Internal Capabilities and Export Performance of SMEs in Ghana's Non-Traditional Agricultural Export Sector.[1]

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Abstract

The internal capabilities (e.g. innovation, entrepreneurship and value chain activities) of Non-Traditional Agricultural Export - Small and Medium Enterprises *(NTAE-SMEs) which this study focuses on, are considered important to explain export performance. The study made use of cross-sectional data from a sample of 152 NTAE-SMEs located in the coastal, forest and savannah zones of Ghana and applied Partial Least Squares SEM analysis. The results showed that when competing internationally, the NTAE-SMEs gain higher performance levels if they combine an entrepreneurial strategy with high innovation capacity. Export knowledge and the organization of the upstream supply chains will help NTAE-SMEs gain better performance competing in international markets. The statistical significance of international experience and export knowledge shows that knowing how to get the goods into foreign markets is essential for NTAE-SMEs. SMEs were predominantly located in the coastal zone which statistically excluded possibility of analysis based on location. Future research could look at a longitudinal study to support our cross sectional study.*

KEY WORDS: Internal Capabilities, NTAE-SMEs, Export Performance

1 **ACKNOWLEDGEMENTS: The authors acknowledge the contribution of Emeritus Professor Kofi Awusabo-Asare of the University of Cape-Coast, Ghana for his extensive review, suggestions and guidance. Mr. Felix Larry Essilfie of the Institute of Development and Economic Research (IDER), Ghana for his support in data analysis.**

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1. Introduction

Small and medium-sized enterprises (SMEs) in Ghana contribute to economic development through employment, supporting a relatively "even distribution of industrial development in the country, including the rural areas" (Oppong et al. 2014, pp. 85). In Ghana, SMEs account for 92% of all businesses, contribute close to 70% of gross domestic product (GDP) and provide an estimated 85% of employment in manufacturing (Abor and Quartey 2010).

The promotion of non-traditional agricultural export (NTAE) sector, predominantly SMEs, is becoming an important development strategy in low and middle-income countries (LMICs) due to its high value products (fruits, vegetables and horticultural products) and its growing importance in the economy of these countries. This is partly because many African countries (including Ghana) adopted "a market-friendly, export-oriented strategy", with non-traditional agricultural products (Ouma et al. 2013, pp. 227). Between 1980 and 2005 the NTAEs in African countries increased by 243% and this growth was even higher in the horticulture exports of the sub-sector (Ouma et al. 2013). In general, the export firms in Ghana, have been reasonably studied on aspects such as international experience of exporters and market strategy of firms (Sraha et al. 2017; Acquaah and Agyapong 2015; Akomea et al. 2014; Hinson et al. 2008), the role of bank finance (Abor et al. 2014); and, the role of market orientation (Mahamoud 2011), but not much on their entrepreneurial strategy, innovation capacity and value chain activities. The non-traditional agricultural export products, especially, require new strategies in the organisation of their value chain (Konig et al. 2013). The impact of any intervention may be limited in part by the lack of a holistic approach that addresses opportunities and challenges in the SME value chain (Devaux et. al. 2018). Therefore, this study investigates how exporting SMEs in Ghana develop entrepreneurial strategies and innovate when organizing their value chain activities.

This paper is structured as follows: section 2 discusses theoretical background for the study, and is followed by an explanation of the conceptual model and hypothesis development in section 3. Section 4 explains research methodology and data analysis. The results are discussed in section 5. The final section concludes with some policy implications, and identifies limitations to the study and scope for future research.

2. Theoretical Background and Framework

The resources and internal capabilities of a firm, expressed as the Resource Based View (RBV), have been regarded as essential to understand the performance of firms. Originally developed by Wernerfelt (1984), the RBV of a firm has been described as "the accumulation of valuable, rare, inimitable, and non-substitutable (VRIN) resources" (Lin and Wu 2014, pp. 407). Judicious use of resources, both tangible (land, building, equipment, human) and intangible (team capabilities and capacity), enable a firm to gain higher returns (Lozano et al. 2014, pp.6-7; Peteraf 1993, pp.179; Barney 2001). As a result, firms that build skills and know-how from their resource base are able to leverage 'superior resources and capabilities' for 'superior profits' and performance (Wolff and Pett 2000, pp. 36). The paradigm has gained interest in the study of the performance of the firms in developing economies in recent years due to its ability to explain firm performance (Fainshmidt et al. 2016). In particular, the scarce resources that are available in developing countries influence a firm's innovative activity, which eventually leads to competitive advantage and performance (Barassa et al. 2017). Various studies that draw on the RBV theory have investigated the factors that largely explain the success of exporting firms and have found that an entrepreneurial strategy, the human capital of the firm (international experience and export knowledge), and the organization of the value chain activities were important for their success (Heiss 2017; Carland et al. 2015; Gashi et al. 2014; Kungwansupaphan and Siengthai 2014 and 2012). Although few studies focused on agricultural firms, we argue that firms that export agricultural products can differentiate themselves in foreign markets by entering niche markets of non-traditional export products. Entrepreneurial strategy and the innovation capacity of the firm are important assets to identify the niches and gain a competitive advantage.

A firm's *entrepreneurial strategy* reflects its behavior to develop innovations and take bold decisions regarding investments (Brown et al. 2006). For export firms this is manifested by the investment it makes in physical capital (supply capacity) which in part influences the productivity-export relationship (Gashi et al. 2014) and in part builds a firm's resource base. A firm's entrepreneurial strategy reflects its behavior to identify opportunities and take bold decisions regarding investments (Brown et al. 2006). Gashi et al. (2014) have argued that the impact of investment in physical capital (supply capacity) increases productivity and export (in quantities). Furthermore, a firm's internal resources, which include physical capital (supply capacity) and human and organizational capital is linked to export performance (Heiss 2017).

The *human capital* of a firm reflects its resources in terms of the knowledge and capabilities of the management team and employees. The term, originally coined by Becker (1964), refers to "the skills, knowledge, (experience) and competence" which emanate from the accumulation of education and experience (Kungwansupaphan and Siengthai 2014, pp.5). The role of human capital is to harness employees' capabilities to the advantage of a firm.

Value-chain concepts are relevant to the emerging philosophy on chain development and relationships. The term "value chain" is variously used and applied in the literature. (Devaux et. al. 2018; Donovan et. al. 2015). The value chain activities can be categorised as primary activities and support activities. "These activities are integrating functions that cut across the traditional functions of the firm" (Christopher 2011, pp.10). Porter (1985, pp. 33) states that, a "value chain disaggregates a firm into its strategically relevant activities" whose performance leads to competitive advantage. It is "the full range of activities that firms and workers undertake to bring a product from its conception to end use and beyond" (Gerrefi and Fernandez-Stark 2016, pp.7).

Export performance represents the outcome of the firm's export activities. There is consensus among researchers that export performance has more than one dimension (Jalali 2012, pp.55). Two dimensions of export performance used in most studies are economic (objective-sales, profitability, 'sales growth', 'export intensity-proportion of export over total sales', etc.) and/or strategic (subjective- 'overall export performance', 'relative overall export performance' and 'relative export sales growth', perception of performance, etc.) (Ngo et al. 2016; Hinson et al. 2008; Zou and Stan 1998). As a result, the explanations of export performance are varied and contextual in application (Stam et al. 2013, pp.7).

3. Export in Developing Countries

3.1 Entrepreneurial strategy

Entrepreneurial strategies increase productivity and address "unsatisfied market needs" (Webb et al. 2014, pp.3). Webb et al. (2014) present historical cases to define an entrepreneurial strategy as novel processes, added value, intended expansion, opportunities for market information, and business strategies (product, price, technology marketing, cost reduction and quality). Entrepreneurial strategy can manifest by four possible growth strategies, namely moving into new markets, introducing new products or services, increasing sale with existing products and services, and hiring

more employees (Rostamkalaei and Freel 2016, pp.9). This is consistent with the study by Bamiatzi and Kirchmaier (2014, pp.261) who "claim that high-growth firms pursue market expansion". In this study, we define entrepreneurial strategy as the intended expansion of a firm. Intended expansion, in particular shows a firm's commitment to allocate resources to grow its production and move into new markets, which in turn increases a firm's size and/or turnover. This is why we argue that an entrepreneurial strategy positively impacts a firm's export performance:

H1 Entrepreneurial Strategy *will be positively related to export performance of NTAE-SMEs in Ghana*

3.2 Innovation Capacity

Perhaps, the earliest definition of innovation can be attributed to Schumpeter (1934) who suggested that innovation is a key driver for "economic growth, enhancing competitive advantage and stimulating firm productivity". Innovation enables firms to revitalise the value of assets they are endowed with (Schumpeter 1942). Innovation is known as the 'core renewal process' and 'life blood' for a firm's survival and growth, creating value and competitive advantage (Zahra and Covin 1994, pp. 183; Bessant et al. 2005, pp. 1366). The ability of a firm to innovate is determined by its resources and capabilities (Barassa et al. 2016). Innovation is a way of bringing about organisational change and covers "new product or service, new process technology, new organization structure or administrative systems, or new plans or program pertaining to organization members" (Damanpour 1996, p. 694). This study adapts the definition of Damanpour (1996) focusing on innovation capacity in a firm's internal environment. There is some complementarity between innovation and export performance which positively impacts the growth and profitability of small firms (Golovko and Valentini 2011). The following hypothesis is drawn:

H2 Innovation capacity *of Ghanaian NTAE-SMEs will be positively related to export performance.*

3.3 Supply Capacity

The supply capacity (of a firm) is made up of size, asset endowments and various strategies adopted in its value chain. Supply capacity, as an internal condition of a firm, is affected by 'location-related elements' such as 'access to raw materials and other resources'. "Supply conditions are fundamental in defining export potential" (Fugazza 2004, pp.3). In general, good internal conditions of a firm are needed for export performance. At country level, export performance is determined by foreign market access and supply

capacity (Damijan 2011). For a firm's value chain therefore, the upstream supply capacity requires effective stock management for continuous supply of inputs. This is because as an internal resource, stocks have a positive impact on profitability of the business through influencing customer satisfaction (Amoah-Mensah 2013).

In this study, upstream supply capacity is defined as maintaining input supply capacity of a firm.

Exporting firms that are better at managing the upstream supply capacity for inputs are considered to have a better understanding of the market and available options essential to obtain a smooth and steady export level. Upstream supply capacity is considered to have a positive influence on export performance. The following hypothesis is made:

H3 Upstream supply capacity *of exporting Ghanaian NTAE-SMEs will be positively related to export performance.*

The value chain activities downstream involve a strong market orientation towards buyers in foreign markets. It includes the established infrastructure for export storage and transportation to meet buyer demands. SMEs with a well organised downstream supply capacity towards buyers can benefit from their export market information and understanding of buyer needs and preferences (Akyol and Akehurst 2003) and respond much quicker to changing demands (Smith et. al. 2007). Internal supply capacity is determined by 'access to ports', 'institutional quality' and 'foreign market access', which positively impacts export performance (Redding and Venables 2004). In this study, downstream supply capacity is defined as a firm's ownership of storage facilities which is thought to have a positive influence on export performance. It is hypothesized as follows:

H4 Downstream supply capacity *of exporting Ghanaian NTAE-SMEs will be positively related to export performance.*

3.4 Export Knowledge

Export knowledge is necessary to facilitate entry into foreign markets (Okpara 2010). Export knowledge includes the knowledge of export assistance available for potential exporters, awareness of export market benefits, knowledge of potential markets, availability of knowledgeable or trained staff for export markets, and knowledge of options for export market entry (Okpara 2010; Suarez-Ortega 2003). Having a better understanding of a foreign market contributes to the positioning of a firm's products in that market. Export knowledge helps a firm to "identify changes in products that

will lead to greater acceptance and sales" (He et al. 2013, pp.7). A firm's internationalisation may be endangered if knowledge of the foreign market is insufficient, as this will increase their probability of failure (Sui and Baum 2014). Export knowledge is therefore important to the success of the SME and export performance. It is hypothesized that:

H5 Export knowledge *of NTAE-SME management will be positively related to export performance.*

3.5 International Experience

International experience is the experience gained outside the home country through career development or international assignments (Takeuchi et al. 2005). Successful international assignments occur where a manager overcomes cross-cultural barriers and completes the assignment (Caligiuri 2000; Shaffer and Harrison 1998). International experience is acquired through current or past events and is determined by the 'domain' (work or non-work) and cultural specificity either of which may or may not be work related (Takeuchi et al. 2005). International experience is described as the experience in selling to foreign markets and includes the factors that reflect a firm's exposure to foreign market environment (Reuber and Fischer 1997). SMEs with international experience resource tend to increase internationalisation because entrepreneurs (managers) returning to country of origin bring along transferable experiences. This ultimately has a positive impact on export performance (Filatotchev et al. 2009; Reuber and Fischer 1997). The lack of international experience poses challenges to internationalising SMEs (Thanos et al. 2017). The following hypothesis is drawn:

H6 International experience *of NTAE-SME management will be positively related to export performance*

The variables and hypotheses statements discussed are used in the conceptual model in figure 1.

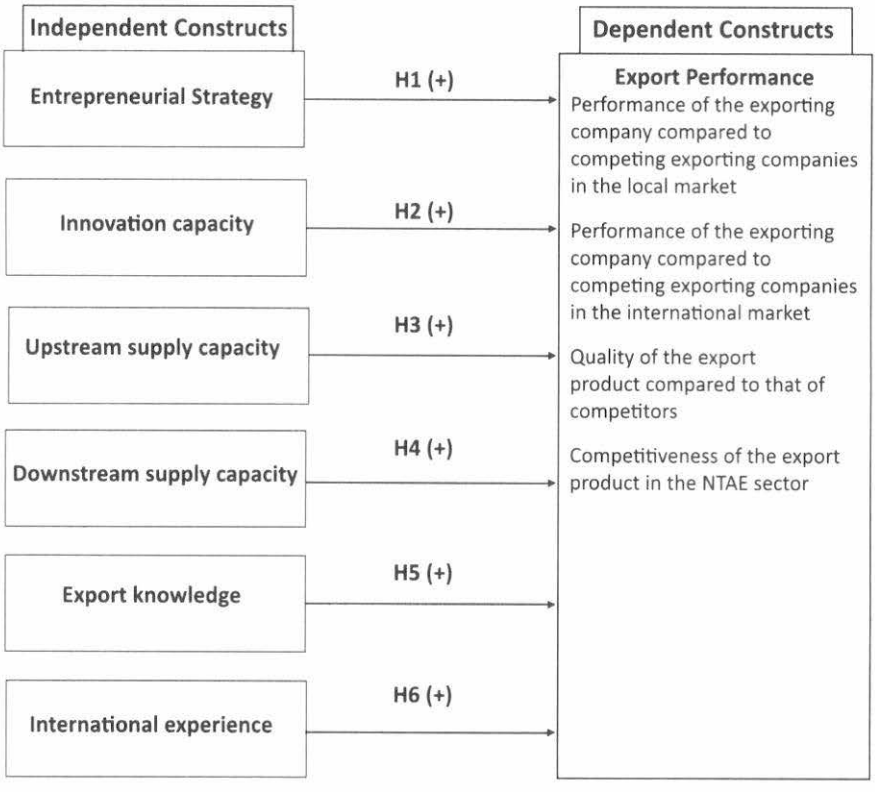
4. Data Collection

4.1 Research Design and Sample

The sample frame for the study population of NTAE is taken from data obtained from the Customs Division of the Ghana Revenue Authority (formerly Ghana Customs Excise and Preventive Service (GCEPS)), Ghana Statistical Service (GSS), Bank of Ghana (BOG), Ghana Export Promotion Authority (GEPA), Association of Ghana Industries (AGI) and Sea Freight

Pineapple Exporters of Ghana (SPEG). These institutions were surveyed to ensure that most NTAE-SMEs are covered. A reviewed list was developed from this and subsequently used for the study.

Figure 1 Conceptual Model: Relationship between independent and dependent constructs



The definition of SMEs used in this study is based on sales and/or employee size, that is,

Micro: ≤ USD 10,000 / 1-5 employees; Small: USD 10,001 ≤ USD 100,000 / 6-29 employees; Medium: USD 100,001 ≤ USD 250,000 / 30-50 employees. SMEs are also classified into various other identified firm categories: sole proprietor or single owner business; family-owned business; joint-partnerships; private limited liability companies; co-operatives; associations; and state-owned enterprises (Abban et al. 2013; Kayanula and Quartey 20 00).

A multi-stage sampling approach was applied to the review list of SMEs to obtain a list of non-traditional exporters. Out of the 483 non-traditional

exporters identified in Ghana, 412 were in agriculture or agriculture related businesses. A simple random sampling methodology was used to select 235 non-traditional agricultural exporters (NTAE) out of the 412. About 70% of NTAEs were found to be located in the coastal zone** which accounts for 50% (on regional basis) of the country. Out of the 235 potential respondents, 152 participated in the survey. This represents a response rate of 65%. Four experienced field assistants and two field supervisors assisted in the field survey. The interviews targeted top management (CEO, Managing Director, Manager, Director, Officer) of each establishment.

Figure 2 Map of Ghana

4.2 Measures

The variables of our model are based on existing items which were used in similar studies that focused on measuring the performance of export companies and the resources of firms in general. The items were measured using a questionnaire that included statements. The answer to each item reflects a self-assessment by the respondent and indicates the extent to

** **Coastal zone covers Western, Central, Greater Accra, Eastern and Volta regions. Forest zone covers Ashanti and Brong-Ahafo regions. Savannah zone covers Northern, Upper West and Upper East regions.**

which the respondent agrees or does not agree to the statement. The answers were measured by a seven-point Likert scale.

4.2.1 Dependent Variable

Export performance in this study, was measured using three summative constructs on a seven-point 'Likert scale' (from "very poor/low" to "very good/high"). The summative constructs were derived from:

a. Company performance on the local market. This is measured by the rating of performance of each respondent company in comparison to competing export companies in the local market.

b. Company performance on international market. This is measured by the rating of performance of each respondent company in comparison to competing export companies in the international market.

c. Product quality. This is measured by the rating of the quality of each respondent's product compared to that of competitors. This measure identified quality as an indicator for sales demand. High product quality implies high sales and high export performance.

d. Product competitiveness. This is measured by how competitive each respondent's product(s) is in the NTAE sector. This measure identified competitiveness as an indicator for sales demand. High product competitiveness implies high sales and high export performance.

These measures are relevant within the context of NTAE sector and appropriate for this study, especially as no responses were provided on objective measures of export performance by which firms could be assessed.

The summative constructs were operationalized as follows:

1. ExpNatQualPerf2 - company performance compared to similar export companies in local market, product quality and product competitiveness.
2. ExpIntQualPerf3 – company performance compared to similar export companies in international market, product quality, and product competitiveness.
3. ExpAllQualPerf4 – company performance in local market, company performance in international market, product quality and product competitiveness.

4.2.2 Independent variables

Entrepreneurial strategy was operationalized by four items: expansion of existing facilities, expansion to another location, expansion with more elaborate equipment, and, expansion to new markets.

Innovation capacity was operationalized by two items: new products/ services, operating technologies or administrative techniques are the first to be introduced by the company (for company operations) and company is first to introduce new products/services, administrative techniques or operating techniques (in the industry).

Up-stream supply capacity was operationalised by four items: ensure reliability in supplies to the company; maintain minimum stock levels; provide for alternative sources of supply; and make prices more competitive.

Downstream supply capacity was operationalized by two items: storage facilities are in place at strategic transit (harbour/airport) points; and in transit (ship/plane). SMEs exporting non-processed products were highly dependent on storage facilities compared to SMEs that exported semi-processed and processed products. The respondents gave answer to these variables by stating yes, we have access or no, we do not have access. These dichotomous variables were recoded into dummy variables and applied in the analysis.

Table 1 Downstream supply capacity 'dummy' variables

Variable	Valid	Frequency	Valid percent	Cumulative percent
Storg_fac_strattransit dummy (harbour/airport)	0	70	46.1	46.1
	1	82	53.9	100
	Total	152	100	
Comp_storg_fac_transit Dummy (ship/plane)	0	76	50.0	50.0
	1	76	50.0	100
	Total	152	100	

Export knowledge was operationalized by five items: knowledge of market; knowledge of regulations of importing countries; knowledge of quotas/ overseas barriers; knowledge of frequent changes in regulations of importing country; and, need for more learning.

International experience was operationalized by three items: CEO/ Management team born and raised abroad, schooled abroad, and previously

worked abroad. Respondents answered to these questions by stating either yes or no. These dichotomous variables were recoded into dummy variables as well.

Table 2 International Experience 'dummy variables'

Variable	Valid	Frequency	Valid percent	Cumulative percent
Inter_exp born and raised abroad dummy	0	125	82.2	82.2
	1	27	17.8	100
	Total	152	100	
Inter_exp schooled abroad dummy	0	102	67.1	67.1
	1	50	32.9	100
	Total	152	100	
Inter_exp previously worked abroad dummy	0	96	63.2	63.2
	1	56	36.8	100
	Total	152	100	

4.2.3 Control Variables

The statistical model included firm age and firm size as control variables. These variables were also used by Dana, Grandinetti, & Mason (2016, pp.612) because, firm's age (number of years) and size (total number of employees) were considered to minimize any spurious results. Firm age was measured by number of years of a company's operations. Firm size was measured by the total number of workers currently employed in the firm. This also included seasonal workers.

5. Results/ Data Analysis

5.1 Sample Characteristics

The profile of the respondents is presented in Table 3. The variables in Table 3 were originally used as control variables but were found to have no significant effect on export performance and therefore left outside the statistical model. Of the firms interviewed, 83% were located within the coastal belt of the country. About 7% and 10% were located in the forest and savannah zones respectively.

Table 3: Basic Company Characteristics

Characteristics	Frequency	Percent
Location of Business		
Savannah	15	9.87
Forest	11	7.24
Coastal	126	82.89
Total	**152**	**100**
Ever Audited Financial Statement		
Yes	91	59.87
No	61	40.13
Total	152	**100**
Company Capital Asset Finance		
Equity	79	51.97
LT Debt-equity	63	41.45
ST Debt	10	6.58
Total	152	**100**

Source: Field Survey (2016)

Sixty percent of the respondents had audited financial statements. With respect to financing, about 52% of the companies used equity finance. Other forms of capital investment financing used were equity 51.97%, long-term (LT) debt (41.45%) and short-term (ST) debt (6.58%).

The overall vision of the SMEs was coded and categorised into five main thematic areas (Table 4). The table revealed that the majority of the SMEs had a vision to be leaders in fresh agricultural commodity exporting (46.1%) or in supply of fresh agro and agro-related products to shops abroad (34.2%).

Out of the total number of respondents, 79% were male and 21% were female. Fifty-seven percent of respondents had tertiary (first degree) education, 12% had post graduate or professional education, while the remaining respondents had secondary or basic education.

Table 4: Distribution of Overall Vision of the Companies

Vision	Frequency	Percent
Commercialising goods (handicrafts, wood carvings, artefacts)	9	5.9
Generating funds and creating employment through exporting of agricultural commodities	6	3.9
Leader in fresh agricultural commodity exporting in Ghana	65	42.8
Leader in supply of fresh agro and agro-related products to shops	52	34.2
Leader in the production of good quality fabrics and garments (textiles) for Ghana and abroad	20	13.2

Source: Field Survey (2016)

The respondents were working in their respective companies for an average of 10 years. On the average about 80% of the respondent SMEs relied on the national grid as source of energy supply. This, in effect, meant that SMEs' operations are highly affected by irregular power supply in Ghana. In total, about 48% of the SMEs exported non-processed agro-products; 41% exported processed agro-products; and the remaining 11% exported semi-processed agro-products.

Non-processed agro products were pineapple, chilli pepper, baby corn, shea nuts, lumber/timber, cashew nuts, green pepper, soyabean, green mango, green banana, green pawpaw, fish, garden eggs, cocoyam, okro, and soybean. Semi-processed products include dried fruits (mango, banana), orange concentrate, pineapple (juice, chopped), dried voacanga and/or griffonia seeds, shea butter, Voacanga/griffonia tea bags, dried orange/lemon peel, flowers. Processed products include clothing (garments and textiles), artefacts (carvings), baskets and other handicrafts (drums, masks), stools, shea - body oils/cream/lotions, lip balm, soap, canned foods – tuna, fruit, vegetables, pepper sauce, palm soup, melon soup, gari (grated, roasted cassava), palm oil, traditional footwear, cocoa products, processed wood, 'kente' cloth, 'fufu' flour (cassava, yam, plantain and maize) and 'banku' mix (dried fermented maize and cassava flour).

5.2 Data Description

Analysis was done using partial least squares structural equation modelling (PLS SEM). The PLS SEM analysis is appropriate for sample sizes of between 100 and 200 (Wong, 2013) and has a better prediction for latent variables. In addition, PLS SEM is a components-based approach which models formative indicators that "form or cause the creation or change in latent variables" (Chin 1998). We first analysed the constructs and checked for internal consistency (composite) reliability. The findings indicate that it was not less than 0.89 and the convergent validity measured by the average variance extracted (AVE) was minimum of 0.68 for all variables and is, therefore, acceptable (Wong, 2013). We also analysed the discriminant validity which was determined by the Fornell-Larcker – (FL) criterion. For the FL criterion to be satisfied, the square root of the AVE should be greater than the correlation values amongst latent variables. The diagonal in Table 5, gives the square root of the AVE for each variable, and was calculated as, for example: 1.105 = 1.221^0.5 (1.221 is the AVE). The findings indicate that the measures satisfy the criterion for discriminant validity.

On the non-diagonal you see the correlations of the constructs with the other constructs. According to the FL criterion, the values on the diagonal should be larger than the values in the respective columns. This shows that the correlations between the construct's underlying items are larger than the construct's correlations with other constructs. The construct is considered more internally coherent than are the relations of the construct with other constructs. It indicates that the construct really is unique (discriminative). The discriminant validity is good for all constructs (Hair et al. 2014; Wong 2013).

Table 5 also gives the correlations between the variables. Some strong correlates were found between innovation capacity and entrepreneurial strategy ($r = 0.436$) and between innovation capacity and the upstream supply capacity ($r = 0.497$) but these were considered not to pose a problem for the PLS SEM analyses.

Table 5 Average Variance Extracted (AVE) and Correlations

Variable	Average Variance Extracted (AVE)	1	2	3	4	5	6	7	8	9	10
1. Innovation Capacity	1.221	1.105									
2. Export Knowledge	0.945	0.092	0.972								
3. ExpPerf	1.000	0.289	0.235	1.000							
4. Firm Age (Years Operation)	1.048	0.222	0.098	0.243	1.024						
5 Firm Size	1.020	0.131	0.103	0.247	0.298	1.010					
6. Upstream Supply Capacity	0.826	0.497	-0.165	0.170	0.185	0.176	0.909				
7. Entrepreneurial Strategy	0.680	0.436	-0.078	0.110	0.068	0.019	0.385	0.825			
8. Entrepreneurial Strategy*Innovation Capacity	0.935	-0.228	0.234	0.183	0.049	0.140	-0.328	-0.538	0.967		
9. International Experience	0.774	0.008	0.320	0.267	-0.02	0.315	-0.104	-0.088	0.253	0.880	
10. Downstream Supply Capacity	0.890	-0.160	0.103	0.011	-0.028	0.067	-0.080	-0.189	0.142	0.223	0.943

5.3 Partial Least Squares Structural Equation Modelling analyses

The PLS SEM path modelling captures relationships of unobserved or latent variables and analyses path coefficients to avoid bias or inconsistency in parameter estimations for equations. The PLS method is appropriate for "smaller size samples than recommended for covariate-based SEM methods" and reveals "associations that might not appear with standard regression or covariance-based SEM methods" (Lechner and Gudmundsson, 2014). The results of the SEM PLS analyses are shown in Table 6. The standardised coefficient (β) values are shown including the significance levels.

The results were acceptable for the measurement model (outer model) since the composite scale reliability exceeded the recommended minimum of 0.70 (range 0.91 to 1.10) and the convergent validity (AVE) exceeded the minimum (0.50) in all cases (range 0.68 to 1.22) (Lechner and Gudmundsson 2014; Bagozzi and Yi 1988).

Table 6 PLS SEM estimate for factors that influence export performance of SMEs in Ghana

	MODEL 1	MODEL 2	MODEL 3	
	Export National	Export International	Export All	Collinearity
	Quality Performance 2	Quality Performance 3	Quality Performance 4	Statistic
Variables	Coef.	Coef.	Coef.	Inner VIF
Firm Age	0.139*	0.154**	0.141*	1.182
Firm Size	0.060	0.056	0.041	1.295
International Experience	0.176**	0.216***	0.222***	1.341
Entrepreneurial Strategy	0.139	0.206	0.182	1.690
Innovation Capacity	0.217**	0.136	0.153	1.593
Upstream Supply Capacity	0.122	0.145	0.177*	1.568

Downstream Supply Capacity	-0.013	-0.094	-0.060	1.103
Export Knowledge)	0.146	0.213**	0.242***	1.223
Entrepreneurial Strategy * Innovation Capacity	-0.315**	0.372***	0.346***	1.607
Observations	152	152	152	
R-squared	0.252	0316	0.317	
Adj. R-squared	0.205	0.273	0.273	

*** p<0.01, ** p<0.05, * p<0.1

Source: Field Survey (2016)

PLS SEM analysis was applied to test the hypotheses (Figure 1). Table 6 contains the coefficients (β), R^2, the adjusted R^2, and collinearity statistic. Multicollinearity was checked. For each of the predictor variables, the maximum variation inflation factor (VIF) was calculated and found to be below 5.0 (VIF< 1.7). This indicates there were no serious multicollinearity problems.

The first model in Table 6 assesses the contribution of the variables on the export performance. Model 1 has an adjusted R^2 of 0.205. The first model shows that firm age measured by years of operation is statistically significant and positively related (p<0.10) to export performance. The effect of the firm age remains stable for Models 2 and 3 with p values at p<0.05 and p<0.10 respectively. Firm size has no statistically significant effect for any of the models. Innovation capacity and International experience have significant effects on export performance with p values each at p<0.05. Although Entrepreneurial strategy has no effect on its own, the interaction of Entrepreneurial strategy and Innovation capacity has a significant joint inverse effect on export performance with p<0.05. The result of this interaction suggests that for Model 1, competing SMEs in the local market, do not have the same or similar positive impact on export performance as when compared with competing international exporting SMEs for Models 2 and 3.

The second model in Table 6 has an adjusted R^2 of 0.273. Export knowledge has significant effect on export performance with $p < 0.05$. International experience is significant with $p<0.01$. There is a significant joint positive effect of Entrepreneurial strategy and Innovation capacity on export performance. This suggests that for model 2 comparison with exporting companies on the international market has a positive influence. This is opposite for model 1 when comparison is made with exporting companies on the local market.

Model 3 was used in testing the study hypotheses. This is because all variables for export performance used in the study are captured, and the adjusted R^2 is high.

The effect of Upstream Supply Capacity on export performance is formulated in Hypothesis 3 and is statistically significant ($\beta=.177$; $p<0.1$). Hypothesis 3 is supported. Hypothesis 5 on Export Knowledge indicates significant effect on export performance ($\beta=.242$; $p<0.01$). Hypothesis 5 is therefore supported. Hypothesis 6 reflects the role of international experience on export performance, ($\beta=.222$; $p<0.01$) showing a positive significant effect. This hypothesis is therefore supported. Hypothesis 1, having a focus on an Entrepreneurial Strategy has no effect and is not supported. The role of Innovation Capacity is formulated by Hypothesis 2 and is not supported. Hypothesis 4, looking at Downstream Supply Capacity has no effect on export performance.

Analysis was conducted for interacting terms and effect on export performance. The result of interest was the joint effect of innovation capacity and entrepreneurial strategy which was found to be positive and statistically significant at 1% for model 3. This implies innovation capacity and entrepreneurial strategy jointly improve export performances significantly. On the basis of this result it can be assumed that the SME internal policies on innovation capacity and entrepreneurial strategy when properly coordinated will positively improve export performance of the SME.

5.4 Discussion

This study focused on the relation between export performance of Ghanaian SMEs in the NTAE sector and internal capabilities of these SMEs. The results in our study show that the entrepreneurial strategy has no direct effect on the export performance. However, when we analyse the combination of entrepreneurial strategy with innovation capacity, it seems that the relative advantage of the combined entrepreneurial strategy and innovation capacity varies with the competitive position with national or international competitors. Innovation capacity is important for export firms when they

compete with local SMEs. However, the effect is absent when compared to international export firms. The findings suggest that when the firms compete with local firms, higher levels of performance can be achieved when the firm has low levels of entrepreneurial strategy and low innovation capacity, but when competing with international firms, the exporting firm gain higher performance levels if they combine an entrepreneurial strategy with high innovation capacity. Also, export knowledge and the organization of the upstream supply chains will help them gain better performance while competing in international markets.

These findings may in part be the result of the financing options for expansion and innovation in Ghana. At least 50% of the SMEs in the study depended on equity finance where requirement of equity capital was small. Small enterprises could rely on micro-finance institutions, credit unions or financial non-governmental organisations (FNGOs) to leverage some debt capital. However, the volume of capital available may not suffice for the venture to be undertaken due to restrictive conditions imposed by Bank of Ghana (BOG). As explained by the SMEs, these financial institutions cannot issue letters of credit (LCs). The SMEs, therefore, have to depend on other banks even though their interest rates may be higher. It is obvious that the regular banks that can generate LCs and provide long term lump-sum capital demand secured collateral which these SMEs cannot readily provide.

The higher levels of export performance may also be driven in part by better quality and competitive products. The innovations and better quality products could also be improved and sustained through legal protection mechanisms such as intellectual property (IP) registration. SMEs in Ghana appear unaware of such legal protection options. As a result, new innovations are easily picked up and copied by competitors. Carving out a niche for themselves through improved packaging, branding, trademarks, and designs could be improved with IP protection. There is the need to strengthen SME sub-sector collaborations for group exports through mandatory registrations of and with associations. This would enable better monitoring and regulation of the sub-sectors.

Currently, there is the perception that the ability of SMEs to mimic one another means any leads that one SME may develop is short-lived as other SMEs catch up fast through imitation. The effect may be the overall negative image that encapsulates them all and hampers international market penetration. With regards to organizing their business operations in the value chain, the results indicate that the upstream supply capacity has a significant effect on the export performance. It seems that organising the upstream supply capacity is important to ensure a reliable and stable flow

of goods for export. It may be that the firms that can better manage their upstream supply capacity activities are showing higher export performance because they are more trustworthy to partner with. The findings indicate that the downstream supply capacity does not explain differences in export performance. It appears that these activities are less crucial. The export firms may have more alternatives when it comes to storage at harbour/airport location. It is largely true of exporting SMEs that they are concentrated on few international buyers. For this reason, developing franchise market as a strategy linking the SMEs with multinational companies and large international buyers could generate multiple pay-offs in the value chain of the Ghanaian SMEs. This is because the multinationals or franchisors are likely to include support to their franchisees to develop the same or similar value chains along their business concepts. What SMEs should consider in such ventures is to avoid 'captive supply' scenarios where only products of franchisors are produced without allowing or restricting alternative product lines to the franchisee. The role of export knowledge is also found to be important. Exporting firms that have more knowledge of the trade regulations abroad, and the trade regulations to export in Ghana seem to be acquiring higher levels of export performance. This factor of export knowledge, knowing how to get the goods to foreign markets is often discussed as an important factor for export success in other countries (Okpara 2010). Within the franchise market development proposed, SMEs could benefit from tacit knowledge build-up (anchor) from the established franchisor to enhance export knowledge. There may however be some genuine concerns about 'crowding out' SMEs in the domestic market without the same or similar anchor. In addition, promoting SME participation in associations would help build absorptive capacities through avenues such as, knowledge share and outsourced arrangements. Relevant to our study findings is the significance for international experience and export knowledge. Knowing how to get the goods into foreign markets is as essential for export firms in Ghana as is their international experience.

6. Conclusion

Drawing on a sample of 152 firms in the NTAE sector of Ghana, we analysed the role of the entrepreneurial strategy and innovation capacity for exporting firms and how they organise their value chain activities. This was important, especially for export of agricultural products that are dependent on seasonal and storage conditions. The study captured not only the human capital of the SMEs in agribusiness but also the entrepreneurship they adopt, and what could be done better in the value chain in order to reach higher levels of export performance. Sub-sector peculiarities and lack of sector drivers

would mean interventions cannot be generalised. More specific regulations and interventions that are unique to each sub-sector, would be needed.

Our study findings showed that human capital as explained by international experience of the management team was significant for export performance. Export knowledge had a positive effect on export performance. The SMEs are not constrained by export knowledge but appropriately exploit this for increased export performance. The result for value chain activities as measured by upstream and downstream supply capacities imply that the SMEs are capable of organizing their portfolio of upstream input supplies in order to meet buyer demands. Organisation of the downstream supply capacity is however weak. This is not good for export performance and could explain the 'negatives' in terms of rejection of some exported products for not meeting specifications or standards. Generally, for SME characteristics, previous studies have focused on strengthening the capacity at the firm level (Babu et al. 2016) although the human capital of the SME is often considered the limiting factor to the progress of the SME sector in Ghana (Konig et al. 2013). Although this study does not focus on the institutional sector, it may be necessary to include such factors that lie beyond the firm to optimize export success (Van Rooyen 2014).

6.1 Limitations And Future Research

The study made use of cross-sectional data from non-traditional agricultural exporting SMEs. The SMEs were predominantly located in the coastal zone. It was, therefore, not statistically possible to make extensive analysis on SMEs based on location. However, the evidence showed that SMEs in the forest and savannah zones exported mostly semi-processed and processed products compared to SMEs in the coastal zone that exported unprocessed products as well. It would be good for future research to develop a more longitudinal study to support our cross-sectional study. Longitudinal studies may likely capture an improved sample of non-traditional agricultural exporting SMEs in the forest and savannah zones. Our cross-sectional data may be subject to the success SMEs have over time and longitudinal data will show more stability over longer periods. This may also overcome the problem of causality. In our study it may be that the success of export performance may also influence the independent factors positively. Having higher export performance motivates firms to channel more resources into the stability of their value chain activities and into developing export knowledge.

6.2 Recommendations

SMEs in the NTAE sector generally do not appear to invest much resources in training. As many as 66% of the SMEs interviewed did not invest in any form of training. As a result, their employees are skilled on the job (repeated tasks) but do not have deep insights in the export market. Technological adaptations, innovation, orientation to changes in market demand or regulations, are therefore rather slowly imbibed, if at all. SMEs could consider improving social networks through groups or associations with stronger monitoring and enforcement of agreed rules and regulations to improve information flow and capacity building. Consideration could be given to the development of organised franchise markets that link SMEs with multinational companies or large buyers. This would improve the value chain as a result of better coordination activities (Ricketts et. al. 2014).

The research findings also suggest that SMEs should also focus on strengthening downstream supply linkages. This will ensure less breaks in production. The direction of exports has been mostly targeted at the EU, but export orders are seldom based on contracts which expose SMEs to risks (Abban et al. 2013). SMEs could fare better by exporting added value (semi-processed and processed) products. Sub-regional markets could be further explored by SMEs, with government interventions, on ways to reduce bottlenecks.

While government has placed effort in developing the NTAE in general, equivalent effort has not been channelled to sub-sector policies. For example, until recently, the sheanut sector was unregulated and the activities of large foreign buyers distorted sheanut prices and truncated supply of sheanut to local exporters of shea products. Effective implementation of the shea sector policies remains necessary to promote shea exports (Abban et al. 2014). Exporters of medicinal seeds such as voacanga and griffonia have lamented the absence of a regulatory agency to enforce quality of these export products. This especially has to do with the moisture content of these products. The poor quality of the products supplied by a few exporters is often generalised to incorporate all exporters. This situation has significantly affected the sub-sectors exports. For the pineapple sector, for example, the lack of investment in market research impacted SMEs who were caught unaware by the sudden shift in consumer demand from 'smooth cayenne' to 'MD2' pineapple varieties, which severely affected production. Over politicisation of government interventions make SMEs averse to seeking government support. It would be helpful for government to promote and provide resources to agriculture and trade associations to support aspects

of the value chain process. This will encourage more exporting SMEs to join the associations and build their capacities. SMEs could place more emphasis on research to advance innovation capacity. The public-private sector initiatives with research institutions will expand development of technology and innovation opportunities that are available and affordable to exporting SMEs.

A public-private sector initiative to strengthen the intellectual property (IP) framework for various sectors and sub-sectors, could help Ghana as a country to come out with its branded products that are internationally acceptable. This will also help the SMEs to build their characteristic brands and value chains.

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