

THE IMPACT OF ENTREPRENEURIAL ORIENTATION ON SMEs PERFORMANCE IN GHANA: THE ROLE OF SOCIAL CAPITAL AND GOVERNMENT SUPPORT POLICIES

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Abstract

The primary purpose of this study was to propose a conceptual framework on the impact of entrepreneurial orientation (EO) on SMEs performance in Ghana: The role of social capital (SC) and government support policies (GSPs). The study reviewed existing literature pertaining the five dimensions of EO and used measures of SC, and GSPs in relation to SMEs performance in Ghana. This study would be anchored on two theories thus the resource-based view and the social capital theories stressing the need for SMEs to focus more on their unique resources that existed within their social network relations. The study would further provide new insight to practitioners to understand and appreciate the role of SC and GSPs on SMEs performance.

Keywords: Entrepreneurial orientation, social capital, government support policies, resource base view theory, social capital theory.

Introduction

The performance aims to determine how SMEs achieve an objective, standard or target. In business or managerial research, many definitions exist depending on the discipline or area of study and relate performance to the value that customers and other stakeholders derive from a firm (Gathungu, Aiko, & Machuki, 2014). Efficiency and effectiveness have also become a popular measure of performance in manufacturing and services areas like finance and marketing. In the manufacturing sector, authors like (Arafah, Batara, & Hady, 2018; Kombo, K'Obonyo, & Ogutu, 2015) used five vital measurements consisting of reliability, quality, product price or cost, and flexibility to ascertain the performance of a business. To entrepreneurs, performance is linked with profitability, growth, market value, return on capital, value addition, and customer satisfaction and retention and is often operationalised by researchers (Mihaela, 2017; Aladejebi & Olufemi, 2018).

Globally, SMEs are not just considered as the engines of economic growth but the fuel or lubricant that keep developed and developing economies on their toes running without a halt. However, their failure rate of SMEs is higher compared to large firms (Bloch &

Bhattacharya, 2016; Lo, Wang, Wah, & Ramayah, 2016). Data show that three out of every five SMEs die before their 5th anniversary and eight out of ten potential entrepreneurs are discouraged from starting their dream venture every year in several countries of the world (Hoque, Siddiqui, Awang, & Baharu, 2018).

Thus, the abysmal performance of SMEs in Ghana and lack of international exposure due to the growing external competition prevents them from strengthening their market share (Asare, 2014). They also lack the ability to expand and create more jobs, conservative about their growth and employment creation prospects, with almost a third of entrepreneurs not ready to employ anyone. Again, only 47% SMEs are prepared to hire from one and five staffs in five years (Global Entrepreneurship Monitor, 2013), thus, a sign that Ghanaian SMEs are not performing well to contribute to the economic growth of the country.

High business failure rate exists among Ghanaian SMEs. Regarding that, the Minister for Business Development, Ibrahim Awal Mohammed reported that 75 per cent of firms fail within the first three years, with those that can surpass three years within ten years of operation and need serious efforts by entrepreneurs to address it (Mohammed, 2017). Again, in 2018,

Mohammed, reiterated that for only 15 per cent of firms to go beyond three to five years is unacceptable and encouraged collaboration from industry and academia to train young graduates with entrepreneurship skills (Mohammed 2018). This support Alimo's (2015) earlier study that most Ghanaian SME owners lack the requisite entrepreneurial skills to enable their firms to survive beyond five years.

Another current issue that affects SMEs performance in Ghana is the collapse of several banks and microfinance institutions (MFIs) by the Bank of Ghana (BOG) to stabilise the banking and financial sector. This led to the merger and collapse of some banks and MFIs and is affecting the performance of SMEs (Boateng *et al.*, 2016). This further pose a negative perception about Ghanaian entrepreneurs where consumers and investors are not trusting SME owners and resorted to some spending money on foreign-owned products instead of local ones making SMEs less competitive (Mensah, 2018).

More so, SMEs in Ghana cannot also absorb the cost of human resources and training, network with other business partners to make use their resources to meet other financial demands like large business do (Egena, Wombo, Theresa, & Bridget, 2014). Are SME owners in Ghana, not EO enough to respond to the turbulent market demands, create a market niche for themselves with creativity to overcome difficult obstacles with innovative products and services in order to grow and launch new firms that will perform to expectation or what? (Pranowo, Mulyadi, Siregar, & Hendayana, 2018; Mahmoud, 2011; Alimo, 2015), since EO is widely acclaimed as the sole construct for SMEs performance, an indicator of their growth and performance and help SMEs to withstand turbulent market environs (e.g. Palmer, Niemand, Stöckmann, Kraus, & Kailer, 2019; Omisakin, Nakhid, Littrell, & Verbitsky, 2016; Semrau, Ambos, & Kraus, 2016; Mason, Floreani, Miani, Beltrame, & Cappelletto, 2015; Wales, Patel, & Lumpkin, 2013; Lee, Sohn, & Ju, 2011). EO will also help SMEs to actively engage in opportunity identification and proper utilisation of resources (Carree & Thurik, 2005).

Data however agree that there are inconsistencies on the impact of EO on SMEs performance and on whether to use the unidimensional or the multi-dimensions of EO and most of the studies have also been conducted in USA and UK (e.g. Miles & Snow, 1978; Lumpkin & Dess, 1996; Rauch, Wiklund, Lumpkin, & Frese, 2009; Pett & Wolff, 2010; Covin & Wales, 2012; Wales *et al.*, 2013; Dutta, Gupta, & Chen, 2016; Fadda,

2018). Earlier studies recommended that further studies regarding the impact of EO on SMEs should be conducted in different countries and sectors of the economy for further understanding and interpretation (Rezaei & Ortt, 2018; Gathenya, Bwisa, & Kihoro, 2011). Yet, there is less data on EO and SME performance in Ghana (Anlesinya, Eshun, & Bonuedi, 2015; Hongyun, Kankam, Appiah-Twum, & Akolgo, 2019).

Further, globalisation has changed the pace of businesses where creativity, innovation, critical and independent managers with good networking skills and alliances are much required than the mere competition with competitors (Hongyun *et al.*, 2019); as a result, firms must adopt good SC network resources in order to survive. And for SMEs to enhance their performance, they need not only financial capital and human capital (business training and management skills), but also, they need to develop, promote and use appropriate forms of SC networks and access government support too (Tundui & Tundui, 2013).

The SC theory like the resource-based view (RBV) theory that offer SMEs the ability to utilise rare and valuable resources that are difficult for other firms to replicate and substitute (Barney, 1991), and boost their resource base and capabilities (Brush & Chaganti, 1999). SC is also vital for entrepreneurial activities as, entrepreneurship is a socio-economic activity that relies on social context and entrepreneurs are also products of their social environs and the existence or lack of social networks affect SMEs performance in acquiring resources, and is a vital resource that no SME can ignore and expect to perform well (Anderson & Miller, 2003; Kanini & Muathe, 2019).

Literature affirm that SC impact positively on SMEs performance and help them to outperform their competitors (Acheampong, Odoom, Anning-Dorson, & Anim, 2018; Agyapong, Agyapong, & Poku, 2017; Barr, 2000; Boohene, 2018; Ofori & Sackey, 2010; Chirico & Salvato, 2008), though some reported negative or no impact at all (Rowley, Behrens, & Krackhardt, 2000; Lee *et al.*, 2001). However, there is scarce literature in Ghana on EO and social capital (Hongyun *et al.*, 2019). The inconclusive results give room for further studies using SC as a mediating and or moderating variable with other variables in other sectors of the economy and countries (e.g. Roberson & Williamson, 2012; Uzzi & Lancaster, 2003; Hongyun *et al.*, 2019). Again, prior studies also recommend the use of mediating and or moderating variables that relate to the internal and external characteristics of SMEs performance to

further understand the influence of EO on SMEs performance (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005; Wiklund, Patzelt, & Shepherd, 2009; Mahmood & Hanafi, 2013; Alembumamah, 2015). This study is meant to fill this gap in Ghana by introducing SC and government support policies as mediating and moderating variables respectively to investigate their effect on EO and SMEs performance.

Proper adoption of EO and SC, together with government support, will also boost SMEs performance. Governments all over the world recognise the significant contributions of SMEs and are promoting their survival. With government support in develop and developing countries to SMEs like India, South Korea, Taiwan and China are reaping massively from the SMEs sector (Kusi, Opata, & Narh, 2015), South Africa, and the United Arab Emirates which account for their enviable economic status (Onuoha, 2012) but Ghanaian SMEs are not performing well. These countries also experience reduced poverty levels, unemployment, and economic well-being due to the presence of vibrant and reputable SMEs (Onugu, 2005; Eniola & Entebang, 2015).

Many unsolved questions arise. Why are SMEs performing better in other countries that apply EO, SC, and or with government support but Ghanaian SMEs are not? Are Ghanaian SME owners not EO or they are losing interest in their SC networks instead of making apt use of them to attract government support policies like, subsidise training, easy access to capital/resources, linkages with other partners, and continuous monitoring and evaluation (Stuart, 2000; Tzelepis & Skuras, 2004; Cai, Jun, & Yang, 2010; Soares, Moeljadi, Rohman, & Solimun, 2014) to their advantage or what? Since there is less literature and much is not also felt with the presence of vibrant SMEs and the intended development in Ghana (Akugri, Bagah, & Wulifan, 2015), hence the use of government support policies as a moderating variable in this study as recommended by Soares *et al.* (2014).

Based on the above discussed literature and as far as we know, there is no study in Ghana on the impact of SMEs performance in Ghana with the mediating and moderating role of social capital and government support policies. This study therefore seeks to fill this empirical and knowledge gap using all the five dimensions of EO, social capital and measures or indicators of government support policies like, tax reduction, free or subsidise training to SMEs, access to capital and other resources, linkages to market partners, and monitoring and evaluation.

Overview and Relevance of SMEs

There is no universally accepted definition for the term SMEs. This study define SMEs as, a micro enterprise is define as having 1–5 employees and fixed assets less than 10,000 USD, excluding land and building, small enterprises employing 6–29 with fixed assets not more than 10,000 USD which excludes land and building and those employing from 30–99 as medium enterprises having fixed assets of up to 100,000 USD, and firms that employs more than 100 are considered as large firms (NBSSI) and also agreed with the Ghana Enterprise Development Commission (GEDC) estimated amount of 10 million Ghana New Cedis as the upper limit or value for plant and machinery as summarised by Table 1.

Table 1
Definition of SMEs based on NBSSI Classifications or Types in Ghana

Type of SMEs or Enterprise	Number of Workers	Value of Firm Assets
Micro enterprise	1–5 workers	Less or up to US\$ 10,000
Small enterprise	6–29 workers	Up to US\$ 10,000
Medium enterprise	30–99 workers	Up to US\$ 100,000
Large enterprise	100 and more workers	Up to US\$ 1000,000

Source: Abor and Quartey, 2010

Entrepreneurial Orientation

In this study, entrepreneurial orientation is defined as how entrepreneurial individual(s) or firms are to identify and exploit opportunities using proactiveness, calculated risk-taking, innovativeness, competitiveness and also acting independently or in autonomy in launching new and or innovative products and services with the aim of overtaking their competitors and is vital requirement for SMEs survival and performance (Miller, 1983; Lumpkin & Dess, 1996).

Dimensions of Entrepreneurial Orientation

Following the introduction of EO from Miller’s (1983) seminal work tapping ideas from earlier scholars (Knight, 1921; Schumpeter, 1942; Kirzner, 1973), its interest has gained momentum in management and research and is also applicable in various fields like economics, psychology, and strategic management (Lumpkin, & Dess, 1996, 2001; Covin & Slevin, 1986, 1989, 1991; Fatoki, 2012). With the significant discrepancies in these fields, each field viewed the EO dimensions from a different perspective. These diversities made it more complicated to conceptually develop

EO, as economists viewed EO as the process which combines various factors of production that is, land, labour, and capital to increase a firm’s performance (Schumpeter, 1942; Miller 1983).

Based on this, two primary constructs of EO emerged; thus, the first one pioneered by Miller (1983), that EO is a three-factor one-dimensional model consisting of innovation, risk-taking, and proactiveness. According to Miller (1983), SMEs/entrepreneurial firms have to engage in risky ventures, be innovative, and take the lead in reaching their markets (Covin & Slevin, 1986, 1989, 1991). For Miller, to be an entrepreneurial firm, all the three dimensions, that is, risk-taking, proactiveness, and innovativeness must manifest without which the firm cannot be termed entrepreneurial and by extension, a performing firm (Kusumawardhani, McCarthy, & Perera, 2009), see Figure 1.



Figure 1. Miller (1983) Three-factor one-dimensional model

The second construct of EO attributed to Lumpkin and Dess (1996), treats EO as a five-factor multidimensional model having competitiveness or competitive aggressiveness and autonomy as additional dimensions to Miller’s (1983) model. When introducing this construct, Lumpkin and Dess (1996) used the term competitive aggressiveness to signify Miller’s (1983) notion of “beating competitors to the punch.” In their view, how SMEs respond to threats is essential in addition to seizing opportunities. The dimension of autonomy, according to the authors, connote strong leadership by creative individuals who act freely without any restrictions.

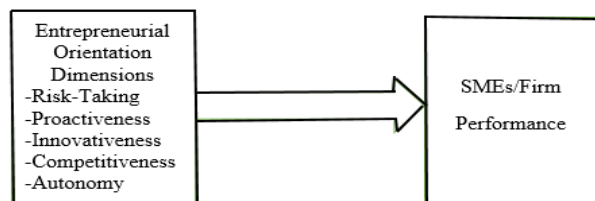


Figure 2. Lumpkin and Dess (1996) five-factor multidimensional model

Contrary to Miller (1983) assertion that all EO dimensions must exist for a firm to be termed

entrepreneurial, Lumpkin and Dess (1996) however disagree for all the five EO dimensions to be present as indicated by Figure 2. Studies show that more researches should be conducted using the multidimensional approach as well as expanding the examination of EO dimensions with mediating and moderating variables in different geographical areas or stages of development and sectors of the economy to appreciate how EO affects the performance of SMEs (Gathenya *et al.*, 2011; Rezaei & Ortt, 2018; Hongyun *et al.*, 2019).

The five EO dimensions have proven to be the most accurate description of the performance of SMEs in determining whether they are succeeding in their performance or not (Lumpkin & Dess 1996), as well as offer varied results for further interpretations, and help reduce confusing descriptive and normative theory-building if all the five EO dimensions are not used (Covin, Green, & Slevin, 2006; Rezaei & Ortt, 2018). Below is a brief explanation of the various EO dimensions and their hypothesis for this study.

Innovativeness in SMEs

Rapid changes in global markets have resulted in rising competition and erosion of value addition and the effectiveness of organizations’ products and services (Gunday, Ulusoy, Kilic, & Alpkan, 2011). Innovativeness is one of the fundamental instruments of SMEs or firms’ strategies to develop new ideas leading to new or improved processes, products and or services to penetrate markets, attract and expand market share, and also give SMEs or firms a competitive advantage in response to these changes around them (Landstrom, 2005; Rauch *et al.*, 2009; Lomberg, Urbig, Stöckmann, Marino, & Dickson, 2017).

Innovation was first recognised by Schumpeter (1942) when he equated it with “creative destruction.” In his view, creative destruction is the process in which as a result of wealth creation, it leads to the destruction of existing products/services and market structures by introducing new goods or services which shift resources from existing firms to new firms, thereby giving new firms growth advantage and should be initiated by an entrepreneur (Lumpkin & Dess 1996).

Previous literature alluded that innovativeness has a significant and positive effect on SMEs performance (Wong, 2014; Heidenreich & Handrich, 2015; Mamun, Muhammad, & Ismail, 2017; Bature, Sallehuddin, Rosli, & Saad, 2018; Acar & Özşahin, 2018), and as SMEs imbibe innovative spirit, they will be able to respond to the changing market demands, compete

keenly in the market and also develop new products and services to counteract external market pressure (Miller & Friesen 1983; Tsao & Chen 2012; Acar & Özşahin, 2018).

In related terms, Choi, Kim, Ullah, and Kang (2016) reveal that SMEs with innovative mindset will enhance the growth of new skills and technical know-how to handle unpredictable market situations effectively. Again, SMEs that adopt a potent EO and are innovative, as well as promote their social ties with other firms, it will make them more creative and innovative in coming out with new products and services (Zahra & George, 2002). This study, therefore, seeks to examine further the relationship between innovativeness and SMEs performance in Ghana, to affirm or refute the earlier findings and to make recommendations for further studies. Therefore, we hypothesise in the light of the preceding discussion, the hypothesis that:

H₁: Innovativeness has a positive effect on SMEs performance in Ghana.

Risk-taking by SMEs

This refers to the tendency of an individual in a firm to take bold or well-calculated decisions in venturing into already existing or new markets and commitment of resources into firms with unpredictable results, and or are not risk adverse in committing resources to execute a business idea that other SMEs are afraid of (Lumpkin & Dess, 2006; Walter, Auer, & Ritter, 2006; Morris, Kuratko, & Covin, 2008; Nasip et al., 2017). Risk-taking is linked to entrepreneurship since its inception (Lumpkin & Dess, 1996) and a critical measure of EO when determining the extent of entrepreneurship among SMEs.

Contrary to that, research revealed that SMEs ability to take risks is between low and moderate levels. Those that adopt a modest level of risk-taking achieve high performers compared with those that adopt very low levels of risk-taking (Kreiser, Marino, & Weaver, 2002; Otieno, Bwisa, & Kihoro, 2012). This buttressed the generally accepted rule of thumb that, risk-taking SMEs can secure superior growth and long term profitability compared with those that avoid risk (Yang, 2008; Wang & Poutziouris, 2010; Ahimbisibwe & Abaho, 2013). This perspective affirmed the rule of the risk-returned theory that, the higher the risk, the higher the return, and is therefore linked with SMEs performance. SMEs that wants to survive cannot entirely alienate themselves from some level of risk-taking and attain desired performance.

On the effect of risk-taking on SMEs performance, there are divergent views. Other studies revealed a positive and significant relationship of risk-taking and SMEs performance (Kosa, Mohammad, & Ajibie 2018; Wijethunge & Pushpakumari, 2013; Lim, 2008; Mohammed, Ricardo, & Harry, 2014), while other studies indicated no or negative effect on SMEs performance (Kreiser, Marino, Kuratko, & Weaver, 2013). This, therefore, require further studies to ascertain these results among Ghanaian SMEs. As a result, we propose to test the hypothesis that:

H₂: Risk-taking has a positive effect on SMEs performance in Ghana.

The Proactiveness of SMEs to Businesses/Market

Proactiveness is an opportunity-seeking, forward-looking perspective involve in a firm taking the initiative to introduce new products or services uncommon to their competitors with the aim of setting the pace or taking first steps or having the first mover-advantage in meeting the demands of people under any given situation by introducing new processes or products and or services ahead of their competitors (Miller, 1983; Lumpkin & Dess, 2001). SMEs of this kind are always striving to be leaders and not reacting to advances of other businesses (Covin & Slevin, 1986, 1989, 1991), an indication of opportunity recognition and how they are aware and responsive to market signals ahead of competitors (Venkatraman, 1989; Hughes & Morgan, 2007; Kropp, Lindsay, & Shoham, 2008; Kusumawardhani *et al.*, 2009).

Extant scholars reported a positive and significant effect of proactiveness on SMEs performance (Ambad & Wahab, 2013; Tang, Tang, & Katz, 2014; Uddin, Bose, & Yousuf, 2014; Amin, 2015; Lomberg *et al.*, 2017; Grant *et al.*, 2017; Bature *et al.*, 2018). Furthermore, studies reported that SMEs 'with high responsive ability' should consider proactiveness as a vital aspect of their business and always strive to have a first-mover advantage over their counterparts in identifying and turning ideas into opportunities (Tang *et al.*, 2014; Anderson, Kreiser, Kuratko, Hornsby, & Eshima, 2015; Rua, França, & Ortiz, 2018).

To be proactive, therefore, SMEs should invest on capacity building thus, working on both their material and non-material resources like the human resource capability to be able to identify timely opportunities to satisfy present and future market needs, influence policymakers, set the pace for the market based on their market share (Tang *et al.*, 2014), and adopt technology usage and are also abreast with technological changes (Hao & Song 2016; Bature *et al.*, 2018).

Based upon this premise, this study sought to examine the impact of proactiveness on SMEs performance in Ghana, to affirm or refute earlier studies and to make recommendations for further studies. We, therefore, wish to test the hypothesis that;

H₃: Proactiveness has a positive effect on SMEs performance in Ghana.

Competitive Aggressiveness in SMEs

Competitive aggressiveness or competitiveness was introduced in Lumpkin and Dess's (1996) article to emphasize Miller's (1983) view of SMEs striving to "beat their competitors to the punch." Although this view posits that SMEs mainly win customers over their competitors through proactive innovation, literature argued that competitiveness is distinct from proactiveness.

Lumpkin and Dess (1996) reasoned that competitive aggressiveness is "the type of intensity and head-to-head posturing that existing and new entrant SMEs often need to compete with their rivals." They clarify that competitive aggressiveness is seen as the intensity of SMEs to marshal efforts to challenge their competitors to enter the market and with the aim to outperform their rivals (Lumpkin & Dess, 2001). Lyon, Lumpkin, and Dess (2000) viewed competitive aggressiveness as "the tendency of SMEs to assume a combative posture towards rivals and to employ a high level of competitive intensity in an attempt to surpass rivals." This shows that competitive aggressiveness is termed as the number of actions SMEs take and the time it takes to respond to a competitor's action.

The literature revealed that SMEs with rapid response to competitiveness (Chen & Hambrick 1995; Miller & Chen, 1994; 1996) and with a total number of actions (Smith, Young, Becerra, & Grimm, 1996) have good chances of maintaining competitiveness with head-to-head confrontation and lead to performance (Shan, Song, & Ju, 2016), as they compete for demand (Porter, 1985).

Furthermore, literature confirmed that competitive aggressiveness enhanced and as well have a positive effect on SMEs performance (Mahmood & Hanafi 2013; Lyon *et al.*, 2000; Justine, 2005). This study can depict a positive and significant effect of competitive aggressiveness on SMEs performance in Ghana. We, therefore, posit the hypothesis that:

H₄: Competitive aggressiveness has a positive effect on SMEs performance in Ghana.

Autonomy in SMEs to Business/Work Environments

Literature of Kusumawardhani *et al.*, (2009) argued that giving independence to everybody in an organization is likely to enhance their entrepreneurial behaviour and improve performance. For instance, if SMEs encourage individuals or a team to bring forward and carry through to completion of an idea or view, the firm can benefit from the independent spirit necessary for pursuing entrepreneurial opportunities. The autonomy which refers to "the ability and will to be self-directed in the pursuit of opportunities" is an entrepreneurial act (Lumpkin & Dess 1996).

According to Coulthard (2007), autonomy in EO flourishes when independent-minded people leave their comfortable positions to pursue novel ideas. Autonomy is also a significant factor for improving performance in new or existing SMEs/firms. Autonomy connotes an independent action of members or in group, ensuring that ideas and initiatives are carried out to the end. With this, employees are given the opportunity to achieve a firm's objective through their own creativity and ingenuity without any interference (Arshad, Rasli, Arshad, & Zain, 2014).

The study showed that autonomy in SMEs varies as a result of the SMEs size, its management style, or the form of ownership. And that, where the owner-manager is the decision-maker, the right of ownership determines the level of autonomy (Lumpkin & Dess, 1996). In this case, autonomy is determined by the type of ownership or the level to which leadership is centralised and the frequency at which the owners or managers delegate authority. In large firms, autonomy refers to a firm's restructuring through delegation of authority and reduction of vertical structures in management.

Autonomy has been demonstrated in some SMEs by granting freedom and encouraging members to exercise it (Duru, Ehidiamphe, & Chijioke, 2018). According to Lumpkin and Dess (1996), this involved the use of champions to promote entrepreneurial activity within SMEs. These champions protect new idea creators or creative thinkers of SMEs from the undesirable judgment and treatment and possible resource constraints.

Earlier studies indicated a positive and significant effect of autonomy on SMEs performance (Duru *et al.*, 2018; Justine *et al.*, 2005; Omisakin *et al.*, 2016). Based on the reviewed literature, we can envisage a positive and significant effect of autonomy on SMEs performance in Ghana. Again, the above discussions on the five dimensions of EO, we can conclude that all the

dimensions of EO have an impact on SMEs performance. We, therefore, pose the following hypothesis:

H₅: Autonomy has a positive effect on SMEs performance in Ghana.

H₆: EO has a positive effect on SMEs performance in Ghana.

Social Capital

Social capital theory traced its origin in sociology by authors such as Bourdieu (1977, 1986), Coleman (1988; 1990), Fukuyama (1995), Granovetter (1985; 1995), Putnam (1993; 2000) and is applicable to a wide range of social settings like family interactions, geographic, economic development, the performance of businesses, product innovation, entrepreneurship, supply chain management and other related areas of study. It, however, mean differently in various disciplines like sociology, anthropology, politics, economics and entrepreneurship on SMEs and EO studies (Alguezaui & Filieri, 2010; Salehuddin, 2009).

According to Adler and Kwon (2002), SMEs in for-profit business or social enterprises, can effectively utilise their social capital building because it helps people with good social capital network find jobs (Gedajlovic, Honig, Moore, Payne, & Wright, 2013; Lin & Dumin, 1986), helps inter-units resource exchange and product innovation (Tsai & Ghoshal, 1998) and the creation of intellectual capital (Nahapiet & Ghoshal, 1998) and reduces turnover rates (Krack-Hardt & Hanson, 1993).

The SC theory like the resource-based view (RBV) theory that offer SMEs the ability to utilise rare and valuable resources that are difficult for other firms to replicate and substitute (Barney, 1991), and boost their resource base and capabilities (Brush & Chaganti, 1999). SC is also vital for entrepreneurial activities as, entrepreneurship is a socio-economic that relies on social context and entrepreneurs are also products of their social environs and the existence or lack of social networks affect SMEs performance in acquiring resources, and a vital resource that no SME can ignore and expect to perform well (Anderson & Miller, 2003; Kanini & Muathe, 2019).

In this study therefore, social capital refers to how social interaction affects SMEs performance (Al Mamun *et al.*, 2016), and is seen as the actual and potential resources embedded within, available through, derived from the network of individuals or social units and also facilitate knowledge sharing, value creation, boost competitive advantage and performance, and lead

to further development of new firms (Abili & Faraji, 2009).

Again, social capital also helps entrepreneurs to identify opportunities (Bhagavatula, Elfring, Van Tilburg, & Van De Bunt, 2010), organise resources (Batjargal, 2003), improve social entrepreneurship (Mair & Marti, 2005), build legitimacy for their business (Elfring & Hulsink, 2003), lead to an EO in a firm (De Clercq, Dimov, & Thongpapanl, 2013) and facilitate access to financial and useful information (Omrane, 2015).

Literature affirm that SC impact positively on SMEs performance and help them to outperform their competitors (Acheampong *et al.*, 2018; Agyapong *et al.*, 2017; Barr, 2000; Boohene, 2018; Ofori & Sackey, 2010; Chirico & Salvato, 2008), though some reported negative or no positive impact of SC on SMEs performance at all (Rowley *et al.*, 2000; Lee *et al.*, 2001). Similarly, SC has a positive impact on EO and SMEs performance, provide innovative support to small firms, and lead to high performance (Rass, Dumbach, Danzinger, Bullinger, & Moeslein, 2013; Dato-on, Banerjee, & Roy, 2018). Yet, there is scarce literature in Ghana on EO and social capital in relation to SMEs performance (Hongyun *et al.*, 2019).

The inconclusive empirical results on SC and on EO and SMEs performances give room for further studies to use SC as a mediating and or moderating variable with variables in other sectors of the economy and countries as indicated by past studies (e.g. Roberson & Williamson, 2012; Uzzi & Lancaster, 2003; Hongyun *et al.*, 2019). Again, the extant literature also recommends the use of mediating and or moderating variables that relate to the internal and external characteristics of SMEs performance to further understand the influence of EO on SMEs performance (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005; Wiklund *et al.*, 2009; Mahmood & Hanafi, 2013; Alembumamah, 2015). This study adapted operationalise measures of SC based on social trust relationships and reciprocal ties that exist within and outside SMEs (Woolcock, 2001; Woolcock & Sweetser, 2002). Therefore, this study hypothesised that:

H₇: There is a mediating effect of Social capital on EO on SMEs performance in Ghana.

Government Support Policies

In this study, government support policies refer to the creation of an enabling or a business fostering environment the government create with support

policies or initiatives to help in the growth and performance of SMEs (Hoque & Awang, 2019; Cai *et al.*, 2010). These policies should be available to every individual irrespective of their party affiliation, ethnicity, religion, educational background or whatsoever that may hinder an individual in accessing them that governments are mandated to deliver to citizens that want to venture into or are already in business.

Although SMEs all over the world have been hyped as the engine and lubricant of economic growth by many policymakers, there is scarce or no available literature in line with this study from developing countries like Ghana (Ntiamoah, Li, & Kwamega, 2016). Proper adoption of EO and SC, together with government support, will boost SMEs performance. Studies revealed that with government support policies, some developing countries like India, South Korea, Taiwan and China realize significant impact from the SMEs sector (Kusi *et al.*, 2015), and South Africa, and the United Arab Emirates which account for their present enviable economic status (Onuoha, 2012).

Furthermore, it has been reported that strong government support generally implies a firm's good relationship with government officials, who can become critical sources for information. This is because, in many times, the government implements business-friendly policies in specific regions and industries or policies tailored to specific firm sizes or types of ownership. If necessary, it even provides financial support in the form of low-interest loans from state-owned banks to SMEs in order to encourage them to comply with its guidelines (Cai *et al.*, 2010).

In the study of Saberi and Hamdan (2018), it summarised that governmental support policies have a significant moderating effect on the relationship between entrepreneurship and economic growth in the Gulf Cooperation Council (GCC) countries. There are, however, variations on the available literature on the moderating effect of government support policies on EO and social capital regarding SMEs performance. In assessing the effect of EO on firm performance with government support policies as a moderating variable, Soares *et al.* (2014) revealed that government support policies could not moderate EO on SMEs performance and do not also have a direct moderating effect on SMEs performance. Soares *et al.* affirmed that with an entrepreneurial fostering environment with government support policies and entrepreneurs making good use of social capital networks among SMEs together with good policies from government like tax incentives to SMEs, sponsoring training programmes for SMEs and the provision of consultancy services to existing and new SMEs

will boost the growth and performance of SMEs with more firms emerging. The study also recommended that a study of this kind is needed in different regions and countries for further understanding and interpretation which formed the bases for this study in Africa and Ghana in particular.

Again, extant literature indicated that, as governments provide good policies to SMEs like; free or subsidise training services to improve the human resource capacity of SMEs, making it easier for SMEs to have access to capital and other resources, promotion of partnership or linking SMEs with other partners as well as offering continuous monitoring and evaluation to beneficiary SMEs, it will enhance their performance and Ghana in particular (Tzelepis & Skuras, 2004; Stuart, 2000; Cai *et al.*, 2010; Soares *et al.*, 2014; Shu, De Clercq, Zhou, & Liu, 2019).

It has been reported that, with government support policies some develop and developing countries like India, South Korea, Taiwan, and China are reaping massively from the SMEs sector (Kusi *et al.*, 2015), and South Africa, and the United Arab Emirates which account for their present enviable economic status (Onuoha, 2012), but this is not so in Africa and Ghana in particular and there is also scarce literature on government support policies on SMEs performance and competitiveness and much is not also felt with the presence of vibrant SMEs and the intended development in Ghana (Akugri *et al.*, 2015; Eniola & Entebang, 2015; Ntiamoah *et al.*, 2016).

Finally, with some of the government support policies that governments have been providing to SMEs, this study expects a positive effect on the performance of SMEs in Ghana using measures of government support policies as; free or subsidise training services to improve the human resource capacity of SMEs, access to capital and other resources, linking SMEs to other market partners and monitoring and evaluation services to SMEs. In this study, therefore, we posit the hypothesis that:

H₈: There is a moderating effect of Government support policies on EO and social capital on SMEs performance in Ghana.

Performances of SMEs

SMEs performance is a term that connotes different meanings by researchers. In this study, SMEs performance referred to as its ability to arrive at desired results and activities that are generally accepted by the firm (Gharakhani, & Mousakhani, 2012). This

acceptable measure of performance can either be by subjective (financial) and or objective (non-financial) measures or both (Hayat, Latif, Humayon, Ahmed, & Azeem, 2019). The non-financial or combination is more preferred because, it is at times difficult for SMEs owners to reveal relevant information on their finances through the non-financial measure is not also free from the biases of respondents (Bamfo & Kraa, 2019).

This study will use financial and non-financial measures to measure the performance of SMEs like; Sales growth, growth in profit, employee growth, turn over, growth in market share, customer satisfaction and retention as indicated by (Dess, Lumpkin & Covin, 1997), and corroborates (Covin & Wales, 2012) who posit that researchers are at liberty to choose which measures deemed appropriate for measuring SMEs/firm performance in their study. The measures of performance used in this study further agree with (Hameed & Ali, 2011; Lysons & Farrington, 2012; Ong & Ismail, 2012) who used sales revenue, growth in profits, number of employees, growth in market share and customer satisfaction and retention in their studies.

Finally, this study seeks to fill the discussed theoretical and knowledge gaps based on the RBV and SC theories to assess the impact of EO on SMEs performance in Ghana, the mediating and moderating effect of SC and government support policies in the services and industry sectors which constitute the highest employment and GDP contribution to the economy of Ghana using this research framework as indicated by Figure 3.

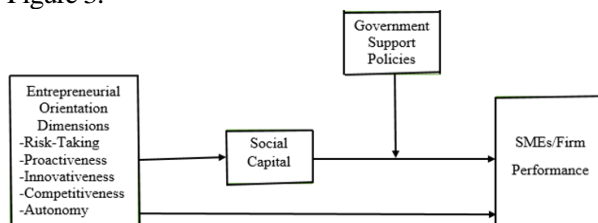


Figure 3. Research framework of the study

Conclusion

The significance of SMEs cannot be overemphasised and has been alluded by various governments and several stakeholders involved in the SMEs sector of any nation. Much contributions from the SMEs sector is expected from Ghana as a developing country and where the masses are not involved in the formal sector of the economy. Even that, since the government of Ghana, continue to depend on foreign donor countries to fund their developmental projects. For that matter, the

government of Ghana should not and cannot overlook the enormous contributions of SMEs. Government is therefore expected to create entrepreneurial fostering environment and business-friendly policies towards the growth and performance of SMEs. This will enhance the economic wellbeing of people as well as boost the economic development of the country in terms of job creation, growth and performance of firms and reduce unemployment in the country. This will intend to make the SMEs sector more vibrant and contribute significantly towards the Gross Domestic Product of the country.

Based on previous studies, this study sought to ascertain the mediating effect of social capital while using government support policies as a moderator to determine its impact on EO and SC on SMEs performance in Ghana. This novel model is also anchored on two theories thus; the RBV and SC theories to explain the need for SMEs to make good use of their unique internal and external resources that exist within their social network relationships.

This study will provide empirical significance first to the owners of SMEs in Ghana to appreciate EO, their social capital networks and how they can use that to garner resources from their own internal and internal networks and government support policies to their advantage, to policy makers like government and non-governmental organisations with vested interest in the survival, growth and performance of SMEs to introduce more good policies to promote the growth and performance of existing and new businesses, and finally to practitioners to understanding the vital roles of social capital networks and government support policies on SMEs performance. This study will fill the knowledge and empirical gaps relating to this topic, contribute to academia in the field of entrepreneurship management, and finally make suggestions for further research that can validate the proposed framework empirically.

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