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

**ABSTRACT**

**Background:** Numerous international studies have demonstrated that internationalisation frequently enhances performance and competitiveness by offering substantial development possibilities to SMEs. Despite the strategic significance and potential advantages of internationalisation, numerous Ghanaian SMEs have not consistently engaged with the international market due to various challenges or barriers that must be surmounted. This study examines the operations and issues faced by Ghanaian SMEs in the worldwide markets.

**Methods:** The study employed quantitative research approach to gather the perspectives of sampled SME employees. Target population was two hundred (200) whiles sample size was 160. Data was collected through the use questionnaire. Purposive sampling was used to recruit respondents.

**Results:** It was revealed that SMEs with foreign experience employ more personnel than those lacking such exposure. It was additionally shown that worldwide SMEs export the majority of their products to the global market.

**Conclusions:** Companies must be cognisant of shifts in consumer behaviour. In numerous nations, consumers are increasingly requesting ecologically sustainable items, necessitating that enterprises adapt to these expectations to facilitate growth.

**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 purposive sampling technique based on their characteristics and experience to select 160 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 were presented in the form of frequency tables.

**RESULTS**

Demographic Data

Data was requested regarding the respondent's gender, age, and position. It also determined the duration of their employment inside the organisation and their educational background.

The gender of the respondents who completed the questionnaire. 63% of respondents identified as female, while 37% identified as male. The gender balance is skewed in favour of females, as indicated by the preceding analysis.

The duration of involvement in any enterprise can occasionally serve as a metric for assessing the productivity of the business and the environment in which it operates. The duration of employment reflects an individual's experience and their ability to hasten task completion. An investigation comparing SMEs with worldwide exposure to those without uncovered a notable trend. It was deduced that SMEs engaged in the foreign market experience longer operational durations than their domestic counterparts, as over 40 percent of international SMEs reported being in business for over ten years.

Another finding indicated that locally functioning SMEs predominantly thrived inside the 1-5 years business duration, with around 30 percent of SMEs affirming this timeframe. This may stem from the financial limitations of local SMEs, which struggle to remain operational over extended periods due to their lack of access to financing, primarily because they cannot provide collateral to acquire credit facilities. A thorough analysis was done to determine the primary trade destinations of SMEs having worldwide exposure. Of the 160 respondents, 50, constituting 31%, reported operating in the European market, while Africa and the USA were the subsequent primary export destinations, accounting for 25% and 18%, respectively.

Table 1.1 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 component of the study was to determine the proportion of their produce that is exported to the international market. With a score interval of 38 percent, the majority of international SMEs reported exporting between 60 and 80 percent of their production to the foreign market. The chart below indicates that nearly all SMEs with international exposure primarily produce for the global market, as only approximately 35 respondents reported exporting less than 22 percent of their production, while the majority export between 80-100 percent of their output.

Methods of Acquiring Raw Materials

The study aimed to investigate the proportion of exported products and the acquisition of raw materials for production. The disclosure of the source is essential for enhancing its ongoing functionality and ensuring the business's viability. Again, 44% indicated that they get their raw materials through an intermediary. Additionally, 31% and 13% indicated that they produce them internally and procure them from other exporters, respectively. Nine percent of them reported procuring their raw materials for manufacture from the marketplace. This indicates that multinational SMEs predominantly depend on external sources rather than their own production for raw material supply, resulting in cost concerns.

Table 1.2 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 |

Advantages of Global Commerce

The study aimed to gather firsthand information from SMEs with and without foreign exposure regarding their perspectives on the benefits of operating in the international market. The respondents indicated multiple benefits for SMEs from exporting, as per the options presented by the researcher.

Table 1.3 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 |

Competitiveness of Ghanaian Goods in the Global Market

The study investigates if foreign SMEs' products meet international standards, hence ensuring market competitiveness. Approximately 43% said that their products lack competitiveness in the international market. Thirteen respondents, including 24.1%, were ambivalent and selected "Don't know" on their competitiveness. Among the discoveries depicted, 33.3% affirmed that their items are competitive in the international market.

Problems in International Trade

Marketing and product quality issues are the primary problems confronting SMEs lacking international expertise. SMEs lacking worldwide exposure identified marketing as their primary issue, whereas SMEs with international exposure cited finance constraints as their principal concern.

TABLE 1.4 Problems Associated With International Trading

|  |  |  |
| --- | --- | --- |
| 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 |

Legal Obstacles to worldwide Engagement:

Licensing requirements and embargoes constitute the primary legal impediments for SMEs with worldwide expertise. Regarding domestic operators, quotas and tariffs were recognised as the two primary regulatory obstacles to the advancement of SMEs lacking worldwide exposure. The remaining impediments are detailed in the table below along with their respective responses.

Table 1.5 Legal Obstacles of Export

|  |  |  |
| --- | --- | --- |
| Barriers | Frequency | Percentage |
| Exchange control policies | 39 | 24.4 |
| Licensing requirement policies | 21 | 13.1 |
| Tariffs | 31 | 19 |
| Quotas | 24 | 15 |
| Ban, embargoes or prohibitions | 41 | 26 |
| Others | 4 | 2.5 |
| Total | 160 | 100 |

Factors Inhibiting SMEs Operation in Ghana

The study found various constraining barriers to the development of SMEs in Ghana, incorporating perspectives from both experienced and inexperienced international SMEs. The majority of international SMEs identified elevated taxation and the absence of a definitive SMEs policy from authorities as primary constraints to SME development in Ghana, while local SMEs cited challenges in obtaining credit from financial institutions and an unstable legal environment as significant impediments to their growth. The factors' pattern is illustrated in the table below:

Table 1.6 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.

**Acknowledgments**

Special thanks to the late Mr Charles Kwabena Ofori Asuming for his help in data collection.

**Competing Interests**

Author has declared that no competing interests exist.

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