**The operations and challenges of Ghanaian SMEs in international market**

ABSTRACT

**Background:** A number of international studies have indicated that internationalisation often comes with improved performance and competitiveness by providing large potential for growth to SMEs. But despite the strategic importance and possible benefits of internationalisation, it appears a number of Ghanaian SMEs have not been active and regular in serving the international market, because there seems to be some challenges or barriers associated with internationalisation, which have to be overcome. This study focuses on the operations and challenges of Ghanaian SMEs in international market.

**Methods:** The research employed the use of a case study because it represents a comprehensive description and explanation of the many components of a given social situation. The descriptive study approach was used to ascertain the status of the set of variables, such as the number and variety of persons with specific conditions in the targeted population. The population under study was made up of two hundred (200). This includes management and employees of the organisation of which some all were considered as participants for the research work. The researcher employed solely primary and secondary sources of data. The survey consisted of written questionnaires, personal interviews and telephone interviews.

**Results:** It was disclosed that, SMEs with international experience engage the services of more employees than those without international exposure. It was further revealed that, International SMEs exports majority of their products into the international market.

**Conclusions:** Firms must be aware of changes within consumer behaviour. In many countries customers are demanding more environmentally friendly products and companies need to adjust to these demands in order to be able to grow.

**Key Words: *Small and Medium Enterprise, Exporting, International Market, and Ghana Vegetable Export Association.***

INTRODUCTION

Currently, companies are compelled to expand their operations from domestic to international markets as a result of trade liberalisation and the globalisation of enterprises. This internationalisation impacts all enterprises, regardless of size. Small and Medium Scale Enterprises (SMEs) are increasingly facing international competition and are compelled to participate in global marketplaces. Internationalisation can manifest in various forms, including importation, exportation, foreign direct investment (FDI), and international partnership. The increasing interest of companies in international expansion can be linked to several factors, notably the necessity for access to expertise or technology and the intense rivalry posed by foreign enterprises (1). Numerous international studies have demonstrated that internationalisation frequently correlates with enhanced performance and competitiveness of SMEs. It offers significant possibilities for the expansion of SMEs. The evolving business landscape presents new chances for Small and Medium Enterprises to internationalise. Trade liberalisation creates new opportunity for SMEs to participate in international business activity (2).

Conversely, trade liberalisation poses a challenge to domestic enterprises by introducing the risk of international competition. The implementation of trade liberalisation policy in Ghana persistently affects the domestic market by intensifying international competition encountered by local enterprises. This necessitates not only the modification of their domestic strategy but also compels enterprises to expand internationally (3). Exporting can enhance productivity by leveraging economies of scale. Foreign Direct Investment (FDI) can furnish companies with innovative technology that can be integrated to cultivate new competitive advantages. For certain firms, the pursuit of inexpensive inputs, such as raw materials, may drive their decision to expand internationally. Irrespective of the motivation, internationalisation offers companies opportunity to enhance productivity and augment their prospects for survival. Consequently, organisations from industrialised nations are progressively establishing themselves as global marketing enterprises (4). Consequently, research on the internationalisation of enterprises concerning global motivation, export hurdles, entrance modes, and export marketing strategies has predominantly concentrated on highly industrialised economies, neglecting developing economies such as Ghana.
The internationalisation of enterprises varies and is contingent upon their internal and external environmental elements (5). The environmental conditions influenced by economic pressures, socio-cultural dynamics, political/legal frameworks, and technological elements in developing economies like Ghana, under which enterprises operate, are distinct. (6) asserts that in emerging nations, the internationalisation of enterprises remains in its nascent phase, predominantly manifesting as exporting rather than Foreign Direct Investments. Moreover, Small and Medium Scale Enterprises are prioritised above Large-Scale Enterprises due to their significant role in fuelling the expansion of Ghana's economy.

Internationalisation fosters the economic advancement of nations. It facilitates the advancement of national industries, enhances productivity, and generates employment opportunities (7). Despite the strategic significance and potential advantages of internationalisation, as well as its prevalence in advanced industrialised nations, a considerable proportion of SMEs in Ghana have not regarded internationalisation as a viable strategy for corporate expansion. Others contemplating worldwide expansion appear to lack consistent engagement in the global market due to various hurdles or barriers that must be surmounted. Certain firms advance at a diminished rate in their internationalisation efforts due to perceived deficiencies in their marketing tactics. According to (8), certain organisations refrain from initiating international marketing, especially exporting, due to perceived insurmountable challenges or impediments. These difficulties may be actual or perceived. Typically, small and medium-sized enterprises encounter challenges in managing these obstacles.

**METHODS**

Research Design

The study employed a descriptive case study design. The study therefore selected Ghana Vegetable Export Association as its case study.

Population of the Study

The study’s population includes all entrepreneurs of Ghana Vegetable Export Association.

Sample and Sampling Procedure

It employed simple random sampling technique to select 50 entrepreneurs of Ghana Vegetable Export Association to assess their views in relation to the research questions.

Data Collection Instrument

The main research instrument to be used for the study will comprise a set of question put together into an interview schedule which will be given to the selected person before the interview dates. The actual interview will be given by the guided by this schedule.

Data Organisation and Analysis

The study’s data will be gathered through both primary and secondary data. The primary data will comprise the responses gathered during the interviews and the secondary data will consists of employee related documents that will be reviewed for the purpose of gathering relevant data towards answering research questions.

Limitation of the Study

Time frame for the completion of this research was a major limiting factor which affected the conduct of a comprehensive research. Lack of readily available organize data was also a limiting factor. This is because the practice of records keeping and updates are lacking among Ghanaian businesses particularly, the small and medium scale Enterprises. However, within the constraints, all attempts were made to undertake a valid and comprehensive study.

Data Presentation

The results will be presented in the form of frequency tables, charts and numbers (percentages, means, modes and frequencies). The secondary data will however be analyzed using accounting ratios and presented in tables and figures to assess the company’s loan default payment and present them with graphs.

**RESULTS**

Demographic Data

Information was sought about the gender, age and the positions of the respondent. It also identified the number of years they have worked in the organization and the background of their education.

The gender of respondents who responded to the questionnaire. 63% of respondents were female and 37% of them were male. Gender balance favours the female according to the analysis made above.

Period of engagement in any venture can at times be used as a yardstick in measuring how productive the business is and the atmosphere in which it is operating from. The longevity of working also portrays how experienced one may be and how speedy one could expedite an action in terms of task delivery.

A cross analysis between SMEs with international exposure and those without revealed an interesting trend. These trends are captured in table (2) below; from the table it can be inferred that SMEs operating in international market enjoys longer working period than their local counterparts as close to 40 percent of SMEs in international market indicated of being in business for over ten (10) years.

Another revelation was that, SMEs operating locally dominated in the years of business ranging from 1-5 years with about 30 percent SMEs attesting to this range. This could be as a result of financial constraints of local SMEs to stay in business for longer period of time as most of them lack access to finance as a result of their inability to produce collateral to secure loan facility.

Again, a close investigation was also conducted to ascertain the major destination of trade by the SMEs with international exposure. Out of a total of 160 respondents, 50 of them representing 31% indicated of operating in the European market while Africa and the USA were the next major marketing destination of their exportation with 25% and 18% respectively.

Table 1 Proportion of Export

|  |  |  |
| --- | --- | --- |
| Proportion  | Frequency  | Percentage  |
| 80-100% | 35 | 22 |
| 60-80% | 60 | 38 |
| 40-60% | 40 | 25 |
| 20-40% | 10 | 6 |
| Less than 20% | 10 | 6 |
| No response | 5 | 3 |
| Total  | 160 | 100 |

Another aspect of the study was to figure out the proportion of their production that is exported to international market. With a score interval of 38 percent, majority of the international SMEs indicated of exporting between 60-80 percent of their production to international market. It was also noticed with reference to the chart below that almost all SMEs with international exposure mainly produce for the international market since only close to 35 respondents indicated of exporting less than 22 percent of their production into international market with majority of them sending a many as between 80-100 percent of their production.

How Raw Materials are Acquired

Looking at the proportion of products that were exported, the study also wanted to find out about how raw materials for productions were acquired. This was necessary as the revelation of the source will facilitate in strengthening the continuous operation of the source and the survival of the business.

From table (5), 44% indicated of purchasing their raw materials through agent. Also 31% and 13% stated of producing them internally and purchasing them from other exporters respectively. Again, 9% of them indicated that they purchased their raw materials for production from the market place. This shows that the international SMEs mostly rely on sources other than their own internal production for the supply of raw materials, which have cost implications.

Table 2 Raw Materials Acquired

|  |  |  |
| --- | --- | --- |
| Response  | Frequency  | Percentage  |
| Produced them internally | 50 | 31 |
| Purchase from other exporters | 20 | 13 |
| Purchase through agents | 70 | 44 |
| Purchase from market place | 15 | 9 |
| Other source | 5 | 3 |
| Total  | 160 | 100 |

Benefits of International Trading

The study also sought to find out first-hand information from the camp of SMEs with and without international exposure about their views on how they can or are benefiting in operating in international market. With respect to how the SMEs are benefiting from exporting, here the respondents opted for multiple responses to the options provided them by the researcher.

Table .3 Benefits of International Trading

|  |  |  |
| --- | --- | --- |
| Benefits  | Frequency  | Percentage  |
| Good negotiation with customers | 70 | 44 |
| Convenient payment system | 50 | 31 |
| Flexible contract terms  | 20 | 13 |
| Access to ready market | 10 | 6 |
| Others  | 10 | 6 |
| Total  | 160 | 100 |

From the table above, 70% customers used personal guarantee as security for their loans whiles 30% of the customers used mortgages as collaterals for their loans.

Competitiveness of Ghanaian Products on International Market

The study enquires from international SMEs whether their products are of international standard hence very competitive on the market. As close to 43% indicated that, their products are not competitive on the international market. 13 respondents representing 24.1% were indecisive and opted for “Don’t know” whether they are competitive or not. Of all these revelations as in figure (1), 33.3% were able to confirm positively to this by saying their products are competitive on international market.

Problems Associated With International Trading

Problem with marketing and Product quality in international trading are the top two major challenges facing SMEs without international experience.

As SMEs without international exposure indicated marketing as their major problem, SMEs with international exposure on the other hand indicated financial difficulties as their major challenge.

|  |  |  |
| --- | --- | --- |
| Problems  | Frequency  | Percentage  |
| Problem with marketing | 40 | 25 |
| Problem with raw material supply | 20 | 13 |
| Financial difficulties | 25 | 16 |
| Product quality problems | 30 | 19 |
| Delivery problem | 10 | 6 |
| Management problem | 10 | 6 |
| Delayed in payment | 15 | 9 |
| Others  | 10 | 6 |
| Total  | 160 | 100 |

Legislative Barriers of International Engagement

Licensing requirement policies and embargoes are the two most important legislative barriers to SMEs with international experience. With reference to those operating locally, quotas and tariff were identified as the two most important legislative barriers to the development of SMEs without international exposure. The rest of the barriers are outlined in the table below with their corresponding responses:

Table 4 Barriers of Export

|  |  |  |
| --- | --- | --- |
| Barriers  | Frequency  | Percentage |
| Exchange control policies |  |  |
| Licensing requirement policies |  |  |
| Tariffs |  |  |
| Quotas |  |  |
| Ban, embargoes or prohibitions |  |  |
| Others  |  |  |
| Total  | 160 | 100 |

From the table above, 80% of customers paid their loans applied for and 20% of them failed to pay the loans applied for. This means that the ability of a customer to default or otherwise of a loan depends on the Loan Type applied for.

Factors Inhibiting SMEs Operation in Ghana

A cross assessment of the inhibiting factors to the development of SMEs in Ghana were identified by the study which incorporated the views of SMEs with and without international experience. As majority of international SMEs indicated high level of taxation and lack of clear SMEs policy by those in authority as the major limitations to the development of SMEs in Ghana, their local counterparts were of the view that difficulty in accessing credit from financial institutions as well as unstable legal environment are their major factors inhibiting their growth. The pattern of the factors is captured in table below:

Table 5 Inhibiting Factors

|  |  |  |
| --- | --- | --- |
| Factors  | Frequency  | Percentage  |
| Unstable legal environment | 50 | 31 |
| High level of taxation | 30 | 19 |
| Difficulty in accessing credit | 30 | 19 |
| Lack of a clear SME policy | 20 | 13 |
| Lack of marketing information | 10 | 6 |
| Uncompetitive products | 10 | 6 |
| Others  | 10 | 6 |
| Total  | 160 | 100 |

**DISCUSSION**

Operations of Ghanaian SMEs in the Global Market

Ghanaian SMEs function throughout a variety of sectors, encompassing agriculture, manufacturing, and services. Their expansion into overseas markets is frequently motivated by the pursuit of growth prospects, enhanced profit margins, and market diversification. The activities of these SMEs in the international market often encompass:

Export Activities: The majority of Ghanaian SMEs participate in the exportation of raw resources, such cocoa and lumber, or semi-processed products.
Collaborative endeavours with international firms facilitate access to novel markets and technologies.

Technology Adoption: Despite being limited, certain SMEs implement digital tools for marketing and logistics to enhance international competitiveness.

Obstacles Encountered by Ghanaian Small and Medium Enterprises

Financial Limitations: Restricted access to affordable financing and capital impedes international expansion.

Elevated interest rates and insufficient collateral constrain borrowing potential.

Insufficient Market Knowledge: Numerous SMEs possess inadequate understanding regarding overseas markets, customer behaviour, and regulatory obligations (9).

Insufficient Infrastructure: Substandard transport and inconsistent energy supply elevate operational expenses (10,11).

Regulatory and Trade Barriers: Intricate customs protocols and non-tariff obstacles impede seamless access to international markets (12).

Technological Constraints: Restricted access to innovative technology and e-commerce platforms impairs competitiveness (13).

Human Resource Limitations: Deficiencies in managerial and technical skills diminish operational effectiveness (14).

Understanding cultural and linguistic barriers is essential for international negotiations and consumer interactions. To optimise their operations and address challenges, Ghanaian SMEs must implement strategies including: formulating comprehensive government policies for financial assistance and training, investing in technology and infrastructure to enhance efficiency, and establishing strategic partnerships while engaging in international trade exhibitions. The capacity of Ghanaian SMEs in the global economy is indisputable. Despite encountering considerable hurdles, smart interventions and policy support can bolster their global competitiveness and significantly contribute to Ghana's economic growth.

**CONCLUSION**

The research examined the operations and obstacles encountered by Ghanaian Small and Medium Enterprises (SMEs) in the global market. The findings indicated that although Ghanaian SMEs significantly contribute to economic growth and employment generation, their international market activities face numerous hurdles. Identified key constraints are restricted access to financing, insufficient infrastructure, absence of market intelligence, and rigorous international trade restrictions. Moreover, SMEs frequently encounter intense rivalry from larger international firms and find it challenging to adjust to swiftly evolving global market dynamics. Moreover, challenges include insufficient technological capabilities, a shortage of skilled labour, and inefficiencies in supply chain management further impede their potential to compete effectively in global markets. Notwithstanding these limitations, the report also underscored the resilience and potential of Ghanaian SMEs. A multitude have embraced innovative techniques, utilised alliances, and exploited niche markets to sustain competitiveness. Nonetheless, these initiatives necessitate strong support systems to succeed.

Addressing the operational issues faced by Ghanaian SMEs in the international market necessitates a coordinated effort by policymakers, financial institutions, and the SMEs themselves. Enhanced access to finance, investment in infrastructure, capacity development through training, and government-sponsored assistance measures are crucial for bolstering the global competitiveness of Ghanaian SMEs. In conclusion, although Ghanaian SMEs encounter considerable challenges in global markets, their potential for expansion and impact on the national economy is immense. Strategic interventions and legislative reforms are essential for realising this potential and allowing these firms to fully capitalise on opportunities in the global market.

COMPETING INTERESTS DISCLAIMER:

Authors have declared that they have no known competing financial interests OR non-financial interests OR personal relationships that could have appeared to influence the work reported in this paper.

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