' potentials. The relationship equips the SME with resources that it might lack, as some firms within the network will have the resources. Members of international network tend to harness each other's potential for the common use of the network.

10.3 Contributions of the Research

The current study has made a significant contribution to academic knowledge and the extant literature by investigating the effect of resources constraints on the service provision of EPOs. Although there are countless studies on export promotion and SME internationalisation, most of the studies have focused on the impacts of the EP services on SME internationalisation, Gencturk and Kotabe (2001) discussed the awareness level and the level of usage of the services. Portugal-Pérez and Wilson (2011) argue that EPOs in developing countries are ineffective. Weil (1978) studied challenges faced by EPOs, however, the study was limited to only financial resources, whereas the current study has identified the challenges to be more diverse. Lederman, *et al.*, (2010) argue that EPOs in developing countries lack strong leadership. These studies narrowed their focus without looking into the broader challenges affecting EPOs in developing countries and how the challenges impact their activities. The current study has widened the scope by looking at the various challenges that affect EPOs in developing countries and how they affect their operations and the services they provide to SMEs. The erroneous impression in the literature appears to have gained ground because most of the existing studies have focused on developed economies with few studies conducted in developing countries and the emerging markets. Hence, the current study has contributed to the extant literature by focusing on Ghana, which is a developing country. The study interviewed 12 leading EPOs who argued that the resources constraints facing EPOs in Ghana are the single most daunting challenge that affect the quality of the services, the diversity and the number of SMEs they are able to assist. Based on the above, it is argued that well-resourced EPOs in developing countries would be strongly positioned to create the necessary awareness, provide quality and accurate export markets information together with the diverse services needed to acquire and develop foreign markets.

Another contribution of the current study is the provision of a revised conceptual framework which portrays the institutional environment EPOs operate in and how the environment influences the initiation of internationalisation by SMEs and how EPOs could support the SME internationalisation process. The conceptual framework provides a guide to policy makers on how the external environment affects the services provided by EPOs. Moreover, the framework puts emphasis on institutional linkages and their influence on EPOs' service delivery. The revised conceptual framework shows that EPOs are required to build multi-faceted relationships with other organisations, such as the Ghana Standard Board, ports and harbour authority, Ministry of Food and Agriculture, and all those similar agencies, to provide a holistic service that creates a positive trade environment for effective internationalisation. Lack of effective coordination of these vital institutions has contributed to SMEs in Ghana and many developing countries not meeting product quality targets of many of the developed economies. The framework advocates for a strong interrelationship between the standard authority, the Ministry of Food and Agriculture, Extension Services and the GPHA for holistic export promotion services. The existing literature has ignored such an important collaboration, especially for EPOs from developing countries, and the current study has filled this gap within the literature.

Another contribution of the current study is the discovery of the significant contribution migration plays in enhancing the export drive of SMEs in developing countries to the developed markets. The existing literature is dominated with studies of how migrants residing in developed economies affect the internationalisation of their host and home country (Çavuşgil *et al.* 2011; Lin and Tao 2012; Ma *et al.*, 2012). However, the literature has failed to acknowledge the crucial role played by owners of SMEs who are from developed economies and markets but operate their export businesses from developing countries. The literature acknowledges the challenges SMEs from developing economies face when exporting to the developed countries. However, the current study has found that migrants from the developed western countries, who are residing in Ghana and operating export business from Ghana, find it less difficult to export their products to their country of origin. This situation, the study notes, reduces the burden of EPOs in developing countries as most of these SMEs do not need the services EPOs to export their wares to the mature markets. The study notes that because networking and relationship building are an important factor of SME internationalisation, EPOs in developing

countries could achieve their objective of increasing the number of SMEs exporting to the developed markets by facilitating networks and relationship-building between those SMEs owned by expatriates and those owned by the indigenes for easy access of the developed markets abroad.

10.4 Recommendations to Improve EP Services in Ghana

Based on the findings discussed earlier in the preceding sections, the current study has made the following recommendations that would help EPOs achieve the required results. Policy makers at all levels of government should aim at implementing policies and strategies that facilitate SMEs' access to public promotion programmes. Policy measures should aim at reducing the existing shortcomings of the promotion schemes. Such policies should look at providing EPOs with resources that could facilitate delivery of efficient services to SMEs. For EPOs to serve SMEs with limited in-house resources, access to the promotion organisations, as well as structure should be simplified. To achieve this objective, it is important that policy makers take into account the structural problems and the specific limitations of SMEs. Hence, any government policy design to promote export should initially target, for example, improving the co-operation and co-ordination of the various institutions engaged in promoting SMEs' foreign trade.

In this regard, it is necessary that the various institutions which are tasked to provide services to SMEs position themselves as part of a comprehensive promotion scheme. Organisations such as Ghana Standards Board, Extension Services Directorate and the various regulatory organisations should collaborate to provide a holistic service to exporting SMEs. Moreover, the study recommends that policy makers, as a matter of urgency solve the financial crisis that bedevils the SME sector. The establishment of the EDAIF is a laudable idea; however, the current process of disbursing the fund is not solving the funding crisis of exporting SMEs. The current disbursement strategy by commercial banks needs to be reviewed to make accessibility of the fund less stressful for SMEs. The study recommends that government ensure that the EXIM Bank takes full control of the fund in order to reduce the difficulty SMEs encounter when accessing the fund. The study found that the Ghanaian SME owners have difficulties ensuring that business capital is kept separate from personal fund. There is the need for EPOs to intensify the training it provides to exporting SMEs by establishing a team of experts who

will offer financial advice to SMEs especially the small businesses. Small businesses need more training to ensure financial prudence and to increase their managerial competencies.

Besides, government should ensure that measures are put in place to reduce the current interest rate. The current interest rates of commercial banks and other financial institutions are too high. SME owners who are successful in securing loans at the current interest rate are always under intense pressure paying back the loan. Most of them find it difficult to make any meaningful returns on such facility.

In addition, SMEs should be offered training that will assist them in selecting services as they move the export ladder. The findings of the current study agree with previous studies which indicated that SMEs lack the competencies to scan through the various promotion instruments to make informed decisions as to the services required at each stage of the internationalisation process. In addition, the present study shows that EPPs are generally beneficial to SMEs in Ghana. In particular, trade missions and trade fairs programmes and those, which provide financial help for export development activities, are especially popular. Indeed, the SMEs indicated that more support in these areas would be more beneficial for their internationalisation process and markets development. This recommendation is influenced by two factors: Firstly, the study shows that experiential knowledge of foreign market ensures easy access; secondly, there is a need for additional financial and human resources to enable SMEs to develop their own international network of contacts. The current study supports findings that previous overseas experience of the decision-maker is a critical factor in export initiation. This is true for SMEs because most of the decision-making responsibility rest on the owner. Increased exposure leads to a reduction in the perceptions of foreign market risks and barriers; which, in turn, would result in greater commitment to international activities. Thus, any promotion programme that encourages SMEs to become more internationally orientated, such as trade missions and trade fairs, as well as financial support for further foreign markets prospects must be given the required attention.

Moreover, the EPOs should liaise with the various exporters' associations to create the required awareness of the various promotional instruments. During the interviews, it emerged that some federations and exporters associations were not involved when making critical decisions concerning services by the major EPOs. However, the

exporters' associations considering at their closeness with the exporters, are in the best position to create an awareness of services; which, are available. Furthermore, government should commit more resources to the operations of EPOs so that they are able to provide follow-up as well as bespoke services to exporting SMEs. Lack of resources, both financial and human, is affecting both the efficiency and effectiveness of EPOs. EPOs should be resourced to attract expertise to the various departments of the organisations. In addition, it is necessary that promotion services focus more on the initiation of the internationalisation process so that SMEs equipped with the requisite skills to face the challenges in the foreign markets.

10.4.1 Validation of Recommendations to Improve EP Services for SMEs in Ghana

The current study has identified various challenges affecting both exporting SMEs and organisations that provide export promotion services to exporting SMEs in Ghana. Interviews with owners of exporting SMEs and key informants of some selected organisations that provide export assistance to SMEs revealed the socio-economic and political environment of Ghana has a significant impact on economic activities in the country. The study has made some recommendations that could improve services provided by promotion organisations in order to increase SME internationalisation.

The suggested recommendations were sent to SME owners and the EPOs who participated in the study to obtain their views on whether the suggested recommendations are feasible in the endeavour to improve SME internationalisation and performance in Ghana. Respondents' views were sought in the following areas:

- to identify foreseeable obstacles to implementing the suggested recommendations
- to justify the recommendations on grounds of their cost and benefits to SMEs and/or the national economy
- to determine the ease of implementation of the suggested recommendations

In addition, the revised conceptual framework for improving provision of export promotion services and SMEs' export initiation and growth was presented to respondents to determine its practicality and ease of implementation.

10.5 Limitations and Suggestions for Future Research

This section of the study deals with the limitations of the study and suggestions for future research. Each is discussed in the following section:

10.5.1 Limitations of the Present Research

Researchers are required to outline any limitation that their study might have in order to inform users of the study, either for further research or for policy guidelines. The first limitation of the study has to do with the period in which the study was conducted. The high production cost is because of the prevailing economic situation at the time of the study. The macro economic challenges facing the country at the time have a substantial influence on the internationalisation experience of SME owners. High interest rates and high utility costs have resulted in high production costs; hence, most exporters were facing huge pricing challenges in the international markets with competition from “cheap” products and services, with low prices coming from countries such as China, Indonesia and a several Southern American countries. A change in economic condition might influence the delivery of promotion services and the internationalisation experience of the exporters. The current government after winning the election on December 2016, has signalled its readiness to create a conducive business environment for the private sector to succeed. Firstly, the bank of Ghana has reduced its base rate by 200 point to 23.5%, which is the lowest it has been for 10 years. Many corporate taxes have been reduced while others have been suspended entirely in order to create a favourable environment for private businesses to succeed. These conditions are likely to affect the findings of similar study, if these measures succeed in changing the macroeconomic outlook.

Another limitation that worth is attention is the fact that data for the study was collected in only four major cities in three regions, Accra and Tema in Greater Accra, Kumasi in Ashanti and Tamale in the northern regions of Ghana. Because economic activities have

concentrated in these four cities, the activities of EPOs are more vibrant in these cities. The researcher believes that awareness and usage of EPO services by SMEs in these cities would be high. Hence, the effect of EPOs on SMEs within these three regions would be different compared to other SMEs from the remaining seven regions. Although GEPA, GCCI and some exporters associations are operating in all the regions, their activities appear to be more visible in the aforementioned three regions than the remaining regions. Accordingly, there is the possibility that if some SMEs have been selected from the remaining seven regions, a number of responses might have emerged which could have influenced the finding, although they may not have changed the results in any significant way.

10.5.2 Suggestions for Future Research

The first suggestion is that all the 30 SMEs which took part in the study could be interviewed at a future point to evaluate of the activities of EPOs in Ghana. Such a study could identify whether participants in the current study have seen any improvement in the services provided by EPOs and the exporters' association and highlight the impact of the services as far as growth and expansion are concerned. Secondly, a future study could explore how entrepreneurial capacity building will affect usage of export promotion services. The literature and the current study found that SMEs lacks skills and competence to screen the various promotion instruments in order to determine which services will best serve their internationalisation agenda in accordance with their level on the export ladder and stage of internationalisation process. Governments with SMEs in mind instituted EPPs because SMEs lack internal capability to develop international markets on their own. However, the lack of skills and competence among SME owners still affect their ability to use these services successfully.

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Appendix A and B

Key Organisations and SME Respondents

No.	Name of Organisation	Type of Organisation	Respondent (M/F)	Designated Position of Respondent
1	Ministry of Trade and Industry (MoTI)	Government Ministry	M	Commercial Officer
2	Ghana Export Promotion Authority (GEPA)	Government Agency	M	Director of Research
3	Association of Ghana Industry (AGI)	Private Organisation	M	Executive Member
4	Ghana Free Zones Board (GFZB)	Government Agency	F	Senior Manager
5	National Board for Small Scale Industries (NBSSI)	Government Agency	F	Senior Manager
6	Ghana National Chamber of Commerce and Industry (GNCCI)	Government Agency	M	Senior Executive
7	Timber Industry Development Division (TIDD)	Government Agency	M	Senior Manager
8	Federation of Association of Ghanaian Exporters (FAGE)	Export Trade Federation	M	Second Vice President
9	Sea-Freight Pineapple Exporters of Ghana (SPEG)	Export Trade Association	M	Vice President

10	Ghana Assorted Foodstuffs Exporters Association (GAFEA)	Export Trade Association	M	President
11	Aid To Artisans Ghana (ATAG)	NGO	M	Export Officer
12	African Growth and Opportunity Act (AGOA)	development Partner	M	Project Manager

No.	Name of Business	Sector	Employees	Yr. Founded	Gender	Education	Local Sales GhC	Foreign Sales UD\$
1	Jesclan Art & Craft	Handicraft	21	1999	M	Diploma	33,000	57000
2	Hide Out Enterprise	Textile	35	2006	F	Diploma	100,000	68,0000
3	3F Ghana Limited	Shea Butter Processing	100	2002	M	Degree	0.00	5.9M
4	Modern City Hotels	Service	87	1999	M	Diploma	400,000	200,00
5	Batmoh Enterprise	Agri-business	12	2001	M	Basic	0.00	31000
6	Cyndy Sleek Designs	Garment and Textile	31	2005	F	Diploma	37000	53000
7	Specialised Timber Product	Wood Processing	76	1991	M	Degree	120,000	420,000
8	KAABDAB COMPANY LTD	Assorted Foodstuff	19	1991	M	Degree	42,000	13,000
9	POYAK AND DAB	YAM	18	1991	M	Degree	52000	55,000

10	Distributing George	Assorted Foodstuff	21	2001	M	Diploma	40,000	34,000
11	Logs Court Limited	Wood Processing	85	2000	M	Vocational	200,000	1.5M
12	Gods Time Craft Work Ent.	Handicraft	34	2006	M	High School	45,000	45,000
13	Plastics Manufacturing	Manufacturing	74	1999	M	Diploma	320,000	600,000
14	Hords Ghana Ltd	Manufacturing	58	1991	M	Degree	260,000	210,00
15	Alagie & Fati Co. Ltd	Processing	65	2002	M	Diploma	120,000	34,000
16	Aliceben Garment	Textile & Garment	35	2004	M	Diploma	45,000	35,000
17	Top Creativity Industries Ltd	Processing	71	2003	F	Diploma	64,000	75,000
18	Glenn's Wear House	Garment & Textile	25	1993	M	Vocational	57,000	68,000
19	Bowman Kente Weaving	Textile	18	1991	M	High School	125,000	65,000
20	Modern Wood Technology	Timber Processing	86	1981	M	Master	500,000	2.3M

21	Hagebo International	Textile	68	1991	M	Master	0.00	300,000
22	Test Love Company Limited	Timber Processing	38	1993	F	Degree	220,000	800,000
23	City View Company	Timber Processing	58	1997	M	Diploma	320,000	2.5M
24	Matamiss Pottery	Pottery	15	2001	F	Basic	45,000	67,000
25	Joamin African Handicraft Co. Ltd	Handicraft	35	2001	M	High School	22000	37,000
26	Bomants Farms	Agri-Business	71	1981	M	Diploma	60,000	127,000
27	Chocho Industries	Herbal Products	86	1989	M	Degree	320,000	57,000
28	Extra Fashion Ltd	Shoes, Bags & Garments	64	1993	F	Diploma	33,000	50,000
29	Daysah Ventures	Herbal Products	75	1996	M	Degree	120,00	57,000
30	Fine Processing Ltd.	Processing	73	1991	M	Degree	222,000	120,000

Appendix C:

Letter to request access to conduct face-to-face interviews

TO WHOM IT MAY CONCERN

07/09/2015

Dear Sir/ Madam,

RE: ACCESS AND COOPERATION FOR PHD FIELDWORK

This is to confirm that Mr Edward Sasu, is a PhD student in the Department of Management and Law, Edinburgh Napier University, UK. He is currently undertaking his fieldwork to collect data for his thesis. In my capacity as his supervisor, I will like to request you to offer him access to your organisation and cooperation he needs to interview key people within your organisation.

Thank You in anticipation.

Yours faithfully,

Malcolm Pettigrew

Senior Lecturer & Subject Group Leader, Financial Services

The Business School

Appendix D:

Interview guide for export promotion organisations

Thank you for taking sometime out of your busy schedule to be interviewed for this research project. The project seeks to gain a deeper understanding of the role of export promotion in the exporting activities of SMEs in developing countries: A case study of Ghana Non-Traditional Export.

This research uses face-to face interviews, the researcher wants to emphasise that every information provided by respondents would not be divulged to any third party but would be used solely for the purpose of this research.

Directions to interviewer

☐ Note all significant non-verbal gestures and responses during the interview.

INTERVIEW DETAILS

Please provide these basic background information

Respondent Gender

Designation of Respondent

Name of organisation

1. SERVICES PROVIDED TO SMEs

Can you please tell me the services your organisation provides to exporting SMEs as far as export promotion is concerned and how important it is?

Probe on the following

Any services provide to SMEs currently exporting

Who are yet to export?

Who are no longer exporting?

How the organisation determines which services to be provided

Whether services provided to SMEs are enough to perform well on the foreign market.

Can you explain whether any of your services are tailored to suit a particular SME?

Probe on the following

Whether services are tailored to suit SME by

Sector

Age of Business

Level of Business

Level of Exporting

Position within the export continuum

Type of product

Destination market

2. AWARENESS AND USAGE

Can you talk about the level of awareness of the services your organisation provides as far as SMEs are concerned?

Probe on

Why this level of awareness either low or high?

Any measures taken to increase awareness level if it is low?

Let's also talk about the usage of the services provided by your organisation, what do you think has resulted in the current level of usage of the services?

Probe on

Any constraints that prevent or not allowing more SMEs to access the services.

Measures taken to increase usage

Measures to encourage SMEs to use services.

3. SMEs ACCESS TO THE SERVICE

Can you talk about how SMEs access the services provided by your organisation? Can you explain any modality put in place to make the services available to all SMEs?

Probe on

Whether there are any criteria to determine eligibility to patronise the services provided by the organisation.

How easily it is for SMEs to access the services?

Any challenges SMEs might face when trying to access these services?

How SMEs are selected to participate in training, fairs, trade mission?

4. EXPORT PROMOTION, INTERNATIONALISATION AND FIRM PERFORMANCE

Can you tell me about the result so far, looking at your organisation's target and what you are achieving at the moment? What can you say about the current result?

Probe on

Whether the organisation has a set target/benchmark as far as SMEs, exporting is concerned

Whether there has been any significant improvement in the exporting activities of SMEs who patronise their services.

Increased trade volume

Growth of exporting SMEs

Increase market share

Network building

Increase productivity

Relationship building

5. FUNDING FOR YOUR ORGANISATION.

Can you discuss the sources of funding for your organisation and any funding challenges you might have?

Probe

Adequacy of funding

Any issues the organisation is facing due to funding constraint

Whether funding constraints have impact on the services, the organisation provides

Measures the organisation has taken to resolve such funding challenges.

Any funding support from external bodies

6. CHALLENGES FACING THE ORG. AND SMEs EXPORTING ACTIVITIES

As an organisation which is providing such a vital services, can you tell me any internal or external challenges your organisation is facing, whether this challenges affect the services the organisation provides or not?

Probe on

Human resources

Leadership issues

Political interference

Attitude of exporting SMEs

Competition in foreign market

Quality of product on offer from SMEs

Regulation challenges

Internal economic condition

7 Institutional linkages

How is your organisation collaborating with other organisation who are also providing similar service?

How has your organisation been able to link with regulative organisations such as Standard Board?

Appendix E

Interview guide for SME Owners and Managers

Thank you for taking sometime out of your busy schedule to be interviewed for this research project. The project seeks to gain a deeper understanding of the role of government policies and assistance in the form of export promotion in the exporting activities of SMEs in developing countries: The case study of Ghana.

This research uses face-to face interviews, the researcher wants to emphasise that every information provided by respondents would not be divulged to any third party but would be used solely for the purpose of this research.

Directions to interviewer

☐ Note all significant non-verbal gestures and responses during the interview.

SECTION A

INTERVIEWEES AND SMEs DETAILS

Please provide these basic background information

Respondent's Gender

Is the respondent the owner or a manager?

Name of organisation

When was the business established?

Type of Business

No. of employees

Main export markets

What percentage of your produce do you export?

SECTION B

Export Initiation, Decision to Export and Internationalisation process

How did you start exporting?

What made you start export business and not remain in the domestic market?

What year did you start exporting?

How frequent do you export?

Is there any particular reason that made you to start export business?

Did you consider any other means of sending your goods abroad apart from exporting them?

Which market(s) do you export to?

Any particular reason why you chose these markets

How will you describe yourself, Indigene or Foreigner?

Has any of this description affect your international business in any way?

Section C

Factors that influence the internationalisation process

What factors will influence you to internationalise?

To what extent do you think the following personal details affect your international business either positive?

Level of education

Age

Your previous work Experience

Prior knowledge of the country you want to export to

Language

Section D

Successful Internationalisation, Performance and Growth

In your view what will you define as a success internationalisation?

Probe on the following

Sales Growth

Cost Reduction and Profitability

Increased Market Share and number of export destinations

International Networking and Relationship Building

Innovation and Creativity

Section E

Internationalisation and Export Promotion

As an Exporter have you received any assistance for your export business?

Have you benefited from any assistance from any organisation to assist your export business?

Have you heard about any export promotion organisation?

How did you hear about them?

Have you use the services of any export promotion organisation?

What can you say about the service you received?

Can you discuss what happened after you started patronising the services of any export promotion organisation?

Which of the services did you receive?

Are you still receiving the services?

Can you say the services you've received met your expectation?

When you need assistance from export promotion organisations (EPOs), is it difficult to access assistance?

How do you decide which of the services you have to go for at a point in time?

If you do not get a service from EPOs, how do you manage to get the service?

Do you think the services EPOs are providing is enough for your operation in international market?

What do you do when you are required to pay for a service?

Section F

Challenges affecting SMEs at home market and abroad

What are some of the challenges you face as an exporter?

To what extend have any of the challenges affected your operations

How did you deal with these challenges?

Looking at the economic environment the moment to what extend the environment affect your export business?

Have you ever received a bank credit before?

What are some of challenge you face when accessing credit for your business?

Thank you for your time

