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Roles of Government Support Policies on Entrepreneurial Orientation and SMEs Performance in an African Context

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Abstract

SMEs are the engines of job development, notwithstanding their high failure rates in Ghana, Africa. This research aim is to develop a theoretical model anchored on the Resource-Based View (RBV) theory emphasising that entrepreneurial orientation (EO) as an internal resource and government support policies (GSPs) as another external resource would enhance SMEs' performance when used properly. Secondly, we explored how GSPs influence SMEs' EO and performance relationships using three distinct entrepreneurial orientation constructs. Using a quantitative survey, 369 questionnaires were randomly obtained from Ghanaian SMEs for data analysis via PLS-SEM. Based on the adopted three EO constructs, the results demonstrated a significant influence of GSPs on SMEs' innovativeness, risk proclivity, and performance, and not on proactiveness. Besides, the findings show proactiveness as having a significant impact on SMEs' performance. Our study is limited to services and manufacturing SMEs/firms, which should be considered in deducing our findings and conclusions. Finally, our study provides inferences for policymakers, practitioners, and for research directions.

Disciplinary: Bussiness Management (Entrepreneur, SME).

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1 Introduction

Through entrepreneurship pursuits, SMEs contribute to the nation's growth in job creation, ushering in new technology, managerial practices and the creation of innovative business models.

Hence, their performance is crucial to every country's overall economic growth (Ali Qalati et al., 2020). SMEs account for 99 percent of all businesses and 60 percent to 70 percent of all informal jobs globally (Hongyun et al., 2019; Nasip et al., 2017). SMEs constitute 90 to 92 percent respectively in Africa and Ghana (Zaato et al., 2021).

Interestingly, from Nasip et al. (2017) study, SMEs have increased employment in over 132 countries, with the permanent workforce nearly doubling from 79 million to 156 million. To the OECD, (2017), small and medium-sized enterprises play a critical role in achieving the Sustainable Development Goals (SDGs) by promoting inclusive and sustainable economic growth and development, prevising decent jobs, and reducing economic disparities among people.

Despite the vital contributions of SMEs, their performance is limited by a number of issues. From Ezie and Danjuma's (2016), SMEs have a low level of technology use, little capital, restricted market prospects, and a lack of institutional competency. Likewise, Hongyun et al. (2019) indicate that SMEs in Ghana are less competitive, and have a low level of EO, and technology use. Compared to large enterprises, 60% and over 75% of SMEs globally and Ghana easily dissolve (Mohammed, 2018). These hurdles cause less GDP contribution and unemployment, and limits SMEs' ability to hire more workers, with only 47% of SMEs willing to take 1-5 people in 5 to 10 years or more (GEM, 2020/2021 report), requiring backing for their performance.

Governments worldwide assist SMEs' growth and success in various ways. The flourishing SMEs in these countries, with government backing, fostered entrepreneurial activities and helped in addressing economic difficulties and improving countries' socio-economic conditions (Ali Qalati et al., 2020). Still, this is not the same in Ghana though SMEs are provided with various government interventions.

The issues confronting SMEs' performance in Ghana, require governments' and other organizations' support as an external resource to hone SMEs' EO and performance. Globally, the success of entrepreneurs can be linked to the growing adoption of EO by SMEs. EO assists SMEs in prudent decisions on innovation, proactivity, risk-taking, and autonomy, allowing them to stay ahead of the competition (Cámara, 2018). Nakku et al., (2020) documented a dearth of literature in exploring GSPs role in enhancing EO and performance of SMEs. Drawing on Nakku, et al (2020) posits studying the role of GSPs in emerging countries and exploring the effect of GSPs on EO and SMEs performance. With the existing gap, this study examined how GSPs enhanced EO and SMEs' performance in the African context. SMEs with EO perform well compared to their competitors in implementing their entrepreneurial initiatives (Semrau et al., 2016), and can assist SMEs to endure economic shocks (Fadda, 2018). Thus, with GSPs and EO, SMEs will be more pre-emptive, take required risks and incorporate innovativeness towards achieving sustainable performance.

This study posits that EO and GSPs are critical internal and external resources that, when employed can improve SMEs' performance which has been neglected by prior studies. This study adds to the body of knowledge by empirically examining GSPs role in EO using proactiveness, risk-

taking, and innovativeness, and SMEs' performance in Ghana, Africa. The next part follows the literature overview, and methodology, which discusses the sampling and data collection, measures and instrument validation, and comprehensive results from the quantitative exploration of 369 SMEs. The study wrapped up by discussing the findings, contributions and their implications for entrepreneurial theory, practice, and direction of future research.

2 Literature and Theoretical Review

2.1 The Resource-Based View (RBV) Theory

The resource-based view (RBV) theory used in this study emphasised that SMEs/firms' distinctive resources provide SMEs' capabilities and competitiveness which are all linked to performance (Barney, 2015). Thus, RBV emphasises a set of tangible and intangible resources that other SMEs can't duplicate and that help them perform more effectively (Donnellan, & Rutledge, 2019).

The study focuses on SMEs' necessity to use their internal and external non-transferable chattels, such as GSPs and EO, to boost their performance in Ghana, Africa. Besides this, there is insufficient theoretical knowledge of how SMEs combine EO, an internal resource, and GSPs, an external resource, to improve their performance using RBV theory, except with large firms' studies (Covin & Wales, 2019). Furthermore, this innovative study filled the empirical and theoretical vacuum on how GSPs amplified EO and SMEs performance. The study is relevant as it will assist SMEs to combine multiple internal and external resources to attain their performance goals.

2.2 Small and Medium Enterprises (SMEs) Performance

The performance of SMEs was employed as the study's outcome or antecedent variable. Though the performance of SMEs is critical to every firm/SME owner, there are numerous definitions and techniques for analysing performance, as it encompasses not only business and management research. The maximum benefit obtained by SME/firm owners and customers or firms' ability to utilize the available resources to achieve their targets efficiently is called performance (Taouab & Issor, 2019). Performance may mean how SMEs accomplish their performance goals than their competitor with no consistent measures (Mihaela, 2017). We measured performance with sales volume, profit margin, employees, market share, and customer loyalty.

2.2.1 Government Support Policies and Entrepreneurial Orientation of SMEs

From Qalati et al (2020), governments value SMEs' contributions due to their employment creation, reduction of poverty, and wealth creation, accounting for more than 40% of the Gross national product and 70% of employment in emerging countries. Globally, governments' support is considered to have a cartelistic impact on firm performance for economic independence (Hogue, 2018). Therefore, SMEs' sustainability is vital for the development of every nation. Yet, a gap exists in how government support harnesses SMEs' EO and performance (Nakku et al. 2020). Hence, this study investigated the impact of GSPs on EO and SMEs performance in Ghana.

2.2.2 Government support policies and SMEs innovativeness

GSPs for SME trigger SMEs in multiple ways. Alhnity, Mohamad, and Ku Ishak, (2016) documented that government interventions like funds, training, tax relaxation, and allied business support potentially facilitate SMEs to engage in business-level innovations. GSP also supports SMEs to identify and acquire the necessary resources to execute their business ideas and plays a substantial role in SMEs performance. Moreover, Nakku, et al (2020) explores "the interrelationship between SME government support programs, entrepreneurial orientation, and performance from a developing economy perspective" the study findings revealed that GSPs have an essential effect on SMEs innovativeness and performance. This study claimed that.

Hypothesis 1a: GSPs have a positive impact on the innovativeness of SMEs.

2.2.3 Government support policies and SMEs risk-taking

Risk-taking can be regarded as typical for SMEs to continuously evaluate their business's cost and benefits as well as determine their entrepreneurial nature. However, there was little empirical evidence available on GSPs and SMEs inclination to risks. Nakku et al. (2020) studied the association of "SME government support programs, EO, and performance from a developing economy and that, GSPs" impact risk-taking and performance of SMEs. Asgary et al. (2020) validate that GSPs help salvage SMEs from all forms of risks beyond their capabilities and significantly influence the risk-taking capacity of SMEs.

Moreover, with GSPs' SMEs can manage risks to perform better in crisis as Covid-19 or "any uncertain event that can hamper performance" (World Economic Forum 2019, p. 100). Hence we hypothesised that.

Hypothesis 1b: GSPs positively relate to the risk-taking of SMEs.

2.2.4 Government support policies and Proactiveness of SMEs

Proactiveness is vital, yet scarce studies on the link between GSPs' and proactiveness. According to Song et al. (2015), government support for SMEs in tax breaks, credit facilities, and monitoring and assessment make SMEs more active in the business. A high level of proactiveness provides SMEs business opportunities and impacts their performance. Dai and Si (2018) study proved that GSPs promote proactiveness among SMEs. Also, GSPs help in the business planning of SMEs to reap the benefits of the GSPs and can enhance the performance of SMEs'. Furthermore, Alhnity et al. (2016) study on the effect of GSPs on SMEs EO and performance in Jordan postulates that the GSPs significantly influence SMEs' EO and performance. This research proposed that.

Hypothesis 1c: GSPs positively relate to the proactiveness of SMEs and

Hypothesis 1d: GSPs positively relate to SMEs performance.

2.3 Entrepreneurial Orientation and SMEs Performance

In entrepreneurship and management studies, EO helps in describing how entrepreneurial SMEs are (Palmer et al., 2019; Nofiani, et al., 2021). Nonetheless, several other studies have proved otherwise with varied results and may be based on how EO is perceived. According to literature, Miller (1983) combined concept of EO has been extensively studied but not Lumpkin and Dess's (1996) view of EO as involving innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy.

Lumpkin and Dess view EO constructs separately since their effect on SMEs performance vary based on apparent reasons like location, and type of business (Wales, Gupta, & Mousa, 2013). This study used three EO constructs: proactiveness, risk-taking, and innovativeness.

2.3.1 Innovativeness and SMEs Performance

Firms' innovativeness in doing business is regarded as SMEs' readiness to add value to existing products and services, embrace technology, and actively develop new products and services (Adam, & Alarifi, 2021). Innovativeness has been considered one of the primary constructs of SMEs that seek to grow by acquiring new skills and resources for growth and survival. Literature has attributed innovativeness to having a significant effect and is a vital forecaster of SMEs performance (Choi & Williams, 2016). Innovativeness also enables SMEs not to take a calculated risk to implement their innovative actions and is an essential aspect of entrepreneurship that stimulates performance. Therefore, we suggest that:

Hypothesis 2a: Innovativeness has a positive consequence on SMEs performance.

2.3.2 Risk-Taking and SMEs Performance

Risk-taking is a crucial decision that SME-owners often take. The business environment is full of uncertainties, and SMEs are often required to make wise decisions that have risk-taking undertones with or without known returns (Amin, 2015). SMEs that take risks can perform well than their rivals. SMEs' risk-taking idea agrees that SMEs engaged in taking a risk can easily attain high growth and meet their performance targets than those scared of risk-taking (Amin, 2015). We, therefore, proposed that:

Hypothesis 2b: Risk-taking positively affects SMEs performance.

2.3.3 Proactiveness and SMEs Performance

Proactiveness is the tendency of SMEs to take the necessary actions to become market leaders by taking uncommon actions rather than following their contenders in meeting customers' needs (Miller, 1983). Proactive SMEs are forward lookers and can garner opportunities through inquiries ahead of their competitors in introducing new goods and services required to perform well under any changing business environment (Nakku, 2019). Proactiveness is cardinal to entrepreneurial actions as SMEs seek to meet their client's changing needs (Kusa, Duda, & Suder, 2021). Proactiveness can make SMEs

market leaders in introducing new products and services than their competitors. This study, therefore, proposed that:

Hypothesis 2c: Proactiveness positively affects SMEs performance.

3 Research Method

This study employed a cross-sectional and quantitative research approach to examine how GSPs affect SMEs' EO and performance. Simple random selection was used to choose the SMEs in Ghana, with 500 questionnaires, with only 369 suitable for use. Common method variance (CMV) issues were managed, with a CMV value of 40%, but were regarded accordingly (Fuller et al., 2016). The researchers employed online Web Power and the multivariate Mardia tool to determine the data's normality. Because the data was not normal, it supported the use of PLS-SEM for data analysis (Hair et al., 2014). Items on GSPs came from (Shu et al., 2019; Leste, 2014), entrepreneurial orientation (e.g., Olabanji Oni et al., 2019; Shu et al., 2019), and performance (Dess, Lumpkin & Covin, 1997). The study's framework, as well as findings, are as indicated.

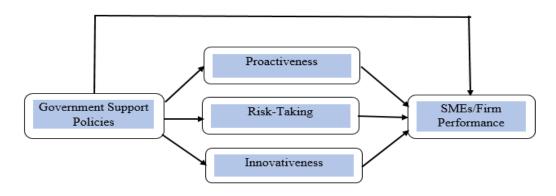


Figure 1: Research model

4 Results and Discussion

4.1 Statistical Descriptive

Table 1 shows that males (55.3 percent) outnumber females on personal and business information. Again, most respondents' age group is 30 to 49 (81.3%) with the majority of respondents' educational level being SHS or O/A level (32.5%). Likewise, most SMEs existed for 6 - 10 years (36.6 percent). With employee numbers, most SMEs (71.0 percent) employed 6 to 29 people and 37% of SME owners have management experience from 6 - 10 years. More so, most respondents have previous experience and the majority of SME-owners' past work is still operating (27.6%).

Table 1: Respondents' Personal and Business Information

Table 1. Kesp	ondents	r et sona	ii and business information		
Variable	N	N % Variable		N	%
Gender			Age Group in Years		
Male	Male 204 55.3		29 or below	27	7.3
Female	165	44.7	30 to 39	156	42.3
Total	369	100.0	40 to 49	144	39.0
			50 and above	42	11.4
			Total	369	100.0
Highest Level of Education			Firm Age		
JHS or less	94	25.5	5 years or less	57	15.4
SHS or O/A level	120	32.5	6 to 10 years	135	36.6
Diploma	49	13.3	11 to 15 years	98	26.6
Undergraduate	85	23.0	16 years or more	79	21.4
Masters	21	5.7	Total	369	100.0
Total	369	100.0			
Number of Employees			Management Experience		
6 to 29 employees	262	71.0	5 years or less	78	21.1
30 to 99 employees	107	29.0	6 - 10 years	138	37.4
Total	369	100.0	11 - 15 years	83	22.5
			Above 16 years	70	19.0
			Total	369	100.0
Past Experience			Motive for resigning Earlier		
Yes	243	65.9	Work	82	22.2
No	126	34.1	Closed down	102	27.6
Total	369 100.0 Operating		75	20.3	
			For personal business	16	4.3
			Merged	94	25.5
			Other	369	100.0

4.2 Assessment of the Measurement Model

Ensuring that items with factor loadings below 0.70 were eliminated (Hair et al. 2014), we perform the variables' validity and reliabilities. As per Table 2, acceptable Cronbach's Alpha (α), Composite Reliability (CR), and (DG rho) reliability values exceeded 0.60, 0.50, and 0.70, respectively. Furthermore, the Average Variance Extracted (AVE) and Variance Inflation Factors (VIFs) both concurred Hair et al. (2016). Thus, the study variables met the conditions for reliability and convergent validity where their VIFs did not also exceed 3.3 as per Hair et al. (2014) and had no multi-collinearity problems.

Table 2: Reliabilities of Study Variables

Variables	A	rho_A	CR	AVE	VIF
Government support policy (GSP)	0.687	0.704	0.806	0.511	1.094
Innovativeness (IN)	0.834	0.894	0.878	0.557	1.079
Proactiveness (PR)	0.808	0.811	0.863	0.517	1.023
Risk-Taking (RT)	0.811	0.865	0.864	0.560	1.070
SMEs Performance (SMEp)	0.911	0.918	0.931	0.693	_

Note: α = Cronbach's Alpha, CR=Composite Reliability, AVE=Average Variance Extracted, VIFs=Variance Inflation Factors

The discriminant validity of the variables is also investigated, as shown in Table 3. Using the Fornell–Larcker criterion, the discriminant validity values were reasonable as their AVEs square roots exceeded the correlation values for all other constructs and were also not less than 0.90

according to the Heterotrait–Monotrait (HTMT) criterion, indicating that they had discriminant validity (Kline, 2015).

Table 3: Fornell-Larcker Criteria and Heterotrait–Monotrait (HTMT) Ratio

		Fornel	l-Larcker (Criteria			Heterotrait	–Monotrai	t Ratio	
	GSP	IN	PR	RT	SP	GSP	IN	PR	RT	SP
GSP	0.715					-				
IN	0.233	0.746				0.278	_			
PR	0.064	0.109	0.719			0.122	0.148	-		
RT	0.212	0.157	0.116	0.748		0.255	0.206	0.169	-	
SP	0.107	0.027	0.340	0.080	0.832	0.132	0.066	0.390	0.102	-

Note: IN = Innovativeness, PR = Proactiveness, RT= Risk-Taking and SP = SMEs Performance.

4.3 Structural Model and Testing of Hypotheses

Table 4 shows how GSP affects the performance of EOs and SMEs. GSPs had a favourable and significant effect on innovativeness (t = 5.080, p = 0.000), but not on proactiveness (t = 1.178, p = 0.119), as indicated. GSP, on the other hand, has a substantial effect on risk-taking (t = 4.165, p = 0.000) and SMEs performance (t = 1.786, p = 0.037). Similarly, proactiveness has a significant association with performance (t = 7.362, p = 0.000), while innovativeness (t = 0.643, p = 0.260), and risk-taking (t = 0.487, t = 0.313) has insignificant relationship with SMEs performance.

Furthermore, the effect size (F²) values on the effect of GSPs on innovativeness (0.057), proactiveness (0.004), risk-taking (0.047), and performance (0.008) provided small, weak, small, and weak effects of GSPs (i.e., Cohen, 1988). Again, the R² values for innovativeness, proactiveness, and risk-taking on performance also recorded 0.054, 0.004, 0.045, and 0.125 respectively on SMEs performance. This indicates a weak to small explained variance in SMEs' performance (Cohen, 1988). By observing the variables or model's predictive relevance (Q²), the result provided small Q² values for GSPs on innovativeness, proactiveness, and risk-taking and performance as 0.026, 0.001, 0.021, and 0.082, respectively more than zero (Zumbo, 2009). The next section entails discussion, conclusion, and recommendations.

Table 4: Results of Relationships

Constructs	β (beta)	Mean	SD	T- Stats	P-Values	\mathbb{F}^2	\mathbb{R}^2	Q^2	Decision
GSP -> IN	0.233	0.245	0.046	5.080	0.000	0.057			Accepted
$GSP \rightarrow PR$	0.064	0.070	0.055	1.178	0.119	0.004			No
$GSP \rightarrow RT$	0.212	0.223	0.051	4.165	0.000	0.047			Accepted
$GSP \rightarrow SP$	0.088	0.089	0.049	1.786	0.037	0.008	0.054	0.026	Accepted
$IN \rightarrow SP$	-0.035	-0.034	0.054	0.643	0.260	0.001	0.004	0.001	No
$PR \rightarrow SP$	0.335	0.341	0.045	7.362	0.000	0.125	0.045	0.021	Accepted
$RT \rightarrow SP$	0.028	0.030	0.058	0.487	0.313	0.001	0.125	0.082	No

5 Conclusion

The importance of SMEs in economic growth necessitates an understanding of the factors that contribute to their success or performance. Our findings corroborate and expand on earlier studies that explored how GSPs influence EO and SMEs' success. The results signify that GSPs

significantly harness entrepreneurial risk-taking and innovativeness among Ghanaian SMEs with an insignificant effect on proactiveness. The result coincides Nakku et al. (2020) that GSPs facilitate entrepreneurs to develop business-level of innovation and risk-taking. Our study results disagree with Dai and Si (2018) that the GSPs enhance SMEs' proactiveness.

Similarly, risk-taking and innovation insignificantly influence SMEs' performance. The results agree with Kosa et al. (2018) study that risk-taking and innovation orientations did not connect to SMEs' performance. However, entrepreneurial proactiveness harnesses SMEs performance. Our findings harmonies Nakku et al. (2020) that proactiveness helps SMEs to act on time and engage in opportunity-seeking than others and have a first-mover advantage. The result signifies that GSPs significantly promote SMEs' performance. Thus, our study's finding coincides with Alhnity et al. (2016) and Asgary et al. (2020) arguments that GSPs facilitate SMEs in opportunity-seeking that promotes performance.

SME owners, policymakers, and other interested parties will benefit from this study. The results enhance understanding of GSPs and EO as resources in advancing SMEs' performance in providing jobs, and the need to continue supporting SMEs, in Ghana, for economic development.

Theoretically, the study validates that, SMEs' tangible and intangible resources are essential to creating competitive advantage and improved performance (Barney, 2015; Donnellan, & Rutledge, 2019). The need for SMEs to reconfigure internal and external resources, such as EO and GSPs, further strengthens the adopted theory. Given the absence of studies evaluating GSPs influence on EO from a performance analysis viewpoint, this study provides an existing exploratory theory on how GSPs trigger EO and SMEs' performance.

Furthermore, our findings reinforce the theoretical position that studies of EO on performance links are a developing phenomenon that requires additional research to better understand how they influence EO on SMEs performance. SMEs in Africa like Ghana should regard proactiveness as a vital resource, focus more on innovativeness and risk-taking, and treat GSPs as a vital external resource to boost their performance. GSPs are, therefore, crucial to SMEs' EO and performance in Africa, according to the conclusions of the study.

Besides the contributions, this paper is constrained by cross-sectional data from Ghanaian SMEs. Hence, the study recommends additional research to confirm the results. Finally, future studies could double the sample size and use different designs involving SMEs in other countries for understanding and generalization.

6 Availability of Data and Material

Data can be made available by contacting the corresponding author.

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