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Title: ‘We don’t deal with courts’: Cooperation and Alternative Institutions Shaping Exporting Relationships of SMEs in Ghana

Abstract

By investigating exporting SMEs operating in contexts with less formalised institutional environments in a less developed country, this paper shows how entrepreneurs cope with institutional deficiency. Through drawing on an analysis of 12 SMEs exporting from Ghana to other West African countries, the findings of the paper reveal how entrepreneurs and their organisations avoid using courts and use culturally specific relationships and build trust to gain access to resources or to settle disputes when exporting. Institutional forms operating in parallel to the formal legal system are examined. These are shown to be hybrid forms drawing on traditional cultural institutions such as chieftaincy and religion, combined with forms of corporations and cooperatives. Assumptions around the different roles of family and kinship are also explored. It therefore contributes to the ongoing development of a theoretical understanding on trust and relationship building in international entrepreneurship and the importance of understanding cultural context.

Keywords: SMEs, Institutions, Trust, Culture.

1. Introduction

As there is growing interest in internationalisation of small and medium enterprises (SMEs) in emerging economies, there is a need to understand how exporting processes vary according to cultural context and how entrepreneurs cope outside of mature market conditions where institutions such as legal systems and courts are perceived to be deficient. This paper explores how entrepreneurs draw on alternative institutions and build trust based relationships. Previous research has shown the importance of examining how organizations to cope with uncertainty and competitiveness in the context of institutional deficiencies (Akimova and Schwodiauer, 2005; Smallbone and Welter, 2012; Welter and Smallbone, 2011). This study examines how context shapes the strategic relationships and institutions developed by exporting SMEs operating in an emerging country context. This allows a greater understanding of how networks and relationships in business operate in an African context, a part of the world that is rarely examined in management research (Jackson, Amaeshi and Yavuz, 2008).

While previous research has examined the role of SMEs in cross border trade in Africa (e.g Hashim and Meagher, 1999; Fadahunsi and Rosa, 2002), and the importance of networks for firm survival in these contexts (Hart, 2000; Jenssen and Kristansen, 2004; Overa, 2006), this paper focuses on the personalised relationships and institutions that support entrepreneurs in contexts of uncertain formal legal institutions. In such circumstances an understanding of the processes of building networks and trust is needed.

By examining SMEs, this paper also addresses the imbalance in research in business that has prioritized the larger corporate even though SMEs dominate the economies of less developed

countries (OECD, 2006). Furthermore, until recently, research on internationalisation has focused on North-South trade relationships rather than South-South intra-regional trade (Demir and Dahi, 2011). However, to understand this part of the global economy there is a need for greater understanding of specific institutional and cultural environments (Dietz, Gillespie and Chao, 2010; Bachmann, 2010).

Ghana was chosen for this study because, like most sub Sahara African countries, SMEs dominate the economy, (Abor and Quartey, 2010; World Bank, 2002). However, the formal institutional structures are weak with limited use of legally binding commercial contracts and support from state backed institutions for the sector (Fafchamps, 1996; 2004). Exporting businesses are therefore coping with huge institutional deficiencies within Ghana and within the West African region.

This paper has taken an exploratory approach to theory development that explores the role of culture in shaping trust and institutions taking owner/managers of small firms as the unit of analysis. The original data presented here draws on in-depth field work over a two year period with repeated interviews and observational data with 12 case studies. The qualitative methods used facilitated a better understanding of the processes involved in strategy formulation through building and using trust-based relationships to facilitate internationalization in an environment characterized by less formalized institutions. The approach recognises the role of entrepreneurial agency while providing an understanding of how the processes of trust building are embedded in social relations and existing norms and values (Granovetter, 1985; Hodgson, 2007; Jack and Anderson, 2002; Drakopoulou-Dodd and Anderson, 2007). In each of the case studies, the networks and relationships are explored, particularly the business to business links in supply chains, often crossing cultural boundaries.

Through understanding the cultural context in Ghana and the export markets within West Africa, insights can be drawn on how these relationships are developed in a multi-ethnic context with diversity of religions, institutional forms and professional cultures.

The paper addresses the core research question of how entrepreneurs use networks and trust based relationships in a context of institutional deficiency. The analysis of the findings is focused around three sub questions: *How do entrepreneurs perceive state backed and legal institutions? What are the personal relationships built in weak institutional contexts? What are the parallel formal and semi-formal institutions that have evolved?*

The analysis of context contributes to an understanding of how elements of family/kinship, religion and other specific cultural forms shape the process of building trust and form the basis of norms of networks and relationships that allow trade to occur in a context of limited recourse to legal contracts. This paper also makes a contribution to research on institutions supporting entrepreneurship and internationalisation. These include less formalised institutional forms operating in parallel to legal systems to help ensure contracts are upheld and disputes settled. Finally, by examining these relationships and processes in an African context rather than in 'mature market economies', the paper makes a further contribution to entrepreneurship research.

The paper is divided into six parts. The next section investigates the literature on contexts and entrepreneurship. The methodology is then discussed and the findings are presented. The discussions/conclusions then relate the findings to theoretical developments on the influence of context on entrepreneurship research.

2.1 Contexts of Weak Legal and State Backed Institutions

Entrepreneurship is shaped by the formal and informal institutions that support market exchange (North, 1990; Aldrich, 1999; Smallbone and Welter, 2001; Welter, 2005; Webb Tihanyi, Ireland and Sirmon, 2009; Thornton, Ribeiroi-Soriano and Urbano, 2011; Smallbone and Welter, 2012). Formal institutions, such as courts ensure compliance with contractual relationships (Fafchamps, 1996; 2004; Akimova and Schwodiauer, 2005). However, where such state supported institutions are not perceived to be effective, there is a need to examine other forms of institutions and trust based relationships (Zucker, 1986). All transactions in a market economy can therefore be seen to be shaped by a range of institutions that can be defined as “the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction” (North, 1990:3). These can range from the social conventions, norms and code of ethics all of which generally evolve from the society’s culture, to explicit regulations and rules such as the constitutional, legal and property rights (North, 2005).

Consequently, institutional factors such as the competence of court officials impact on strategy and the objectives of organizations (Berry, 1997). Conversely, it can also be argued that uncertain institutional contexts such as the existence of legal norms that encourage corruption and inefficiency may hinder the building of inter-firm relationships.

The adverse impact of institutions on economic exchanges becomes more obvious in emerging markets characterised by contexts where enforcement and sanctioning mechanisms by formal institutions may be generally weak. This may give rise to the need to compensate for relationship development in other ways such as the use of social, informal control

mechanisms (Welter and Smallbone, 2006; Welter, Kautonen, Chepureenko and Malieva, 2005). Nonetheless, in such contexts entrepreneurship may still be particularly vibrant and SMEs dominate many sub-Saharan African economies (Jackson, Amaeshi and Yavuz, 2008). However, the official statistics on cross-border trade in sub-Saharan Africa only reflect a partial picture of the volume of trade on the subcontinent due to the existence of an almost equal amount of trade which crosses sub-Saharan African borders illegally particularly by entrepreneurs in the informal sector (e.g. Brown, 1995). Fadahunsi and Rosa (2002) and Hashim and Meagher (1999) also show that entrepreneurs are involved in a vibrant cross-border trade between Nigeria and its neighbouring West African countries despite much activity being considered illegal.

Cross-border trade in sub-Saharan Africa has evolved from the pre-colonial and post-colonial trans-Saharan and trans-Atlantic trade and institutions (Kea, 1982; Bowdich, 1819). For example, during the colonial era trade in Ghana was supported by pre-colonial social structure and other institutions due to the embeddedness of strong ties based on kinship, clan, community, the tribe or ethnic group, the chief and/or king (Perbi, 2004; Barr, 1995). Currently traders in sub-Saharan African countries continue to rely on networks of intermediaries, suppliers and customers based on long-term relationships; (Ghauri, Clemens Lutz and Goitom Tesfom, 2003; McDade and Spring, 2005 ; Overa, 2006; Lyon, 2005

Thornton, Ribeiroi-Soriano and Urbano (2011) corroborate that different societies draw on different cultural values to enhance economic behaviour and entrepreneurship. There is therefore a need to examine how cultural values influence network relationships and institutions supporting exporting in an African context. While some see culture as impediments to African SMEs (e.g. Dondo and Ngumo, 1998) others such as Tillmar (2006)

show that SME owner/managers draw on indigenous organizations such as 'tribal communities' in solving business problems and sanctioning defaulters. There is a need to understand how culturally specific networking practices are emerging in an African context (Jenssen and Kristiansen, 2004; Thornton, Ribeiroi-Soriano and Urbano 2011) This confirms that economic action is embedded in institutional contexts (Granovetter, 1985; Hodgson, 2007) and therefore, entrepreneurs use a variety of social and business ties that are built on trust and cooperation (Jack and Anderson, 2002).

Rather than assuming institutional forms will evolve to a form found in Europe and North America, there is a need to explore the role of culture and hybridity from cross fertilisation (Zein-Elabdin, 2009).

This paper draws on the concept of embeddedness (Granovetter, 1985; Zucker, 1986; Scott, 1995) to argue that SME entrepreneurial networks and relationships are shaped by the nature of legal and less formal institutions in every country. In this way findings investigate the alternative cultural and other parallel institutions that entrepreneurs draw on in building relationships in contexts of weak legal and state backed institutions.

2.2 Cultural Influences on Process of Building Export Related Relationships

In order to understand the process of building relationships, it is necessary to focus on the ties that make up the networks. Networks are conceptualised as the organised systems of relationships with an external environment (Donckels and Lambrecht, 1995; Drakopoulou-Dodd, 2011). Entrepreneurial networks may be developed based on membership in formal organizations, links with suppliers, customers, distributors and interpersonal linkages with acquaintances, friends, family and kin aimed at organizing resources to facilitate exploiting

opportunities (Drakopoulou-Dodd, 2011:75). Strong ties linked to family and kinship deliver a rich, timely, specific and important forms of resources to the entrepreneur while weak ties gained from building friendships, socializing with people and earning their trust can be regarded as an investment in the business allowing to access to new ideas and information (Uzzi, 1997; Drakopoulou-Dodd, 2011; Granovetter, 1973). While there has been much work on Social Network Analysis in order to understand patterns of networks (Scott and Carrington, 2011), there are also calls to examine the process of building the relationships or ties (e.g Klyver , Hindle and Meyer 2008 ; Georgiou, Drakopoulou-Dodd, Andriopoulos and Gotsi 2011). While research in mature market economies has examined this, there has been minimal work on issues of trust and relationship building in Africa (e.g Tillmar, 2006; Jenssen and Kristiansen, 2004; Overa, 2006) and a particular gap in research on small business internationalisation.

Nonetheless, in the context of internationalisation of SMEs, inter-personal and inter-firm relationships have also been suggested by researchers to be important (e.g. Johanson and Vahlne, 1990; Hilmersson 2012; Child, Ng and Wong 2002). Social and business networks enable firms to bridge the “psychic distance”- the constraints associated with foreignness and to gain access to international markets (Berry, 1997; Child, Ng and Wong 2002). Oviatt and McDougall (2005) suggest that weak ties abroad allow entrepreneurs to recognise international opportunities and thereby facilitate internationalisation. It is also less costly to maintain weak ties. The use of relationships highlights the key role of trust in SME internationalisation (Child and Rodrigues, 2007), and particularly in contexts where there is less reliance on contracts (Hannah and Walsh, 2008).

Gambetta (1988:217) posits that trust is “a particular level of the subjective probability with which an agent assesses that another agent or a group of agents will perform a particular action, both before he can monitor such action (or independently of his capacity ever to be able to monitor it) in a context in which it affects action”. Such approaches to researching trust can be interpreted as being acultural with a lack of attention to the norms that may be underpinning how different people see the same situation. In contrast, Zucker (1986: 54) proposes that trust is "a set of expectations shared by all those involved in an exchange". She maintains that expectations can also be preconscious in nature in that they are taken for granted as part of the world known in common, until they are violated.

In general the literature distinguishes between two types of trust namely personal trust which describes trust between people and institutional trust which refers to trust based on organizational, institutional and social systems (e.g. Zucker, 1986; Welter and Smallbone, 2006; Lyon and Porter, 2009). Personal trust results indirectly or by imputation from the outcomes of prior exchanges (Zucker, 1986). It is formed based on the initial knowledge of the exchange partner and may depend on the characteristics of a group such as ethnic, kinship, social bonds and also from emotional bonds between friends and family members and other social groups (Welter and Smallbone, 2006). Context and particularly culture therefore shapes inter-personal and institutional trust which emanates from organizations and institutions and from long standing bilateral relationships involving partners or friends.

Interestingly, Curran, Blackburn and Kitching (1995) suggest that networks are also primarily cultural phenomenon based on sets of meanings, norms and expectations. Sociological institutionalists such as Scott (1995) and Kostova (1997) argue that culture comprises of normative aspects such as social norms, values, beliefs and assumptions, regulative aspects such as laws and rules and also cognitive components such as social

knowledge. This may explain why Hofstede and Hofstede (2005:36) posit that: 'Culture is the unwritten book with the rules of the social game that is passed on to newcomers by its members, nesting itself in their minds'.

Culture, and the norms associated, may apply to a group of people, industry sectors, professions, firms as well as individual business relationships and even separate transactions (Hofstede, 1991; Scherer 1980). Dietz, Gillespie and Chao (2010) refer to the multiple interacting cultural spheres based on multiple cultural memberships that arise from different social identities. The complex mosaic of different cultural identities is divided by Chao and Moon (2005) into three categories: the demographic (age, gender, ethnicity and nationality), the geographical (emphasising the role of place and locale), and the associational (related to a range of social groupings such as family, employment, industry, professional group, education or hobbies). In each of these identities, there are sets of common norms and beliefs that shape behaviour.

It is also necessary to understand the interaction of different cultural characteristics. In particular much work has been carried out on ethnic and national cultures in Europe, North America and East Asia. On the aggregate level there had been a lack of empirical studies on the impact of culture on entrepreneurship particularly in Africa. Currently, existing studies had adopted the cultural convergence perspective and therefore relied on Western management principles (Jackson, 2004). Arguably this approach constrains informed analysis of African management practices which are shaped by the many (sub) cultures on the continent as well as historical contexts including colonialism (Georgiou, Drakopoulou-Dodd, Andriopoulos and Gotsi 2011)

SMEs sharing common culture and norms may forego contracts, avoid enforcement and measurement costs by relying on cooperation based on cultural norms (Frederking, 2004:198). Culture therefore shapes bilateral relationships involving partners or friends since these relationships are governed by norms, values and codes of conduct (Welter and Smallbone, 2006; Lyon, 2005). Shared characteristics such as ethnicity, kinship, social bonds and emotional bonds between friends and family members and other social groups may also foster personal trust based inter-organizational relationships (Welter and Smallbone, 2006). Interorganisational relations may also rely on institutions that emerge based on formal organisations rather than personalised relationships. Business associations are one key source of external resources for SMEs offering services ranging from advice, social opportunities, marketing, collective purchasing self regulation, lobbying and representation of the interests of the businesses (Bennett and Ramsden, 2007; Masten and Brown, 1995). In contexts where legal systems are weak, they have also been found to be offering roles in settling disputes (Lyon, 2003).

This paper therefore explores the process of building trust-based relationships in the context of weak formal institutions when expectations of institutional trust may be low. There has only been limited research on the role of trust in such cultural contexts (Tillmar and Lindquist, 2007; Hyden 1980) and a need for greater understanding of the processes of building personal relationships and emerging institutions.

3. Methods

The exploratory and theory building approach in this paper requires an interpretivist approach (Eisenhardt, 1989) to “allow capturing the richness and diversity of the context(s)” (Welter, 2011:177). The empirical element adopted a multiple case study approach (Yin,

1994; Perren and Ram, 2004) drawing on experiences of 12 exporting SMEs in Ghana. The selection of the cases for the study was based on purposive and theoretical sampling in accordance with the research questions and the theoretical framework (Marshall and Rossman, 1999). Table 1 presents the sample cases. The cases were all exporting to West African markets and covered the agriculture, services and manufacturing sectors in Ghana. This aimed to be representative of the SMEs exporters which are not involved in the extractive industries (oil, gold and timber). The owner/managers of the cases were from a range of ethnic groups found within Ghana, with half coming from Akan related ethnic groups that make up just under half of the population. There was also a balance of male and female led enterprises, and a range of organisations drawn from both the formal economy (with seven cases registered with the Registrar General's Department) and five cases which are not registered and representative of the more informal parts of the Ghanaian economy.

Based on the exploratory nature of this study, the selection of the cases aimed at comparing and contrasting entrepreneurs' experiences and perceptions of the factors that shaped their decisions related to relationships. Ensuring continued access to cases was a critical issue with the role of the researcher central in ensuring that trust based relationships were built up (Lyon, 2012). The data collection is also shaped by how the research participants perceived the researchers, both of whom had spent time working in this context.

The unit of analysis for this study included the individual entrepreneur, his/her social and working ties and the multiple contexts including business, social, spatial and institutional environments that particularly impacted on interorganizational relationship building (Drakopoulou-Dodd and Anderson, 2007; Welter, 2011). Table 1 provides the details of the sample organisations.

Table 1: Details of Sample Organisations

	Enterprise	Employees	Activity	West African Export Markets	Gender	Location	Ethnicity
1	Beads Co	5	Designer and Exporter of African beads	Senegal, Burkina Faso, Nigeria, Togo,	Female	Accra	Ga
2	Master Engineering Services	12	Servicing of diesel pumps for heavy trucks	Cote D'Ivoire, Mali, Burkina Faso	Male	Kumasi	Banda
3	Ember Inn	6	Guest house	Nigeria, Burkina Faso, Mali, Niger,	Male	Techiman	Akyem (Akan)
4	Fuel Ltd	17	Retailer of petroleum products	Mali, Burkina Faso, Niger	Male	Ofoase Kokoben	Ashanti (Akan)
5	Cola Nut Enterprise	6	Exporter of cola nuts	Nigeria	Male	Kumasi	Hausa
6	Maize Ltd	10	Maize trader	Niger, Burkina Faso, Mali	Male	Techiman	Dagomba
7	Egg Company Ltd	35	Fresh eggs	Niger	Male	Techiman	Brong (Akan)
8	Oranges Enterprise	10	Fresh oranges	Niger, Burkina Faso	Female	Techiman	Brong (Akan)
9	Jolly Fashions	8	Fashion designer	Burkina Faso, Nigeria	Female	Tema	Sefwi
10	Alma Fashion and Designs	13	Fashion designer	Nigeria, Burkina Faso, Mali, Senegal	Female	Accra	Fanti (Akan)
11	Cocoa Products Ltd	10	Manufacturer of cocoa powder	Nigeria, Burkina Faso	Female	Accra	Ewe
12	Jewellery Company	15	Jeweller	Senegal, Togo Nigeria	Male	Kumasi	Ashanti (Akan)

The research focused on the owner/manager as the key informant since in small export organizations they were making the key decisions regarding inter-organizational trust building, collaborations and cooperation (Janowicz and Noorderhaven, 2006). Four senior officials of state institutions were also interviewed in an attempt to understand the various contexts that shaped internationalisation and relationship building. The study used semi-structured interviews complemented with observations. The interviews were held at

workplaces, or at respondents' homes. During the early stages of the interviews, descriptive questions were used since they are useful in starting the conversation (Spradley, 1979). Direct and early questions about trust were not used as this may have limited access to sensitive information. Questions seeking the disclosure of 'sensitive' information were asked during the latter stages of the interviews (Dalton, Daily and Wimbush 1997; Lyon, 2012). Observations of meetings and transactions at airports and ports, open food markets and industrial complexes provided data on actual practices and helped to explain events within the context in which they occurred" (Lupton 1963:29). These visits and the meetings led to the building of rapport with prospective key informants and facilitated their cooperation during subsequent follow-up interviews (Tillmar, 2012).

A critical incident technique was used to explore specific experiences and to avoid generalisations (Flanagan, 1954). This technique allowed the researchers to probe deeper into incidents that shaped owner/managers' decisions and behaviours (Sullivan 2001:98; Marshall and Rossman, 1999). The data analysis process also unearthed themes within the data that emerged to become the categories for the analysis. Thematic analysis allowed the research findings to be organised and described in detail (Boyatzis, 1998), with coding of particular responses allowing comparisons between types of exporters.

The Context for Study: Ghana

Ghana was chosen for this study for three main reasons. Firstly, there is a rich history showing that Ghana has, for the past 1000 years, been linked to the West African and intercontinental markets through the Savannah, Saharan and Trans-Atlantic trade routes. The Trans-Atlantic trade was facilitated through local *Fanti* captains who served as master merchant-brokers. The institution of captaincy was the basis of social networking, sharing

information, sustaining shared norms and values, sanctioning defaulters, mobilizing collective action and facilitating the generation of social capital amongst the trading parties (Kea, 1982). Secondly, like most sub Saharan African countries, the state-backed institutional structures are relatively weak with limited use of legally binding commercial contracts by SMEs (Fafchamps, 1996; Acquah, 2008).

Thirdly, it has been argued that the formal institutional environment was further limited by the lack of encouragement of an entrepreneurial class in the years after independence (1957-1983) during which the political system constrained the growth of SMEs due to interference, bureaucracy and corruption by government officials (Aryeetey, Baah-Nuakoh, Duggleby, Hettige and Steel, 1994) ; Kayanula and Quartey, 2000). It is therefore not surprising that SMEs' contribution to Ghana's export trade is not well documented (Aryeetey and Ahene, 2005). Business and product associations have emerged to strengthen the role of the private sector and smaller businesses (Masten and Brown, 1995). However, little attention has been paid to how trade associations and cultural forms (as parallel institutions to state backed institutions) have been drawn on by SMEs in coping with the numerous challenges. This study aims to fill this gap by examining how entrepreneurs' experiences and perceptions of state backed institutions shape their use of a range of networks and relationships in internationalisation.

4. Findings- Contexts of Ghanaian SMEs Export Relationships

4.1 Entrepreneurs' Perceptions of Legal System in Ghana and West Africa

Formal institutions that influence SME export relationships included the legal system, particularly the courts and state backed institutions such as Ghana Export Promotion Authority (GEPA). The findings revealed that entrepreneurs perceived the legal system

related to commercial contracts to be weak and corrupt, both in Ghana and in their export markets (Table 2).

Table 2. Entrepreneurs' perceptions of the legal systems in Ghana and West African export markets.

	Legal System in Ghana	Legal System in West Africa
Beads Co	"No I did not go to court because of the time and go and come go and come instead I removed my beads since some were still in her shop"	"No because as a foreigner in Togo I will have to go to The Ghana High Commission to get consular support otherwise I might end up being beaten up".
Master Engineering Services	"No, looking at the amount involved and time we will waste at the court, and sometimes too our judiciary system is not all that trustworthy; if you don't take care you will be wasting your time but eventually it will end up to nothing"	"I do not use the court system in Cote D'Ivoire because as foreigner I don't understand the language, and I will not be secured as my partners if they become aggrieved can easily "hire" people to hurt me".
Ember Inn	"No because it takes too much time and we did not have the time"	"I don't go to the courts in Burkina Faso because as a typical African country the judiciary cannot be trusted. The lawyers cannot be trusted too since I don't speak the language"
Fuel Ltd	"No, because our business does not warrant us from going day by day to court due to postponement, really, that is the main reason, the court system is not favoring we the people in business.	"We do not use the courts because of some reasons: language, corruption, time, legal costs in hiring a lawyer, transport and hotels , all these issues prevent us"
Cola Enterprise		"No, we don't deal with courts. ... you know court cases sometimes it delays and as a foreigner, before you go there, you have to travel to Abuja to contact the Ghana ambassador, send your case to him, he drives you to find a lawyer for you, when? We don't have time for that. So we just go to our Association there"
Maize Ltd	"No I choose to exhaust other avenues because going to court is a waste of time because of the go and come"	"I do not speak French and don't have knowledge about their legal systems so it's a waste of time and may even be dangerous as I can be harmed easily"
Egg Company Ltd	"We haven't gone to court because you spend too much money and the judges and workers may even ask for monies before they call and judge the case"	"I am planning to go to court to retrieve my money from one customer who has defaulted in Niger but I can only speak a little French so I may have to contact Interpol or may be hire a lawyer but the process will be expensive"
Oranges Enterprise	"No we don't go to court because the officials may keep on postponing the case until you pay them bribes"	"We summon defaulters before the leaders of the association. The court system involves time due to postponements and payments by instalments; we cannot have time for that"
Jolly Fashions	"No I wouldn't even get the time to go to court because going to court involves money and even bribes to the court officials and how much will be left after going through the court processes?"	"It will be difficult to go to a Nigerian court to recover money because I won't get the time and also the cost of hiring a lawyer and staying in a hotel and leaving my company, it is a waste of time"
Alma Fashion & Designs	"I haven't used the courts because it takes too much time and in the end I am not sure that I will get my money"	"No I didn't because as a stranger in Nigeria it would not be worth it"
Cocoa Products Ltd	"No, I don't go to court because the court processes is too long and then you spend a lot of money; the judges and workers tell you see me and settle me"	"That will be a waste of time due to corrupt court officials and in some West African countries it can be dangerous because I can easily be targeted and harmed"
Jewellery Company	"No its the worst thing to do because if you send someone to court, this very person will go in and see the judge or authorities secretly and instead of you being paid back, part of the money will be given to them and the case will be subjected to a number of adjournments and anytime you do not get the time to go to the court the case will be cancelled and you will loose everything"	"Going to court in Senegal or Togo to recover money will be worse than going to court in Ghana because I cannot rely on the lawyers or even judges since I am a stranger in that country, they can easily allow the debtor to go".

All the entrepreneurs expressed negative perceptions regarding using the Ghanaian court system in resolving disputes between them and their suppliers. Their multiple responses

revealed that more than half of the cases (7) cited waste of time due partly to the long processes involved whilst another half (6) expressed that the court system is corrupt with two cases indicating that the court system is expensive. Similar perceptions were found concerning their West Africa export markets. Six were of the view that going to court to seek redress to commercial disputes will be a waste of time, five indicated that the legal system is corrupt, three expressed security concerns and two indicated that the court process would be too expensive.

In the context of the use of the legal systems in export markets, a Hausa exporter of cola from Kumasi to Nigeria sums up the predicament of the entrepreneurs in their market destinations:

“No, we don't deal with courts. We normally call the *efiewura* Association; we call the fellow and tell them that this is the situation we have and they will sit down and settle it. And you know court cases sometimes it delays and as a foreigner, before you go there, you have to travel to Abuja to contact the Ghana Ambassador, send your case to him, he drives you to find a lawyer for you, when? We don't have time for that. So we just go to our Association there” (Interview number 5, Kumasi, 2010).

4.2 Personalized Relationships Used in Contexts of Weak Institutions

In view of experiences and perceptions of corruption in the legal system, or other state-backed support, SME exporters in Ghana were found to rely more on different types of personalised relationships built on trust. The relationships included close working

relationships with partners based on credit provision, shared religion or intergenerational ties. These relations were often compared to strong ties based on family/kinship and friendships.

4.2.1 Working Relationships

In the midst of a weak legal system and deficient state backed support institutions, entrepreneurs have had to rely on a range of less formalized and culturally specific structures allowing networks and relationships to be built as shown in Table 3. The working relationships in the case studies were found to rely on norms of family and kinship, religion, chieftaincy and also industry-specific norms from trade associations to build trust in their working relationships. These relationships were vital for gathering information and for giving or receiving of credit. Table 3 shows that all 12 exporters stated that they offered credit to and also received credit from some of their suppliers and customers in both domestic and West African markets after working with them for some time.

Table 3. Norms of working relationships of cases by sector.

Norms	Agriculture N=4	Manufacturing N=4	Service N=4	Sample Total N=12
Giving and receiving Credit	4	4	4	12
Family/kinship norms	3	1	2	6
Religious norms	2	2	2	6
Landlord System (<i>efiewura</i>)	4	0	0	4

The provision of these forms of credit is essential to exporting trade as the smaller enterprises were found to have only limited access to banking facilities and finance. The length of time ranged from a few weeks to several months depending mostly on the perceived trustworthiness of the exchange partners in the various relationships. The credit relations were shaped by specific norms regarding the provision of credit such as repayment timing,

and the offering of better prices when credit has previously been given. More than half of the cases emphasized that lending and repayment of credit was seen as the most important indicator of trustworthiness. A woman from Accra exporting African beads to Senegal, Burkina Faso, Nigeria and Togo puts it thus:

“I give credit to those I trust, before I do that it means the person has bought from me before and they have been honest and honoured their credit promises and paid”
(Interview 1, Accra, 2010).

As explained by case 1, providing larger amounts of credit takes place after experiences in transactions involving cash payments followed by advancement of credit in smaller amounts. Nonetheless, credit relations take different forms in the various markets. Domestic exporter-supplier relations are characterized by credit advances for goods, cash loans or capital investments. In the context of exporters of agricultural produce, credit extension serves as a guarantee for supplies between the exporter and the partnering farmer due to the seasonal variations in the volumes of agricultural produce.

Half of the entrepreneurs (6 out of 12) compared close working relations with business partners (who were not necessarily family members) as their mothers, brothers, sisters or family members in an attempt to make sense of the reciprocity and obligations inherent in their working relationships in the domestic and West African markets (see Table 3). An exporter of maize from Techiman explained his metaphorical use of the concept of family when describing his relationship with his agent in Nigeria:

“We talk to them, they visit us and occasionally we also visit them and we have developed some kind of relationship, personal relationships and knowledge about the

efiewura (agent) and so now we are like a family” (Interview number 6 , Techiman 2010).

Describing partners as family members is particularly important since as “family members” exporters are obliged to give and receive credit as well as other forms of reciprocity in bilateral exchange relationships.

Religious norms are also very influential in West African trade. Half (6) of the exporters mentioned that shared norms of religion promoted relationships building due to shared beliefs, values and faith. Islamic, Christianity and Animists belief systems shaped the expectations of their followers in various ways and therefore their affection and loyalty to other followers of their religion. Evidence of the role of religious beliefs comes from references to the norms of fairness and reciprocity. Religious axioms were quoted by four interviewees with two Christians stating: “do unto others what you want others to do unto you” and two Muslims stating “all men are brothers” , . An exporter of cola nut whose family had emigrated from Nigeria several generations before explained how Islamic values cemented relationships between him and his agents in Nigeria.

“We are Muslims, so our culture, you know, Muslims, if you are not a Ghanaian and then you go to meet another Muslim somewhere, he is our brother. After all we all use Arabic and Hausa, and worship together. So we take him as our brother or our senior brother” (Interview Number 5, Kumasi, 2010).

A majority of the cases (9 out of 12) maintained that they did not consider religious affiliations in choosing whom to work with and their relationships spanned religions. While culture affects the nature and processes of building trust, the ties are found to cut across

cultural and religious boundaries. When asked how religion influenced the type of partners used, an Ashanti retailer of petroleum products explained:

“No, we work closely with anybody who comes and proves that he can honour his part of the agreement. Our foreign customers are mostly Muslims and we are Christians but we have very cordial relationships” (Interview number 4, Ofoase Kokoben, September, 2010).

There was also no evidence of intra religious animosity between exporters and their exchange partners of other religions.

The final form of less formal institutional structures is the collaborative relationships with agents in distant markets- what is sometimes referred to as the *efiewura* system. All four exporters of agriculture produce to West African markets built personalized working relationships with commission agents in the neighbouring regional markets such as Nigeria, Burkina Faso, Niger and Mali. A former winner of the Ghana National Best Poultry Farmer Award who produces and exports fresh eggs to Niger puts it aptly:

“Yes I work with my *efiewura* in Niger, in fact without him I cannot sell in that country because with eggs we often sell on credit but as a stranger I don't understand their system of trading and I would need a lot of money and time to be able to start my own outlet in that country” (Interview number 7, Techiman, 2010).

These *Efiewuranom* (plural) served as intermediaries who shrunk the psychic distance between exporters and the markets of their choice. These personalized relationships were sometimes reinforced through shared socio-cultural norms of religion, ethnicity/kinship, and languages, and in most cases sharing of information and at times accommodation. These

relationships also have particular norms for payment. Trade payments were received after the *efiewura* had finished selling and taken their commission, a process which could last for weeks. Unlike exporters in agriculture sector, only one exporter in the manufacturing sector had an agent who distributed her products in Nigeria whilst the remaining three exported directly to their customers operating retail outlets in neighbouring markets. All four cases in the service sector indicated that they did not have agents in West African markets. Upon probing further it became clearer that they were more reactive and waited to be contacted by customers.

4.2.2 Family/Kinship

While the previous section on working relationships showed how relationships drew on labels related to family ties, the research also explored the extent of strong ties to actual family members for supporting their enterprise. Traditionally, family members may dwell in one house and may contribute towards the upbringing of children through informal and formal education. Extended family members may contribute in cash and kind to the upbringing of children and also might contribute to businesses in the start-up stage particularly through inheritance, apprenticeships or start-up capital (Clark, 1994). The extended family therefore confers benefits as well as obligations on its members (Barr, 1995; Acquah, 2008:14).

The interviews revealed that only three cases had received market information from relatives and only two had received start-up capital from family members. However, kinship links were particularly central for the inheritance, succession and perpetuation of export relationships, especially with the *efiewura*/agent system. These learning processes became institutionalised under the apprenticeship systems. Seven cases stated that they engaged their

children or members of their family as apprentices in their trade and as a result their export relationships could be perpetuated by these apprentices who may become their heirs or successors. It is important to emphasize that apprentices who eventually become heirs were carefully selected based on perceived trustworthiness. *Efiewuranom*/agents in the export markets also trained their children and extended family members as apprentices and heirs to their trade. For example, the cola nut enterprise utilized a network of trust built over several generations originally between Hausa emigrants in Ghana and their kinsmen in northern Nigeria.

In spite of the enabling influences of family/kinship, the cases reported that they have had negative experiences from working with family members and as a result ten of the entrepreneurs vouched that they actively avoided working with them. Half of cases had experiences of family members defaulting on credit and two reported examples of embezzlement. One interviewee manufacturing clothes in Tema explained why they did not want to work closely with their family members in business:

“I don't mix business with family and friendships; they have given me a lot of problems previously. When I credited goods to a family member she did not pay back and when I decided to take action I was accused of putting money before family”
(Interview number 9, Tema, 2010).

This excerpt typically explains that in Ghana strong ties may constrain the development of the enterprise and the SME sector. Interestingly, this findings cuts across ethnic divides as the twelve cases in this study came from 10 ethnic backgrounds (see Table 1). The enabling

and constraining roles of the family/kinship or “the paradox of the family” is discussed in later sections.

Additionally, a quarter (3 out of 12) of interviewees explained that when extended family members were employed or taken on as apprentices in their companies, productivity was curtailed. This was caused by the lack of discipline from extended family members who were not willing to take instructions from managers and as a result adversely influence the other employees.

4.3 Trade Associations as Parallel Institutions

The study uncovered that in the absence of a reliable commercial court system entrepreneurs particularly relied on a “mix of institutions” including parallel cultural institutions of chieftaincy and industry-specific associations operating separately from the state to provide foreign market services such as regulation and contract enforcement for exporting.

Trade associations are found in all the export sectors in Ghana. The uniqueness of trade associations in Ghana and West Africa relates to their role in the mediation of disputes between their members and other exchange partners. In cross-cultural trade, the trade associations are also found to be playing these dispute resolution roles between the host *efiewuranom* (agents) and their trading partners from neighbouring countries. This is summed up by an exporter of fresh oranges from Techiman whose *efiewura* (agent) in Mali belongs to a trade association:

“Yes, those who have these market stalls are reliable because they have been registered. And I know that the association registers those people who are

trustworthy. So in that case should any of such agents who belong to the association cheat me, he could be fined” (Interview number 8, Techiman, September, 2010).

Case 8’s response focuses on the ability of trade associations to confer trust on its members in cross-border trade. They exercise their regulatory powers by sanctioning members if they are found to have grossly abused the norms that govern their activities. In this way, the trade associations served as important parallel institutions to the courts. Furthermore, the trade associations promoted networking and relationship building through regulation, traceability, advocacy, skills development and welfare services albeit to varying degrees. Hence, the associations and their leaderships functioned as bridges between the exporters and their foreign partners. However, the state and international donor funded organisations such as Ghana Export Promotion Authority and Empretec Ghana in their attempt to build the capacities of some trade associations, were found to be encouraging trade associations to conform to their vision of how exporting should be done rather than building on and strengthening the practices of these existing institutions.

The structures of some trade associations were found to be a hybridization of western corporate or cooperative management styles and traditional chieftaincy model. For example, amongst food trading enterprises that tend to be predominantly women-owned in Akan areas, the leader of a trade association in the open markets was usually referred to as *ohemma* or the name of their particular commodity such as *ankaa hemma* (literally orange queen). The *ohemma* exercised the powers of leadership and administered the affairs of the association related to price negotiating, settling disputes, and sanctioning members. The associations in the open markets also offered welfare payments to members who were ill or bereaved hence

offering a form of insurance to members. In this way they promoted shared values and enhanced trust and relationships building among members.

Each *ohemma* was supported by a 'secretary' who played a role in deciding who had access to the *ohemma* and spoke on her behalf. This spokesperson role mirrors the role of *okyeame* or linguists in traditional chieftaincy. Interestingly, the English word 'secretary' relating to corporate business structures or cooperatives is now adopted as part of the Twi language. For other commodities which have a predominance of Hausa ethnic group men, the association leader is referred to as Sarkin or chief.

Table 4 summarizes the trade associations to which three quarters of cases (9 out of 12) belonged and the various services that were offered to the entrepreneurs. Interviewees were in some cases found to belong to more than one association but for the purpose of this study we focused only on those associations that were most important to the cases.

Our data confirm that the trade associations also provided other services in Ghana (Table 5). These services included advocacy with both central and local government on issues ranging from policy to taxes, lobbying on behalf of members, providing business information, facilitating networking, providing training to members and organising trade fairs. However, there were limitations of trade associations. In spite of the ability of trade associations in fostering networking and relationships building, some of the exporters expressed concerns about corruption of resources by the leadership of some of the associations. An exporter of fashion products from Tema (Case 9) shared her experience of corruption related to funding to attend an international fair where "some fraudulent accounting was used in the course of the sharing of the money".

Table 4. Trade associations and the services they provide to exporters.

Name of Trade Association	Services Provided	Cases
Accra Branch of Ghana National Tailors and Dress-makers Association (GNTDA)	Information on export markets, and members traceability Cluster for international orders, trade fairs and networking Mediates in disputes and sanctions members Welfare payments to members who are ill or bereaved	Jolly Fashions Alma Fashion and Designs
Ghana Hoteliers Association	Information on tourism and members' traceability Mediates in disputes and sanctions members Promotes networking Welfare payments to members who are ill or bereaved	Ember Inn
Asawasi Branch of National Cola Sellers Association	Controls access to selling spaces Daily price setting of commodity Provides information on markets, members' traceability Mediates in disputes and sanctions members Welfare payments to members who are ill or bereaved	Cola nut Enterprise
Assorted Food Stuff Exporters Association	Acts as representations to national government and external bodies Information on markets, members' traceability Mediates in disputes and sanctions members Promotes networking Welfare payments to members who are ill or bereaved	Cocoa Products Ltd
Suame Branch of National Garages Owners Association	Acts as representations to national government and external bodies Organises training programmes in engineering and management Mediates in disputes and sanctions members Promotes networking Welfare payments to members who are ill or bereaved	Master Engineering Services
Techiman Orange Sellers Association	Daily price setting of commodity Information on markets, members' traceability Acts as representations to local government and traditional rulers Mediates in disputes and sanctions members Promotes networking Welfare payments to members who are ill or bereaved	Oranges Enterprise
Techiman Maize Sellers Association	Daily price setting of commodity Information on markets and members' traceability Acts as representations to local government and traditional rulers Mediates in disputes and sanctions members Welfare payments to members who are ill or bereaved	Maize Ltd
Aid to Artisans Ghana (AIDTAG)	Information on markets, members' traceability Organises training programmes in export specifications Mediates in disputes and sanctions members Promotes networking	Beads Company

5. Discussion

This paper set out to examine processes of building relationships in exporting between emerging market economies. It specifically examined how entrepreneurs use networks and relationships in order to build trust and access resources to enhance economic exchanges in the context of deficiencies of courts and legal institutions. It draws attention to the importance of understanding the role of culture in entrepreneurship research particularly in international business. The study shows that SMEs' experiences and perceptions of corruption with regards to commercial disputes in the legal system are widespread in the domestic as well as in the West African regional markets (the first research question). Perceptions of delays due to long processes and corruption deterred entrepreneurs from using the legal system in both domestic and export markets. The plights of smaller businesses are exacerbated by a lack of (inadequate) support from state backed support agencies.

Given the weak legal context, entrepreneurs were particularly keen in building personal and working relationships with their key partners (the issue addressed in the second research question). These networks and relationships were found to be culturally specific, drawing on historical precedent that can be traced back to the pre-colonial period and before trade with Europe started (Kea, 1982). While this is outside of the remit of this paper, the current findings show the continued importance of understanding the "mix of institutions" that shape entrepreneurial strategy formulation particularly when organizations cannot rely on legal institutions and state backed support alone. There is a diversity of institutions and the extent to which they are available and accessible to different types of enterprises requires further investigation. In this study, entrepreneurs' strategic decision making in the context of

networking has been based on their perceptions and experiences with the legal system (Hilmerson, 2012).

They may also appear different to forms of institutions found elsewhere in the world, with different cultural norms that influence small business internationalisation. There is a danger in taking a Eurocentric assumption that 'less developed countries' will be moving towards forms found in more mature market economies of Europe and North America and Australasia. While entrepreneurs are shown to have agency and the chance to develop new relationships, their actions are also embedded in existing social relations (Granovetter, 1985). This paper shows that this is particularly important in understanding south-south export trade in Africa, an area of study that has also been neglected due to the over emphasis of research on exporting to and from developed countries.

While studying internationalisation, the process of bridging psychic distance, based on cultural difference was found to be a crucial factor for the case studies. SME exporters were therefore found to rely more on different types of socially embedded networks and personalised relationships built on trust to access resources for internationalisation (Child, Ng and Wong, 2002; Tang, 2011). This observation is not substantially different from SME internationalisation approaches in Europe or other developed countries. However, since the agreements in these personalised relationships cannot be enforced by the legal system, personalised trust based relationships assume more importance in the Ghanaian and West African context since they are the only viable way to reduce opportunism and enhance economic exchanges.

Relations are also shown to be based on a range of ties with important roles for intermediaries such as *efiewuranom* in bringing together enterprises and therefore playing a role of a broker, bridging some of the gaps in networks (Burt, 2005). The findings of this study demonstrate the importance of understanding the role of context and embeddedness in entrepreneurship research since in the context of developing economies, given the uncertainty over the formal legal system, there is a need for personalized networks and relationships underpinned by a range of less formal forms of trust building (Child and Mollering, 2003).

A sophisticated conceptualisation of the role of culture is needed, as the institutional forms identified demonstrate the process of hybridisation, drawing on different cultural values and approaches. The case studies show how personalized relationships of trust develop across cultures and hybrid norms evolve drawing on the different cultural identities. The hybrid approaches to relationships show how exporters draw on different ethnic cultural norms held by the exporter and the importer. While there are ethnic differences between entrepreneurs coming from different parts of Ghana, the cases show that other 'layers' of cultures related to professions (e.g. traders in open market spaces) or to sector (e.g. specific issues to cola nut sales or fuel trading or tourism) are also important.

Within each of these conceptualisations of cultural layers, there is a need to understand the underpinning culture specific norms shaping relationships. The relationships found in the case studies included working relationships shaped by norms related to credit relations, religious norms, the *efiewura* (agent) system, and strong ties based on family/kinship/friendships. The norms of one context were also found to be transposed onto other relationships. For example exporters drew on norms of kinship and family by

describing trading partners as their mothers, brothers and sisters in an attempt to draw on norms of reciprocity and obligations. This is particularly relevant since as ‘family members’ exporters are obliged to offer and to get access to credit as well as allegiance in bilateral exchanges. Religious norms were also identified as important factors with the case study businesses referring to ‘brotherly’ relationships with fellow Muslims, or finding it easier to build trust with other Christians. However, much trade was found to be taking place across religious boundaries, with relationships built up on other norms.

The culturally aware analysis also shows that the concept of the ‘family business’ can also be contested, and there are dangers of making assumptions about the role of extended families and collaboration with families. While kinship links and the ‘economy of affection’ (Hyden, 1980) is important in many ways, the case study businesses reported that they often avoided working with close family members due to the obligations to family members and the difficulty in enforcing agreements. Similarly Hart (2000) found that Frafra migrants in Accra who borrowed from fellow kinsmen equated their interests with those of the lenders and thus made poor borrowers. This evidence of the ‘burden of social relations’ encourages entrepreneurs to seek enterprise opportunities away from their extended family members and also from their home countries. Similar findings have been found elsewhere in Africa (Khavil et al, 2009; Whitehouse, 2011). The benefits and disadvantages attached to these strong ties are referred to here as the ‘paradox of family’ and it was found across the different ethnic groups studied. However, there are culturally specific norms related to training certain close family members as apprentices, who will start to trade in their own right once they have built up relationships. These apprenticeship systems are found in both the exporters and the importing *efiewura* (agents), showing how relationships and norms can be transferred between generations.

The third research question explored the parallel formal and semi-formal institutions that have evolved. This paper shows that parallel institutions particularly local trade associations can reduce uncertainty and provide market information, advocacy, regulation, welfare services and networking. Similar forms of associations are found across west Africa and to a lesser extent in Southern Africa (D'haese, Verbeke, Huylenbroeck et al, 2005; Porter, Lyon and Potts, 2007). In these forms of cooperation, there is evidence of a hybridization of norms, building on common leadership roles that originate in traditional cultural institutions such as chieftaincy systems and combining these with institutional forms found in European cooperatives and corporate business. Trade associations therefore vary, drawing on place-based cultural norms with some specific to a town or market place, particular industries, products or professions. To understand these institutions, it is therefore important to understand the historical context in which they are embedded . This includes elements of pre-colonial regional trade, colonial period regulation, and post colonial economic opportunities and changing state controls. These are combined with other influences such as current models of enterprise found in globalised patterns of entrepreneurship. This hybridisation results in a combination of norms to make up the mix of culturally specific institutions within which entrepreneurial activity is embedded.

Conclusion

Despite the lack of institutional support, taken for granted in many mature economies, the SME exporters in Ghana have found ways to develop the ties and relationships that allow for internationalisation in the West African region. This paper has examined the process of building trust-based relationships both on an interpersonal level and with the emergence of a

range of institutional forms that are often found operating in parallel to the state (Hyden, 1980; Fadahunsi and Rosa, 2002; Tillmar and Lindkvist, 2007). To understand these institutional forms, it is necessary to examine the context in which they operate and the process of finding common norms even when developing cross cultural relationships. The embeddedness approach to the study also shows how cultural differences, related to religion, particular locations and specific sectors shape the process of building trust.

In a context of globalization and international trade, these norms and institutions may be a hybridization of traditional systems and the norms of those businesses that these exporters are collaborating with. The case study approach taken demonstrates the importance of understanding how context and culture affects entrepreneurial activity especially when SMEs are operating with deficient legal institutions. The cultural norms and parallel institutions allow enterprise to flourish but have often been missed by academic research that makes assumptions about how a supportive business environment should be based on a 'western model'. While the institutional forms and processes of building trust can be specific to a particular context, there are wider implications for small business and entrepreneurship research with respect to explaining how SMEs operate in an environment where they cannot rely on courts and other legal institutions. By taking an embedded approach that focuses on how economic action is shaped by social relations, this study challenges concepts such as family business with entrepreneurs avoiding close relations because of the associated obligations (Khavul et al, 2009).

There are also considerable policy and practice implications in terms of identifying and supporting those institutions that encourage economic growth and access to livelihoods in Africa. Both intercontinental and intra regional exporting can play a growing role in the

economies of these less developed countries. Much research is focussed on the internationalisation related to the northern hemisphere economies with only minimal consideration of exporting between less developed countries. Programs wanting to grow such export trade need to explore both the facilitating factors and the barriers. Such barriers are underpinned by deficient and at times corrupt institutional contexts. The lack of understanding of context has resulted in attempts to transplant inappropriate institutions from a European or North American context, rather than recognising that institutions can emerge that are a hybridisation of indigenous norms and other cultures. These institutions are shown to play a key role in current exporting strategies in West Africa but are largely ignored by export promotion agencies in Ghana and elsewhere. There is therefore a need to explore these contexts, to understand what is meant by concepts such as family business, business association or the working relationship. Such an approach to understanding context can give an explanation of entrepreneurial strategies that do not appear to follow the assumed norms found in Europe and North America.

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