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Trust in Exporting Relationships: The Case of SMEs in Ghana

Isaac Oduro Amoako

A PhD Thesis submitted in fulfilment of the requirements for the degree of
Doctor of Philosophy to the Business School, Middlesex University, London.

8th April, 2013.

DECLARATION OF ORIGINALITY

I hereby declare that this project is entirely my own work and that any additional sources of information have been dully cited. I hereby declare that any internet sources, published or unpublished works from which I have quoted or drawn reference have been referenced fully in the text and in the contents list. I understand that failure to do this will result in a failure of this project due to Plagiarism.

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ABSTRACT

In this era of globalisation, firms and their managers are increasingly interested in building relationships with customers, suppliers and other stakeholders in order to successfully grow and compete. Trust has been found to be a defining factor in building up networks and relationships which firms use in economic exchanges both at national and international levels. However, the role of trust in the context of small and medium sized enterprises (SMEs) internationalisation is a recent phenomenon of academic inquiry that has not been widely studied particularly in the context of developing countries. Hence, this study aims to fill this knowledge gap by investigating the processes of development, use, violation and repair of trust in exporting SME relationships in a less developed African country, Ghana.

At the theoretical level the study draws mostly on three perspectives: embeddedness, entrepreneurship and psychic distance. At the empirical level, this research uses a case study of 24 exporting SMEs in Ghana to study this subject in detail. The findings show that entrepreneurs had built and used personalised relationships while avoiding formal contracts and the courts in their internationalisation activities. They had mostly relied on institutional forms operating in parallel to formal state-based and legal systems. These are shown to be hybrid forms drawing on traditional cultural institutions such as chieftaincy and religion, combined with forms of corporations and cooperatives. The findings further reveal how organisations violate and repair trust when crossing cultural boundaries, looking at the particular issues that face smaller businesses. Particularly, it shows that culture is an important factor in trust based relations and therefore the concept of trust violation is socially constructed. While some aspects of networks and trust literature are confirmed, other aspects are refuted showing that context impacts on the processes of relationships and trust building, violation and repair.

This study therefore contributes to the ongoing development of a theoretical understanding on networking, relationship building and trust in international entrepreneurship. Particularly it emphasises the importance of understanding cultural contexts in entrepreneurship research.

Key words: Trust, entrepreneurship, SMEs, internationalisation, networks, Africa.

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London, 8th April, 2013.

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ABBREVIATIONS AND ACRONYMS

AGI	Association of Ghana Industries
CEO	Chief Executive Officer
DANIDA	Danish International Development Agency
DFID	Department for International Development
EIM	European Observatory for SMEs
EU	European Union
ECOWAS	Economic Community of West African States
ERP	Economic Recovery Program
FAGE	Federation of Association of Ghanaian Exporters
FDI	Foreign Direct Investment
GCCI	Ghana Chamber of Commerce and Industries
GEPC(A)	Ghana Export Promotion Council (Authority)
GETIC	Ghana Export Trade Information Centre
GoG	Government of Ghana
GSS	Ghana Statistical Service
GTZ	Gesellschaft für Technische Zusammenarbeit
ICT	Information and Communication Technologies
ILO	International Labour Organisation
INVs	International New Ventures
LDCs	Least Developing Countries
MNEs	Multinational Enterprises
MOU	Memorandum of Understanding
NBSSI	National Board on Small Scale Industries
NES	New Economic Sociology
NIE	New Institutional Economics
NGO	Non – Governmental Organisation
NTE	Non Traditional Export

OECD	Organization for Economic Cooperation and Development
OIE	Old Institutional Economics
PD	Psychic Distance
SAP	Structural Adjustment Programme
SME	Small Medium Enterprise
TA	Thematic Analysis
TCA	Transaction Cost Analysis
TCE	Transaction Cost Economics
UNIDO	United Nations Industrial Organisation
USAID	United States Agency for International Development

INDIGENOUS TERMS (AKAN TWI)

Aberempomma	Lesser Nobles
Adwadifo	Traders
Ahotosoo	Reliability
Akan	Biggest tribe in Ghana
Akomfoo	Fetish priests
Allah	God in Arabic
Ankaa	Orange
Ankaa hema	Orange Queen
Antoa Nyamaa	A traditional god in Ghana
Dwanetoafo	Intercessor
Efiewura	Agent in West African export markets
Gyedia	Faith or belief
Imam	Islamic priest
Juju	Black magic
Ohemma	Queen
Ohene	Chief
Okyeame	Linguist
Sarkin	Chief in Hausa
Sese	Calculate, check, assess or evaluate
Susu	A cash savings contributions
Twere	To lean
Twi	Language spoken by the Akans in Ghana

CHAPTER I: RESEARCHING THE ROLE OF TRUST IN EXPORTING SME RELATIONSHIPS

1.1 Introduction

Globalisation has widened the international activities of firms. Interestingly, research has shown that the internationalisation process of firms, particularly, small and medium-sized enterprises (SMEs), is largely driven by network relationships (Shaw, 1997; Child et al., 2002; Yli-Renko et al., 2002; Oviatt and McDougall, 2005). Consequently, there has been an increased interest in network relationships as tools for SMEs aiming to gain sustainable competitive advantage (Burns, 2011).

Trust has been shown to play a vital role in ensuring efficient and effective cooperation in inter-organisational relationships (Saunders et al., 2010). Trust assumes more importance in contexts of deficient institutions where enforcement and sanctioning mechanisms by formal institutions may be generally weak. In these contexts there may be the need to compensate for relationship building through other means such as use of social, informal control mechanisms (Welter and Smallbone, 2006; Welter and Smallbone, 2003). In Africa, Hyden (1980) refers to the economy of affection by showing how peasants deploy ethnic and kinship networks to access resources in the midst of an autonomous economy that draws mostly on moral and cultural norms. Lyon (2003; 2005) also shows how trust in existing relationships, kinship, working relationships and intermediaries enable economic groups to engage in collective action in Ghana.

Even though, studies suggest that there is a vibrant cross-border trade in sub-Sahara Africa (e.g. Brown, 1995; Fadahunsi and Rosa, 2002; Hashim and Meagher, 1999; Ibe and Young, 2001; Robson and Freel, 2008), the role of trust in the context of SME internationalisation has not been widely studied since it is a recent phenomenon (Child et al., 2002; Child and Rodrigues, 2007), in spite of the fact that sub-Saharan African economies are dominated by SMEs (African Development Bank, 2000; DFID's Commission for Africa; 2005; World Bank, 2005a). Hence, this study aims to explore the processes of development, use, violation and repair of trust in exporting SME relationships in Ghana.

This chapter introduces the entire research. Firstly, I present the problem discussion by identifying the role of international entrepreneurship (SMEs exporting) in economic

development. I then highlight how small and medium enterprises exporting could be facilitated through trust-based networks and cooperation. I then introduce the research purpose, research objective, research questions and methodology. I also discuss the scope and significance of the study. This chapter concludes with an outline of the structure of the thesis.

1.2 Problem Discussion

Evidence from an OECD (2009) report: “Top Barriers and Drivers to SME Internationalisation” and a European Commission (2007) study: “Supporting the Internationalisation of SMEs” confirm that SME internationalisation contributes significantly to job creation and economic growth. However, there is no uniformly acceptable definition of the term SME (Burns, 2011). Nonetheless for the purpose of this study I adopt the definition used by the Ministry of Local Government and Rural Development in Ghana thus: any firm that employs 1 to 5 as micro enterprise, 6 to 29 employees as a small-scale enterprise, 30 to 100 employees as a medium-scale enterprise, and firms with above 100 employees as a large-scale enterprise. Hence by SMEs I refer to firms employing 100 or less people.

Internationalisation is defined by Welch and Luostarinen (1988) as the process of increasing imports and exports in a firm’s international activity. SME internationalisation may therefore represent a potential route to export development and economic growth in developing economies including Sub-Saharan African countries such as Ghana (Robson and Freel, 2008). However, except for South Africa, Sub-Saharan African countries have not paid much attention to SME’s role in exporting, and, consequently contribute little (2-3%) to global trade (World Economic Forum, 2007). For example, in Ghana, SME exporters also referred to as Non-Traditional Exporters contribute only 25% to total exports (GEPC 2006; Owusu Frimpong, 2007).

Notwithstanding these disappointing trade figures, critics argue that these official statistics 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; Hashim and Meagher, 1999). It is well noted that the informal sector contributes substantially to the gross domestic product (GDP) in developing economies and the trend is set to increase (World Bank, 2007). DFID's Commission for Africa (2005) estimates that in Sub-Saharan Africa, excluding South Africa, the informal economy offers over 90% of all new jobs whilst the World Bank (2005a) corroborates that the sector offers about 85% of total employment in Sub-Saharan Africa. For example, in Ghana the informal sector which is dominated by SMEs employs over 90% of the total workforce (GSS, 2000). Regrettably, scholars have paid very little attention to economic activities in the informal sector in their investigations in Africa (Jackson et al, 2008). In order to address this research gap this study investigates exporting SMEs in both the formal and informal sectors in Ghana.

The World Bank contends that, as a small open economy, Ghana's economic growth should not only be based on its small domestic market but also on its export sector due to the immense benefits that the country may enjoy from global markets (World Bank Report, 2007). Interestingly, Ghana's non-traditional export sector is dominated by SMEs (Owusu Frimpong and Mmieh, 2007). By non-traditional export sector I refer to export products excluding cocoa, raw timber and gold (Ministry of Trade and Industry, 2005), and oil. Nonetheless, SMEs in Ghana like those in other developing countries encounter disproportionate macro-economic barriers such as lack of finance, unfavourable exchange rates, lack of cohesive national export policy and proper trade institutions (Buame, 2012; Ghauri, et al. 2003). For most small businesses involved in exporting in developing countries, there is also a lack of: information about targeted overseas markets, distribution networks, supplier networks, knowledge of the business practices, access to markets and access to technology (Buckley, 1997; Ghauri, et al., 2003). More so, SMEs do not individually have the capacity to internationalise due to liabilities of 'newness', 'smallness', and 'inexperience' (Wright et al., 2007; Rodrigues and Child, 2012). Therefore Ghauri et al. (2003) propose that network organisations may offer potential solutions for export problems in developing countries. For this reason, there is a need to examine the role of trust-based entrepreneurial networks in Africa.

In the SME context the owner/manager acts as the key decision maker, and therefore, the decision to export or not depends on whether or not he/she deploys his/her entrepreneurial skills in networks to mobilise resources for internationalisation (Miesenbock, 1988; Burns, 2011). However, in mobilising the requisite resources, entrepreneurs often use a variety of social and business ties that are built on trust and co-operation in the internationalisation process (Jack and Anderson, 2002; Rodrigues and Child, 2012).

Interestingly, there are many definitions of trust (Seppanen et al, 2007). In economics, Gambetta's (1988:217) defines trust as "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". Gambetta (1988) therefore regards trust as a rational decision. On the contrary, in sociology, Zucker (1986:54) proposes that trust is "a set of expectations shared by all those involved in an exchange". She maintains that expectations are preconscious in nature in that they are taken for granted as part of the world known in common, until they are violated.

For the purpose of this thesis I draw mostly on sociological approaches and specifically on Mollering (2006) and Rousseau et al. (1998) whose definition of trust emphasise expectations, uncertainty, risks and vulnerability. Mollering (2006) defines trust as:

"a reflexive process of building on reason, routine and reflexivity, suspending irreducible social vulnerability and uncertainty as if they were favourably resolved, and maintaining a state of favourable expectation towards the actions and intentions of more or less specific others".

Rousseau et al. (1998:395) corroborate that trust is "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the behaviour of another". I also draw on the meaning of trust in Twi the most commonly spoken language in Ghana to adopt a working definition of trust as: 'a belief (*gyedie*) that an actor places in another agent's characteristics, ability to be leaned on, and behave or act as expected in an exchange in spite of the possibility of being let down by that partner'.

My definition shows that trust is a psychological state built on expectations but fraught with risks and vulnerability. This implies that entrepreneurs' decision making with regards

to building and using trust-based networks and relationships to access international markets are fraught with uncertainty, risks and vulnerability and therefore calls for boldness and alertness (Schumpeter, 1934; Kirzner, 1997).

Trust plays a pivotal role in fostering international strategic alliances in regional and global trade (Ali and Larimo, 2011). This is particularly important since partners in international business tend to come from different cultures and consequently rely on different forms of personal and institutional trust (Pearce, 2001). The differences in exchange partners' backgrounds may invariably lead to misunderstandings due to incompatible cultural values, beliefs and assumptions (Saunders et al., 2010). For example, religious beliefs and values (Angelidis and Ibrahim, 2004; Worden, 2005; Dana, 2010) and family/kinship values (Aronoff and Ward, 2000; Burns, 2011; Georgiou et al., 2011) have all been found to impact on entrepreneurial behaviour. These cultural variables are known to influence trust building. Culture therefore impacts on trust due to its explicit and implicit impact on behaviour (Ren and Gray, 2009; Dietz et al., 2010).

The impact of multiple cultural identities makes cross-cultural trust building and maintenance challenging (Saunders et al., 2010:7). This problem may not be limited to national borders but may encompass interfirm relationships such as strategic alliances, joint ventures and flexible working relationships due to differences in organisational cultures (Zaheer et al., 1998). This suggests that the level, nature and meaning of trust may be different across different cultures (Dietz, et al., 2010). However, these potential differences have not received much attention from researchers even though academics in small enterprise agree that "more research is needed in order to identify the processes by which trust is created and destroyed" in enterprises (Welter and Smallbone, 2006:467).

This lack of research on the processes through which trust is developed, used, violated and repaired in networks and relationships in SME internationalisation is surprising since recently, the debate on economic performance in developed countries suggests that trust-based relations amongst economic agents offer competitive advantage to manufacturing firms in export-oriented economies such as Italy and Japan (Putnam, 1993; Sako, 1992).

Furthermore, Jackson's (2004) criticisms of the convergence approach adopted by academics in the indiscriminate application of Western theories to management studies in Africa also raise questions about the possible application of findings from the existing studies on trust in SME internationalisation conducted in the West, Latin America and Asia (e.g. Child and Rodrigues, 2007; Lu and Beamish, 2001) to the African context. This is because cross-cultural variations impact on trust and perceived trustworthiness (Doney et al., 1998; Wang and Fulop, 2007, Saunders et al., 2010). This argument highlights the need for studies in Africa on the role of trust in SME internationalisation and this study aims to fill that gap.

1.3 Purpose of the Study

The purpose of this study is to explore the processes, practices and implications for the development, use, perceived violation, repair and rebuilding of trust as a coordination mechanism in exporting SME relationships in Ghana. Existing literature suggests that an increase in exporting SMEs' use of trust would facilitate networking, relationship building and cooperation in cross-border trade and therefore lead to an increase in export earnings and accelerated economic development (e.g Child et al., 2002). Nonetheless, central to networking is the role of the exporting owner/manager who is often referred to as entrepreneur due to their quest in growing their firms by discovering new markets, building, maintaining and repairing trust in their networks and interfirm relationships (Schumpeter, 1934; Butler and Hansen, 1991; Robson et al, 2009).

1.4 Research Objective and Questions

The main objective of this study is to understand the role of trust in SME internationalisation. Hence the main research question is: *What is the role of trust in exporting SME relationships?* In order to answer the main research question and achieve the objective of this study, the following six research sub questions will be investigated.

1. *What are the personal and working relationships used in SME exporting?*
2. *How do entrepreneurial perceptions of the legal system shape these relationships?*
3. *What are the types of trust that facilitate exporting SME relationships and how are they developed and used?*

4. *How do exporting SME owner/managers perceive trustworthiness in inter-organisational relationships?*
5. *How do exporting SME owner/managers perceive trust to be violated in relationships and what are the outcomes?*
6. *What are the processes used for repairing and rebuilding trust in exporting SMEs inter-organisational relationships?*

The answers to these questions are important in the context of Ghana since for the past 1000 years, even though parts of Ghana have been linked to the West African and intercontinental markets through the Savannah, Saharan and Trans-Atlantic trade routes, there has been a dependence on a limited number of primary commodities and therefore the country's export earnings had been minimal. There is the potential for SMEs' internationalisation to contribute significantly to export development, job creation and economic growth (Owusu Frimpong and Mmieh, 2007; European Commission 2007; OECD, 2009). However, SMEs and individual exporters who constitute over 90% of exporters in the non-traditional export (NTE) sector (Owusu Frimpong and Mmieh, 2007) are resource-constrained. The situation has been compounded by the minimal role of formal market supporting institutions in Ghana (Barr, 2000). Consequently, exporters have heavily relied on trust-based personalised relationships to access resources and reduce uncertainty in trade (Kea, 1982; Aryeetey and Ahene, 2005, Acquah, 2008). However, existing studies have not paid attention to the role of trust and the institutional forms that shape cross border trade in Ghana and Africa.

1.5 Review of Studies on Trust and SME Internationalisation

Internationalisation is a centuries-old business concept and interestingly internationalisation in Ghana and West Africa preceded the arrival of Europeans to the Atlantic coast of Africa in the 15th century. The trans-Sahara trade linked the whole of the Mediterranean, Arab and European empires together and gold was supplied from Senegal and the Ashanti region in Ghana to these markets (Hooker, 2002; Wilks, 1993; Iliffe, 1983). Since, the discoveries of overseas markets during the fifteenth century by the French, Spanish and later by the Dutch and English until today, the world economy has been formed by a network of markets that have interacted with each other regularly (Israel, 1989).

Until recently approaches to firm internationalisation had drawn on the classical and neoclassical theories (Hobbs, 1996; Dunning, 1988). However, among others, the two theories are limited in that they ignored SMEs internationalisation (Brush, 1995). Therefore, some scholars reacted to the limitations of the classical and neoclassical theoretical assumptions by drawing on institutionalists approaches. In particular, New Economic Sociologists postulate that economic action is embedded in institutional contexts (Granovetter, 1985; Hodgson, 2007). Therefore social structures serve both as constraints and enablers to the entrepreneur in the venturing process (Sarason et al, 2006). Consequently, entrepreneurs use a variety of social and business ties that are built on trust and cooperation (Jack and Anderson, 2002). SME internationalisation is therefore embedded in institutions and often the trust-based networks of the owner/manager determine the small firm's exporting performance (Miesenbock, 1988; Granovetter, 1985; Fletcher, 2004; Child and Rodrigues, 2007; Rodrigues and Child, 2012).

Given that trust remains a key determinant of inter-organisational cooperation, its fragile nature and violation among network partners may lead to network failure (Rousseau et. al., 1998; McEvily et al., 2003). However, despite the importance of trust there are only a few studies that have examined trust violations and repairs in inter-organisational contexts (e.g. Gellespie and Dietz, 2009; Dirks et al., 2009). Surprisingly, most of these studies had been done through carefully controlled laboratory experiments and theoretical frameworks (Lewicki and Bunker, 1996; Gillespie and Dietz, 2009; Ren and Gray, 2009; Dietz et al., 2010). As a result, most of the existing studies overlook contextual factors and therefore the role of cultural norms on perceptions of trust and perceived trustworthiness. Hence, it will be interesting to investigate how context impacts on trust in a developing economy context and particularly in an African context.

Initially, firm internationalisation studies had focused on mainstream economic approaches. According to Dunning (1995) the economic approaches had considered foreign direct investments (FDI) and international trade (exporting) as alternative approaches to international activity for the firm. However, the economic models adopted a static approach and were mostly focused on decisions related to FDI of multi-national enterprises (MNEs). Furthermore, they overlook the process aspects of internationalisation

(Dunning, 1988). In view of these limitations, researchers formulated theoretical models based on the behavioural approach. For example, Johanson and Vahlne, (1977) found that firm internationalisation is a gradual incremental process consisting of a series of stages of increasing involvement in international operations as the company gains international experience. However, critics refer to the incremental, small-steps characteristic of these (stage) models as being contrary to the high number of SMEs that go global immediately after inception (Turnbull, 1985).

Johanson and Mattsson (1988) therefore adopted the industrial network concept to propound a more externally focused view of firm's internationalisation which suggests that internationalisation depends on the use of relationships with other partners and on other environmental determinants. However, Johanson and Mattsson (1988) network theory is criticised because in the context of SMEs, entrepreneurs normally lack established business ties and may also not be part of a structured international business network (Aldrich and Zimmer, 1986).

Due to the realisation that relations and networks are essential for understanding SME internationalisation, some researchers have conducted studies based on individual social networks (Shaw, 1997; Ellis 2000; Yli-Renko et al, 2002). The growing attention to social network theory in internationalisation studies is supported by the growing interest in the role of resources needed for internationalisation. The resource dependence approach suggests the need for co-operative ties such as horizontal alliances and vertical integration to help reduce uncertainty and manage dependence (Heide, 1994; Pfeffer and Salancik, 1978; Burt, 1983). Critics however, claim that the approach offers only limited insight with regards to the specific mechanisms that entrepreneurs use in governing relationships other than global strategic approaches like contracting and joint ventures (Heide, 1994; Hakansson and Snehota, 1995). Hence recently there has been an interest in the entrepreneurial approach.

Two schools of thought have evolved within the International Entrepreneurship literature. Whilst the first group (e.g. Oviatt and McDougall, 1994) uses theoretical frameworks to define and describe how international new ventures (INVs) conform to the theory of MNEs, the second group of study (e.g. Ibeh and Young, 2001) analyses

internationalisation based on Schumpeter's (1942) definition of entrepreneurship and entrepreneurial characteristics. Ibeh and Young (2001) found that firms that possess an entrepreneurial orientation are more likely to exhibit positive export behaviour even though they face disincentives in their domestic environments.

Given that entrepreneurial competencies include the ability to build and deploy networks and relationships to facilitate resource acquisition, the role of trust is therefore a key determinant of SME internationalisation. Child and Rodrigues (2007) found that in order for SMEs to penetrate the Brazilian market, trust-based relationships were of paramount importance in the process.

In conclusion, it could be argued that significant progress has been achieved in the explanation and causes of SMEs internationalisation. Nonetheless, much remains to be done particularly in the role of trust in internationalisation. Child and Rodrigues (2007:52) reiterate that the study of trust in firms engaged in international business is a relatively recent phenomenon and "its role in the internationalisation of SMEs deserves further investigation". Therefore this research responds to this call by investigating the role of trust in SME internationalisation in an African context.

1.6 Theoretical Approaches of the Study

The study of trust in SME internationalisation is grounded in a number of complementary meta-theoretical perspectives drawn from organisation studies, regional studies, economics, sociology and international business. However, this study recognises that SME internationalisation is a complex process during which the entrepreneur draws on his/her embeddedness to access resources needed to enhance the process. In the process entrepreneurs draw on institutions to build, use, and perceive violations and repair trust in relationships to facilitate internationalisation. In this regard this study draws mostly on three theories: Institutional Theory, Entrepreneurship Theory and Internationalisation Theory.

1.7 Methodological Approaches of the Study

From a philosophical point of view this study uses an interpretivism approach. The empirical study involved a case study of 24 exporting SMEs purposefully selected from

Ghana to explore and understand the processes involved in the role of trust in the internationalisation process. Documentary evidence, direct observations and repeated semi-structured interviews that aimed to investigate critical incidents were used with respondents and key informants over a period of two years. Thematic analysis was used to organise the data and to gain insights into meanings of SME owners/managers' decisions (Braun and Clarke, 2006). The analysis also utilised in-case and cross-case analysis to link the chain of evidence based on similarities and contrasts in exporting SMEs' inter-firm relationships in both West African and intercontinental markets. The key findings are presented in word tables, case studies and quotes throughout the empirical chapters.

1.8 Contributions

This study refutes some aspects of entrepreneurship and network literature whilst confirming others and therefore makes contributions to theory, practice and policy. By showing how entrepreneurial strategy formulation is embedded and enmeshed in family/kinship, religion, chieftaincy and *efiewura* (agent) system, as well as relationships with customers, suppliers, and facilitators this study departs from most prior studies that had mostly focused on the individualistic, heroic entrepreneur and underestimated the relevance of networking which is fundamentally important to SME internationalisation and the entrepreneurial process in general (Drakopoulou Dodd and Anderson, 2007).

With regards to the debate on the role of network ties in internationalisation, the empirical evidence shows that entrepreneurs relied on personalised and working relationships with customers, suppliers and facilitators but not with family members. This study provides evidence that the 'burden of social relations' encouraged entrepreneurs to seek closer collaboration away from their family members and kinsmen. This research finding though reinforcing prior studies on the contradictions and conflicts between family cultures and business cultures (Burns, 2011), also highlights that the role of the extended family in business can be contested particularly in contexts where there are obligations to family members.

While it is undoubtedly found that formal institutions facilitate entrepreneurship (e.g. Amin and Thrift, 1994; Smallbone and Welter, 2001) this study reveals that in Ghana and in West African countries their role may be minimal. The findings of the study therefore

contributes to the literature by showing that in Ghana, flexible non-legal contracts such as oral contracts between the parties underpinned by informal personalised relationships based on trust are more important than legal contracts in enhancing economic activity.

Furthermore, this study contributes to knowledge by showing that context impacts on trust development, use, perceived violation and repair. In Ghana where the formal institutional environment is relatively weak, entrepreneurs are more reliant on personalised trust and the use of parallel cultural and industry specific institutions as important sources of “parallel-institutionalised” trust. The norms of family/kinship, religion, industry and trade associations allowed entrepreneurs to work with exchange partners without recourse to formal contracts and the courts. The parallel institutions functioned parallel to the legal systems by filling the vacuum left by the courts which are perceived to be inefficient and corrupt.

This research contributes to the literature on trust violation by showing that the concept of violation is a social construct and culturally specific. This study shows how apparent blatant trust violations were ignored by entrepreneurs based on contextual variables such as markets, sectors, associations as well as on norms.

The study also provides a valuable contribution by showing that trust repair could originate from the victim but not necessarily from the perpetrator. There is evidence to show that in environments with perceived corrupt and unaffordable legal systems smaller business which were victims of trust violations often initiate trust repair contrary to the assumptions in the literature that trust repair is initiated by the perpetrator.

Furthermore, this study contributes to entrepreneurship and trust research by using a qualitative case study approach that drew on detailed empirical evidence to explore in depth the processes through which trust is developed, used, violated and repaired in entrepreneurial relationships in a developing economy context. Most of the current studies (e.g. Lewicki and Bunker, 1996; Dirks et al., 2009) had been mostly dominated by a rational choice perspective and based on controlled experiments, standardised surveys and theories as they adopted an acontextual approach which oversimplifies and sanitises trust research (Wright and Ehnert, 2010:108; Zaheer and Zaheer, 2006).

This study also has a number of practical and policy implications. For example, due to the influences of context on trust development, perceived trustworthiness and violation, entrepreneurs should understand the acceptable dimensions of trust and levels of trust violation in a relationship since this may vary between cultures, markets, sectors and even over time. It will also be shaped by the power relations within each relationship which in turn are shaped by the market context and the culture specific values. Specifically this study highlights the need to show cultural sensitivity when exploring the processes of collaboration. Therefore, export facilitators such as Ghana Export Promotion Authority (GEPA), United States Agency for International Development (USAID) and other donor agencies, NGOs and banks should understand the history and culture of SME networks and trade associations. The lack of understanding of context has resulted in attempts to transplant inappropriate institutions from European or North American contexts.

On policy, this thesis shows that the formal institutional environment particularly the legal system in Ghana and West Africa do not support the development of institutional trust. Therefore, there is the urgent need for governments to reform the legal system to enhance its capacity in resolving commercial disputes. Since 1983 Ghana has embarked on a number of policy interventions aimed at growing the economy. However, Ghana's current export policy does not pay much attention to the need to support export networks both domestically and internationally (Ministry of Trade, 2004; Owusu Frimpong and Mmieh, 2007). There is therefore a need for government to rethink the existing policy and incorporate support for SME networks as an integral part of export policy and interventions.

Lessons learnt from ASEAN countries such as Singapore, Malaysia, Thailand and Phillipines show that supportive policy environments that target SME networks could be a vehicle through which Ghana, West African countries and other developing economies could achieve exporting competitiveness (Organization for Small & Medium Enterprises and Regional Innovation, 2008).

1.9 Structure of this Study

This thesis has been divided into 10 chapters. Chapter 1 relates to the introduction, Chapters 2, 3 and 4 critically examine the literature and develop the conceptual framework. Chapter 5 focuses on the methodology while Chapter 6 analyses the context for the study. Chapters 7, 8 and 9 offer the findings and analysis of the thesis. Chapter 10 concludes the study. The details are as follows:

Chapter 1: Researching the Role of Trust in Exporting SME Relationships: serves as the introduction to the thesis. This chapter has discussed the background to this thesis and has outlined the aims of the study and placed these within the larger context of this research.

Chapter 2: Meta-theoretical Approaches to Entrepreneurship and Internationalisation: introduces the meta-theoretical basis of this thesis and explores the interdisciplinary and multidimensional nature of the evolution of the concepts of entrepreneurship and internationalisation. By emphasising both structure and agency (context and entrepreneur) it focuses on the relationship between entrepreneurship as a process in relation to the wider economic, social and institutional contexts.

Chapter 3: Inter-organisational Trust: builds on chapter 2 and explores the approaches and the models of the concept of trust in detail. The chapter examines the multidisciplinary nature and the complex issues in trust research and highlights the complex processes involved in the building, use, perceived violation, repair and rebuilding of trust in inter-organisational relationships.

Chapter 4: Towards A Conceptual Framework: Reviews the theoretical framework and examines how the research questions are linked to the key theories in the literature review. It also shows a visual presentation of the conceptual framework and how the key variables in this study relate to each other.

Chapter 5: Methodology: The aim of this chapter is to offer the rationale behind the choice of methodology and methods used in this research. In particular, it explains how my

philosophical assumptions inform my research approach, research strategy and research design. Issues relating to validity, generalisability and ethics are also considered.

Chapter 6 Ghana: Searching for New International Markets: Begins by examining the context for the study. The chapter establishes the rationale for choosing Ghana for the study and provides the history of pre-colonial trading relationships and institutions. It also reviews post-colonial trade and issues of SMEs internationalisation in Ghana.

Chapter 7: SME Export Relationships in the Context of Weak Legal Institutions: This chapter reports on the outcomes of the empirical study on the types of personal and working relationships that SME owner/managers in Ghana use in their exporting activities. It also examines entrepreneurial perceptions of the legal systems in Ghana, West Africa and intercontinental markets and how these perceptions shape entrepreneurial networks and relationships.

Chapter 8: Trust in Exporting SMEs Relationships: This chapter explores the different forms of trust and the processes through which trust is developed and used in exporting relationships. Furthermore, the chapter investigates how exporting SME owner/managers perceive trustworthiness in interorganisational relationships.

Chapter 9: Trust Violations and Repairs in Exporting SME Relationships This chapter builds on chapter 8 and examines processes of violation, repair and rebuilding of trust in owner/managers' domestic, West African and intercontinental trade relationships. Furthermore it considers the differences in perceptions of trust violations and finally looks at trust repair tactics.

Chapter 10: Conclusions: Summarises the main research findings and revises the theoretical model. It also draws on the evidence to highlight the theoretical, practical and policy implications. Finally it discusses the limitations of the study and offers suggestions for future research.

CHAPTER 2: META-THEORETICAL APPROACHES TO ENTREPRENEURSHIP AND INTERNATIONALISATION

2.1 Introduction

This chapter examines the extant literature on the evolution of the concept of entrepreneurship and the relationship between entrepreneurship as a process in relation to the wider economic, social and institutional contexts. This approach allows investigating both structure and agency (context and entrepreneur) and thereby helping to avert the under socialisation of entrepreneurship as postulated by many prior studies (Chell, 2007; Welter, 2011). The chapter has been divided into eight sections. Section 2.2 briefly investigates Institutional Economics approaches to entrepreneurial behaviour. It also analyses the structure-agency dilemma and shows how entrepreneurship is underpinned by the debate on varying roles of structure and agency. Section 2.3 examines New Economic Sociology and how the concepts of embeddedness, culture, norms offer explanations of entrepreneurship as a highly contextualised and socially constructed activity. Section 2.4 builds on the concept of embeddedness and investigates the concept of networks. Section 2.5 critically discusses Schumpeter and Kirzner's theories of entrepreneurship, SMEs and family business sectors. Section 2.6 reviews network approaches to firm internationalisation while Section 2.7 examines some key prior studies on SME networks and internationalisation in the context of Africa. Section 2.8 offers a summary for this chapter.

2.2 Institutional Economics

This section critically reviews institutionalist approaches and examines how they departed from classical and neoclassical approaches and as a result facilitated an understanding of entrepreneurship.

Classical and Neo-Classical Theories of the Firm

Classical and neoclassical models of the firm were based on the notion of a single-product firm, operating in an industry characterised by perfect competition in which a large number of competitor firms make the same products in the same cost conditions and all firms experience the same market demand curves. Additionally, managers as agents have rationally, clearly stated economic objectives and have perfect information. Consequently,

there is no uncertainty with regards to prices, product characteristics and competitor behaviour. Demand and supply for goods are in equilibrium and consumers and producers agree on one set of prices. The markets are assumed to exist and work perfectly based on the set of equilibrium prices (Hobbs, 1996).

However, critics argue that classical and neo-classical economic theories mostly ignore the role of the firm, as well as the rationale for its growth. The two theories discount the role of management and assume that the owner/manager does not influence the firm in any way (Hobbs, 1996). Additionally, the economic models adopt a static approach and are mostly focused on decisions related to FDI of MNEs. Furthermore, they overlook the process aspects of internationalisation (Dunning, 1988). Moreover, classical and neoclassical theories assume that the firm is able to rationally assess the benefits of both internal and external transactions and implement decisions accordingly (Dunning, 1988). Hodgson et al. (1994b:398) maintain that classical and neoclassical economists are unable to explain individual preferences, purposes or beliefs and therefore a number of key issues such as rules, cultural and social norms are implicitly or explicitly assumed.

Critics argue further that the two models do not have room for the entrepreneur's decision making with regards to product quality, price, technology and firm growth because rational managers make decisions based on perfect knowledge (Schumpeter, 1942). Kirzner (1997) corroborates that neoclassical economics diverts our attention from actual decision-making processes and also keeps us away from seeing the driving forces of the market. Baumol (1968) therefore articulates that in the neoclassical model the theoretical firm is entrepreneurless. One of the key theories that do not allow classical and neoclassical economics to accommodate entrepreneurship is the Rational Choice Theory.

Rational Choice Theory

Rational choice theory assumes that decision makers are highly intelligent with clear objectives (Misztral, 1996). They search until they are in command of a great deal of information and are knowledgeable about the possible solutions. The decision makers are then in a position to choose the best course of action which then proceeds to be implemented. Rational actors therefore are able to calculate and evaluate available

alternatives and choose the best solution which optimises the decision maker's utilities (Misztral, 1996). Based on this assumption, mainstream economists have persistently portrayed economic actors' behaviour as dictated by explicit calculation over the potential gains and losses related to specific decisions (Gambetta, 1988; Williamson, 1993). This suggests that "rational choice" strips away all distinctive features of individuality, replacing political subjects with calculating automatons. Rather than accounting for choices of a situated subject, it describes what any utility maximising chooser would do in a given situation (Hay and Wincott, 1998:952). However, Simon (1982) contends that the rational person of cognitive psychology goes about making his or her decisions in a way that is procedurally reasonable in the light of available knowledge and means of computation.

With regards to entrepreneurship, it has been argued that entrepreneurs are not always rational actors in their decision-making and in their search for opportunities or resources (Baron 1998; Mitchell et.al, 2004). Academics have demonstrated that under certain circumstances for example, heuristics and biases in strategic decision-making influence entrepreneurs to develop and use non-rational modes of thinking (Busenitz and Barney, 1997). This is in stark contrast to the assumptions of the classical and neoclassical economic models.

Old and New Institutional Economics

Prominent among scholars who criticised neoclassical economics approaches were Karl Marx, Thorstein Veblen and Joseph Schumpeter (Hodgson et al. 1994a; Chang, 2002). To these critics, markets were seen as patterned human behaviour based on the social, economic and political institutions that relate to people's daily life (Hodgson et al, 1994a). Basically, institutionalists assert that the type of institutions and their quality influence how the members of a community attain their economic aspirations and, ultimately, the growth of the economy.

Institutional economics can be defined in broad terms as:

“(a) the rejection of individualistic assumptions of hedonism and exogenous preferences in favour of a more organicist conception of individual agency; (b) the rejection of an exclusive emphasis on equilibrium in favour of the idea of

cumulative causation and (c) the adoption of institutions as the main units of analysis, rather than atomistic individuals” (Hodgson et al, 1994a:377).

Old Institutional Economics (OIE) regards institutions as independent variables that are centred on cognitive and cultural explanations. Therefore, institutions are regarded as objective structures ‘out there’ and subjectively originating from human agency ‘in human head’ (Hodgson, 2007). Veblen (1919:239) cited in Hodgson et al. (1994a) is regarded as the pioneer of institutional economics and he defines institutions as: “settled habits of thought common to the generality of men”.

Cognition therefore is culturally specific, acquired through a complex culturally specific conceptual framework. Therefore culturally based social norms and rules form the background beliefs and tacit knowledge that are the key determinants of social actors’ behaviour rather than rational calculation (Hodgson, 1994). The level of analysis is based on methodological collectivism and holism which indicates that social structures, institutions and other collective phenomena should be explained in terms of the whole - institutions and organizations but not based on individuals (Hodgson, et al, 1994a). Based on its emphasis on the process of cognition and its role in decision making, it could be argued that Old Institutional Economics made room for the entrepreneur’s decision making (Hodgson et al, 1994a).

Unlike Old Institutional Economics, New Institutional Economics (NIE) regards virtually all social institutions as originating from rational individual activities (Zafirovski, 2003). NIE incorporates Transaction Costs Economics (Williamson, 1985) and its underlying assumption of bounded rationality which advocates for a rational calculative approach to interfirm relationships. This can be argued to be similar to classical and neo classical thinking. Analysis in NIE is based on methodological individualism an approach whereby social phenomenon is explained based on the characteristics and actions of individuals (Hodgson et al, 1994a).

North is recognised as one of the institutionalists whose more recent work has sought to modify some of the rationalist assumptions of NIE. North defines Institutions as: “the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction” (North, 1990:3). New institutional economists argue that

institutions are constraints that are devised to shape human interaction. Institutions therefore “affect the performance of the economy by their cost on exchange and performance” (North, 1990:4-5). Interestingly, Davis and North (1973) differentiate between the institutional environment and institutional arrangements. The institutional environment can be viewed as the set of fundamental political, social and legal ground rules that establishes the basis for production, exchange and distribution. This refers to the guidelines that constrain individual’s behaviour or “the rules of the game”. These include formal and explicit regulations and rules such as laws, property rights and constitutions as well as informal, mostly implicit rules such as social conventions, norms and codes of ethics all of which generally evolve from the society’s culture (North, 2005).

Institutional arrangements on the other hand, refer to the specific guidelines that have been formulated by trading partners to govern specific economic partnerships; Williamson, (1985) calls them “governance structures”. Examples include business firms, public bureaucratic bodies, long-term contracts and non-profit organisations.

The power of institutions to influence actors depends mostly on whether the members of the society internalise the norms (North, 1981). North (1990:8) argues that individuals internalise the norms and standards of behaviour through “mental constructs that can result in persistently inefficient paths”, and these are part of an institution’s informal constraints. Hence the effectiveness of institutions implies the need for some kind of sanctions for violations of rules and norms. NIE proposes also that institutions and rules such as governments, legal systems, democracy, conventions, ideologies, education, science, families, religions and morals, impact on economic actors (Zafirovski, 2003).

In spite of the significant modifications made by North to NIE, critics insist that North still regards culture, tastes, ideologies, subjective perceptions and preferences as offering supplementary rather than alternative explanations. Critics argue further that North does not consider concrete institutions such as power relations, and historical economics (Hodgson, 1993; Dugger, 1995).

In the context of this study it can be argued that entrepreneurial creation or discovery of markets and the evaluation of markets do not happen in isolation but depend on the kind of

information and knowledge required by the entrepreneur. These on the other hand are dependent on the institutional context. For example legal/regulatory systems influence the choice of governance structure, margins and the objectives of organisations (North, 1990; Berry, 1997). The institutional environment therefore impacts on the network strategies of entrepreneurs (Smallbone and Welter, 2001; Aldrich, 1999).

Institutional Thickness

Due to the relevance of institutions to economic development economic geographers have therefore drawn attention to the importance for regions to develop ‘institutional thickness’ (Amin and Thrift, 1994). Mackinnon et al. (2004:90) define institutional thickness “as the existence of high levels of trust and a shared framework of understanding between key institutions – in order to generate a pool of collective resources that supports entrepreneurship and innovation”. The concept of institutional thickness puts emphasis on regions to build extra-firm networks including institutions, such as business associations, local authorities and development agencies, to help develop a capacity for learning beyond geographical proximity (Amin and Thrift, 1994). The routine interactions that originate from between firms in such regions serve as relational assets that enable firms to adapt to the ever-changing economic environment (Storper, 1997). Commentators however suggest that proximity need not be only spatial but could also take organisational or relational forms (Amin and Cohender, 2004).

Outside Change Agents

Formal institutions and individuals acting as outside change agents could also facilitate trust building in SME exporting networks (Berry, 1997). McEvily and Zaheer (2004) refer to such individuals as network facilitators. Outside change agents could initiate and build interfirm networks and cooperation between entrepreneurs who may lack prior interfirm collaboration experience. Studies have identified a number of organisations that can play a crucial role in fostering inter-organisational trust and linkages for exporting which include: local business associations, (Klein, 1995), banks, (Becattini, 1990), training institutions (Kim and Nugent, 1993), local governments (Rabellotti, 1995), NGOs and business service organisations (Tarago, 1995) and international donors (OECD, 2000).

Structure and Agency

One scholarly debate that informs the nature of entrepreneurship revolves around structure which refers to an objective, external world and a completely voluntaristic agent or an agent that is fully determined by social structures (Giddens, 1984). Giddens (1979; 1984) argues that structure relates to ‘society’ and agency to the ‘individual’ and they are incompatible with each other prior to his theory of structuration.

Traditionally, structuralist approaches are mostly found in the works of Marx, Durkheim, and Parsons and they have explained social behaviour based on structural forces such as history, culture, institutions and social class. For example, Marx (1867) challenged the assumption of methodological individualism and exposed the existence and operation of social structures at the macro level and the underlying concept of social conflict. Marx (1867) explained that class structures serve as constraints on the ability of people to act in particular ways.

Structuralists use methodological collectivism and holism (Hodgson, et al, 1994a) and their approaches suggest that individual behaviour is mainly controlled by outside forces. In view of this, critics assert that structuralists over-socialise economic action (Granovetter, 1985).

On the contrary, proponents of the human agency approach assert that the human agent is the main actor and interpreter of social life. Hence this school of thought draws attention to the importance of interpretations of human action. These traditions are based on methodological individualism which refers to “the doctrine that all social phenomena (their structure and their change) are, in principle, explicable only in terms of individuals - their properties, goals, and beliefs” (Elster, 1982: 453).

However, it could be argued that by conflating the social upon the individual, methodological individualism ignores the key mechanisms of social influence and therefore lacks an explanation of the interaction of individual action in the context of the wider social structures. Consequently, this approach is “impelled to take the purposes and preferences of the individual as given” (Hodgson, 2007) and therefore is under-socialised (Granovetter, 1985).

In the context of this study, it could be argued that while structuralists rule out philosophies of human action and choice which are fundamental in understanding entrepreneurship (Chell, 2000), the agency school under-socialises entrepreneurship. In practice, entrepreneurs use the control of their environments to create new things or do old things in a new way (Schumpeter, 1942). Therefore it could be argued that these bipolar views if taken individually may mislead entrepreneurial thinking. For example, by ignoring structural forces, entrepreneurship risks becoming focused on the false idea of the atomistic, sometimes maverick individual and thereby scholars as well as would-be entrepreneurs may underestimate the relevance of networking and social capital which are very important to the entrepreneurial process and SME internationalisation (Drakopoulou Dodd and Anderson, 2007; Ellis, 2000). Similarly, ignoring structure or agency may lead to misplaced policies that may be focused on either the individualistic entrepreneur, hence ignoring the socio-cultural and institutional structure or the social structures. Such policies may not be as effective as those that consider both structure and agency (Drakopoulou Dodd and Anderson, 2007:347).

Structuration

One of the few theories that link quite closely to the entrepreneur-social structure dilemma is Giddens' (1984) structuration theory. Structuration refers to the duality of structure and agency. Giddens (1984) argues that structuration refers to the process whereby the knowledgeable actions of human agents become the basis for the formation of rules, practices and routines which, over space and time, become structure. Agency therefore draws upon rules and resources which become institutionalised features of society. Hence, structure depends on the activities of agency (ibid). Therefore agency is both free and constrained. Structuration theory therefore posits that there is a reciprocal relationship between social structure and human actors. Put bluntly Giddens (1984:14) concludes that 'we create society at the same time as we are created by it'.

Nevertheless, Giddens (1984) has been criticised by academics and especially by critical realists such as Bhaskar (1989), Archer (1995) and Mole and Mole (2010). They contend that structure and agency are a dualism but not a duality. Bhaskar, (1989:36) has argued that "people do not create society; for it always pre-exists them and is a necessary

condition for their activity”. Archer (1995:72) corroborates that “this is the human condition, to be born into a social context (of language, beliefs and organisation) which was not of our making”. Mole and Mole (2010) argue further that Giddens (1984) offers very little on methodology and therefore has circumscribed the methodological tools available. Giddens (1984) is also criticised by institutionalists who argue that individual agents may lack control of norms, capital resources and sanctions and therefore may be unable to change macro-level social structures.

Actor Network Theory

Another theory that can be used to bridge the structure-agency dichotomy is actor-network theory (ANT) (Latour, 1987; Law, 1992; McClean and Hassard, 2003). Actor-network theory suggests that actors (agents) are also networks (structures). It explains that entrepreneurs are able to embark on new venture creation because of their ability to build heterogeneous networks involving materials and people that enable them to act as centres of action and control. The dominance of structure or agency is dependent on the length and strength of the networks. In this regard actor network theory encompasses issues of governance. Though similar to Giddens’ structuration theory, actor network theory has been preferred in the study of entrepreneurship since it closely reflects the Penrosian (Penrose, 1959) view of the firm that suggests that the firm is a bundle of different resources including interactions between material as well as human resources (Pozzebon, 2003). Managers coordinate these resources but are also constrained and enabled by the resources; managers’ perceptions of external opportunities and threats are shaped by these interactions (Penrose, 1959; Best and Gamsey, 1999). Though specifically developed to deal with issues of technological development, for the purpose of this study I draw on elements of actor-network theory in case studies of exporting SMEs to explain trust processes of exporting SMEs and the dominant roles of owner/managers in the development, use, violation, repairing and rebuilding trust in inter-organisational relationships.

To sum up, this section shows that institutionalist approaches depart from most classical and neo-classical economic assumptions and suggests that entrepreneurship and the enterprise strategies adopted in any country are heavily determined by the external environment in general, and the institutional context in particular (North, 1990; Peng and

Heath, 1996; Peng, 2000; Welter and Smallbone, 2003). This study draws on Institutional Theory to examine how the institutional environment impacts on exporting owner/managers' trusting behaviour and perceived trustworthiness in interorganisational relationships in Ghana. This section also suggests that while structuralists over-socialise entrepreneurship, the proponents of the agency school under-socialise entrepreneurship. Therefore in this study, I will draw on elements of actor-network theory in exploring how to address the prevailing imbalance in the literature by investigating how entrepreneurs' creation or discovery of entrepreneurial opportunities are embedded and enmeshed in institutional environments (Granovetter, 1985; Pozzebon, 2004, Johanson and Valhne 2003). However, it must be admitted that, conceptually, there are challenges in locating the entrepreneur in the social structures. Therefore the next section explores the tenets of New Economic Sociology to demonstrate how the concepts of embeddedness, culture, norms and cognition help to explain the complex relationship existing between the entrepreneur and the social structures.

2.3 New Economic Sociology and Sociological Institutionalism

Broadly, sociological approaches challenge the neoclassical assumptions of the rational maximising individual and also challenge mainstream economic approaches on the study of markets (Lie, 1997). In short, sociological approaches assert that firms are not atomistic but rather are embedded in institutional contexts. Among the contentious issues that separate sociological institutionalism from economic institutionalism are the roles of culture, norms, cognition and social structures (Zucker, 1977; North, 1990; Granovetter, 1985). These will be discussed in this section.

New Economic Sociology (NES) posits that firms are embedded actors in social and business networks, therefore a firm's growth and development are based on broader relationships and linkages (Granovetter 1985; Thorelli, 1986; Johannisson, 1998). NES therefore refutes the neoclassical economic assertion that the firm is an atomistic actor governed by rational choice decision making and instead stresses that power and control struggles are important parts of markets (White 1992; 1993).

Embeddedness

Karl Polanyi's (1957:250) statement that "the human economy [...] is embedded and enmeshed in institutions, economic and non economic" forms the bedrock of the concept of embeddedness. Embeddedness implies that individuals and organisations affect and are affected by their social contexts. Uzzi (1997:22) insists that embeddedness when understood, can furnish tools for explicating not only organisational puzzles but market processes. In this study I draw on the concept of embeddedness to argue that culture influences exporting SMEs' relationships because trust processes are primarily shaped by the cultural context (Saunders et al, 2010). In view of this argument, I will investigate the role of culture in management, norms, cognition, religion, networks and the role of family in business. Arguably, the embeddedness perspective makes a unique contribution to this study by focusing attention on cultural structures and therefore helping to avoid the under-socialisation or over-socialisation of economic action and instead offering a balanced approach to the study of markets (Lie, 1997).

2.3.1 The Role of Culture in Entrepreneurship

The role of culture in economic life is an area of key interest to Sociological Institutionalists (Swedberg, 1991). Sociological Institutionalists such as Scott (1995) and Kostova (1997:180) 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. Hofstede and Hofstede (2005: 36) articulate 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".

Culturally, the socialisation begins in the environment where a child is brought up such as a family, at school and also at work (Hofstede, 1984). The mental model is composed of shared characteristics such as attitudes, behaviours, values, beliefs and norms that are formed through socialisation over a period of years within a culture, leading to development of comparatively predictable responses to social situations that are common to a group of people. These shape social and economic relationships (Morrison, 2000). In this way, culture determines how members of a society think and feel to a large degree,

and directs their actions and defines their outlook on life (Haralambos, Holborn and Heald, 2000:3).

Hofstede (1980; 1991) offers a framework based on five dimensions to differentiate between cultures and how they impact on entry modes and interfirm networks: power distance, individualism-collectivism, masculinity-femininity and long-term versus short-term orientation and uncertainty avoidance. Power distance demonstrates the level of power between the lowest in society and the most powerful and how this position is accepted. Individualism reflects how decisions are made; a strong, integrated group mentality involving unyielding loyalty and unquestioning authority, or on the other hand, a very individualistic oriented mentality. Masculinity refers to the extent to which masculine values such as competition, assertiveness and success are emphasised when compared with feminine values such as quality of life, and warm personal relationships. Uncertainty avoidance reflects how society deals with ambiguity and shows how members of a society may either feel comfortable or otherwise in situations that are not structured in a way that is familiar to members of the society. Long-term orientation is characterised by attributes such as thrift and perseverance which are two key values whilst short-term orientation individuals may put emphasis on respect for tradition and social obligations. Undoubtedly, Hofstede's (1980; 1991) study offers useful insights into the impact of culture on international business and management processes. However, the key limitation of Hofstede's thesis originates from what Jackson (2004:8) calls "the lack of cross-cultural insight and model building".

In contrast to Hofstede's (1980) congruence approach, Dietz et al. (2010) refer to the multiple interacting cultural spheres based on multiple cultural memberships that arise from different social identities. Their theory suggests that there is a need to go beyond the assumption of the universal, dominant ethnic or national conceptions of cultures. Chao and Moon (2005) even go a step further by categorising the complex 'mosaic' of different cultural identities into three groups: 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, employer, industry,

professional group, education or hobbies). In each of these identities, there are sets of common beliefs and norms that shape entrepreneurial behaviour.

The Role of Norms

Elster (1989a) posited that rational choice theory could not encapsulate all aspects of social action and therefore suggested that social norms might be the source of motivation and the possibility that trust originated from honour, norms of reciprocity and cooperation. However, Coleman (1990:243) argues that social norms specify what actions are regarded by a set of persons as “proper or correct, or improper and incorrect”. Rational actors therefore take the costs and benefits associated with such norms when exercising choice (Coleman, 1987). However, cognitive and normative institutionalists such as Zucker (1977) and Scott, (1995) corroborate Elster’s (1989a) stance and argue that norms are informal institutions involving enforcement mechanisms that are built around culture: traditions, customs, moral values, religious beliefs, social conventions and generally accepted ways of doing things.

A key premise of institutionalist approaches is that individuals may also internalise norms and thereby behave morally to avoid guilt and shame. Internalisation in most cases leads to norms becoming habitual (Platteau, 1994:765-6). Human behaviour therefore comprises a mixture of both self interest (rationality) and social norms (emotions) (Elster, 1989; Misztal, 1996). Norms are usually accompanied by potential rewards for compliance and sanctions for violations. However, not all norms are desirable since strong reciprocity in a group may lead to hostility or aggression towards non-members. Socio-cultural norms also develop over time and may differ across groups and cultures (Fukuyama, 1999).

Basically, culture serves as a vehicle through which the cultural norms, attitudes, values, basic beliefs and deep assumptions as well as artefacts are brought into the firm. Thus, cultural norms impact on economic behaviour in industry sectors, firms and individual business relationship or to each separate transaction (Scherer 1980). The role of culture on economic behaviour could be understood because the cognitive filters or frames and inferential sets that actors utilise in the selection and interpretation of information come from the cultural environment (Kostova, 1997; Gibson et al., 2009). In this regard it could be understood that the institutional environment and particularly its impact on trust is a

significant factor that moderates the way SME owner/managers perceive the potential benefits of interfirm networks (Brunnetto and Farr-Wharton, 2007).

The Role of Cognition on Economic Life

Another proposition of sociological institutionalism is the role of cognition on economic action. Culture influences the priority that economic actors give to different information and the propensity to process information through the cognitive filters (Gibson, et al, 2009:50-52) which impacts on values. Values have been defined as “global beliefs about behavioural processes” (Connor and Becker, 1975:551). Value has also been defined as “a type of belief, centrally located in one’s total belief system, about how one ought or ought not to behave, or about some end-state of existence worth or not worth attaining” (Snow et al, 1996:124). Values are therefore abstract ideals that could be positive or negative, representing an individual’s belief system about ideals in modes of conduct (ibid). In other words, values are socially accepted desires or acceptable ways of living that are learned and therefore have cognitive significance. Values often underline attitudes which are regarded as internal states that express, overtly or covertly, positive or negative evaluative responses to an object, person or condition (Snow et al., 1996).

In the context of this study values refer to both the social and economic interests of owner/managers and their business goals (Aronoff and Ward, 2000). Consequently, cultural values have been found to impact on the individual’s decision to become an entrepreneur (Guiso et al, 2003). Fundamentally, entrepreneurial decisions and actions result from processing information and perceptions before judging the potential for value creation and of realising a return from the imagined venture (Chell, 2007). Notably, the founder’s beliefs and values determine the vision, mission, goals and therefore strategy of the firm (Burns, 2011). Entrepreneurs in different cultures may therefore differ in their interpretations of entrepreneurial opportunities since entrepreneurial behaviour is characterised by elements of the social environment through entrepreneurial attitudes, values and motivations (Schumpeter, 1934; Snow et al. 1996). Conversely, shared cultural values may serve as common ground for exchange partners and key stakeholders and therefore facilitate inter-organisational networks and trust.

This thesis therefore responds to the call of academics (e.g. Tillmar 2006; Jackson et al, 2008) for a study on the influence of culture on business and particularly how cultural elements may shape the development and role of trust in inter-organisational relationships among SMEs.

Role of Colonialism

Colonialism as a cultural form has also been found to influence entrepreneurial networking. In their study of entrepreneurs in Cyprus, England and Greece, Georgiou et al (2011) argued that even though there are assumptions that Cyprus shares a similar culture with Greece, the behaviour of Cypriot managers differed from their Greek compatriots due to the influences of British colonialism.

Role of Religion in Entrepreneurship

Historically, Weber's (1904) work established that there is a relationship between religion (Christianity) and the development of Western Capitalism. His study indicated that religious doctrine formed the bedrock of cultural legitimation that shaped the economic behaviour of individuals and in aggregation resulted in the rise of capitalism. Religious values influence both the environment and the entrepreneurial event (Dana, 2010). Nonetheless, scholars have identified that the relationship between religion and entrepreneurship is complex (e.g. Drakopoulou Dodd and Seaman, 1998).

At the individual level, religion impacts on entrepreneurship in areas including the psychological state of the embedded entrepreneur, decision making with regards to ethics, strategy, leadership styles, networking and perhaps performance (Vinten, 2000; Worden, 2005:227; Drakopoulou-Dodd and Gotsis, 2007). Religion has the capacity to enrich strategic leadership by influencing strategic choice, leadership values, charisma, leadership vision, credibility and ethics (Worden, 2005:227; Angelidis and Ibrahim, 2004). Academics have particularly emphasised that religious beliefs would inform entrepreneurs' ethical stance (e.g Dana, 2010). The influence of religious metaphor, personal belief systems and values on business is also well documented (Vinten, 2000; Burns, 2011). Vinten (2000) argues that business concepts such as visions and missions are derived from religion; Business strategy is therefore informed by the religious background of the entrepreneur since spiritual values of the entrepreneur and business

values are often related. Religion also shapes the nature of entrepreneurial networks (Drakopoulou Dodd and Gotsis, 2007; Dana, 2010).

At the macro level, religion impacts on structures such as national cultures which may in turn influence the behaviour of groups including entrepreneurs. For example, the social desirability of entrepreneurship and the propensity to become an entrepreneur have been found to differ among people with different cultural values and from different religions (Drakopoulou Dodd and Gotsis, 2007; Dana, 2010).

Dana (2010) explains that religious value orientations shape the propensity to become an entrepreneur, for example, religious values that encourage thrift and productive investment, honesty in economic exchanges, experimentation and risk taking would enhance entrepreneurship. Furthermore, religious values create needs and therefore provide opportunities for entrepreneurship (for example, through observations of religious rites and provision of religious products such as halal foods in Islam). Nonetheless, religion may also constrain entrepreneurial spirit. Drakopoulou Dodd and Seaman (2001) puts it aptly that since religion provides its followers with their belief systems and hence the faith by which to live, believers' economic activities will be strongly influenced by their religions. In this regard, researchers have identified that religions like Christianity, Judaism, Buddhism are most conducive to capitalism while Islam is less conducive (Zingales, 2006; Luihto, 1996). However, the assertion that Islam constrains entrepreneurship is contested by scholars such as Badawi (2006).

For the purpose of this thesis, I examine how religious values, norms and metaphors shape entrepreneurial strategy with regards to entrepreneurial networks, friendships and whom to trust. Particularly, I examine how religious norms facilitate bridging the "psychic distance". Psychic distance refers to the geographic, economic and mostly the socio-cultural differences between the firm's home country and the foreign country (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Child et al, 2002). This will be explored further in networks and internationalisation (section 2.6).

2.4 Networks

Research on culture and organisations often focus on the effect of culture on the organisation itself. Culture also affects the nature of networks and trust based inter-

organisational relationships. Curran et al. (1995) suggest that networks are also primarily cultural phenomenon based on sets of meanings, norms and expectations; cultural forms and processes therefore influence the processes and the nature of entrepreneurial networking.

The network paradigm is significant because it refutes the neoclassical economic assertions that the firm is an atomistic actor governed by rational choice decision making and instead stresses that firm growth and development is based on broader relationships and linkages (Granovetter, 1985; Thorelli, 1986; Johannisson, 1998).

Networks can be conceptualised as the organised systems of relationships with an external environment (Donckels and Lambrecht, 1995). Easton (2002) suggests that there are three different groups of definitions of networks. Definitions in one group (e.g. Hakansson et al., 1989; Ghauri and Prasad, 1995) explain that a network could simply refer to a relationship between two organisations. For example, in their definition of a network, Ghauri and Prasad, (1995) illustrated that if firm A has a relationship with firm B, B with C, C with D and so on, a simple linear chain of connections exists between the firms. On the contrary if firm C is linked to firm A, and firm D is linked to B and perhaps to A, then the result is a complex network of relationships.

Easton (2002) identifies a second set of definitions that describe the bonds or social relationships between organizations that are loosely connected. Easton suggests again that a third group of definitions relate to the exchange dimensions in two or more organizations that are connected. The implication is that the different groups of definitions demand different levels of analysis. Whilst analysis in the first group involves both the exchange and the social dimensions of inter-organisational relationships, the second group involves loose organisations that may not be linked with business transactions, and the third group of definitions is focused only on exchange relationship. This study adopts the first group of definition since by networks I refer to both the social and exchange relationships of actors.

Networks could also refer to groups of firms that cooperate on a joint development project complementing each other and specialising in order to overcome common problems, achieve collective efficiency and penetrate markets beyond their individual reach (UNIDO,

2000). Factors that facilitate the strengthening of relationships in networks are mutual orientation, trust or bonds, investment in the relationship and dependency (Easton, 2002).

Hakansson et al., (1989) have explained that inter-firm network relationships are based on both personal and organisational relationships. Personal networks comprise relations between two individuals whilst inter-organisational networks consist of autonomous organisations. However, inter-firm collaborations often originate from previously established networks of personal, informal relationships.

The Strength of Weak Ties

Granovetter's (1985) seminal work built on the embeddedness concept to argue that economic activities are embedded in networks of social and structural relationships contrary to the atomistic assumptions of neoclassical economics theory (Lie, 1997). The main assumption of the embeddedness approach is that economic relations and institutions are sustained by social networks built on kinship, friendship, trust or goodwill. Granovetter (1985:491) argued that "networks of social relations...penetrate irregularly and in different degrees... different sectors in economic life". According to Granovetter (1973), the resource capability or new information available to the firm in collaboration depends on the strength of the relationships. Strength refers to "a combination of the amount of time, the emotional intensity, the intimacy and the reciprocal services that characterize the tie" (Granovetter, 1973:1361). Strong ties refer to the bonds between similar and mutually connected people through frequent contacts that allow the network partners to share crucial and confidential information. Strong ties involve a strong degree of trust and emotional closeness and therefore serve as a shelter that protects entrepreneurs from opportunism and uncertainty that are possible in market-based transactions (Granovetter, 1985). The social embeddedness of economic activities suggests that in a socially developed network the friendship and the strong personal ties developed between firms is beneficial due to the loyalty and involvement. In Granovetter's (1973; 1985) proposition "weak ties" refers to links between friends, acquaintances, and the less frequent contacts between people in different work situations. Weak ties serve as local bridges linking parts of the network and could be the most likely sources of new and different information. "weak ties" may be cheaper to maintain than "strong ties".

However, there is a debate in the literature with regards to the benefits of strong versus weak ties. For example, Bruderl and Preisendorfer (1998) conducted a large scale survey of more than 1600 German firms to investigate which of the two ties was more critical to firm survival. The study proxied strong ties as self-reports of receiving support from friends and family. Weak ties were also proxied as support from business partners and acquaintances. Assumptions were made about the weakness of the ties. The findings indicated that strong ties had a positive impact on business survival while weak ties were a poor predictor of performance.

Based on Granovetter's ideas of embeddedness, some scholars regard entrepreneurship as a contextualised process. For example, Jack and Anderson (2002:467) argue that embeddedness refers to the "mechanism whereby an entrepreneur becomes part of the [...] structure [...] in some instances being embedded actually creates opportunities". Bowey and Easton (2007) indicates that the embeddedness approach offers a much broader understanding of how entrepreneurs are influenced by their contexts through social structure, culture and cognition in their attempt to embark on the venturing process.

Structural Holes

Burt's (1992) theory of structural holes suggests a similar process of information benefits. Burt (1983, 1992) conceptualises and operationalises structural holes to show that by bridging structural holes, actors can profit from establishing ties that bridge these otherwise unconnected actors. Information benefits derived from a relationship that is weak or strong will depend on whether there is a bridge over a structural hole (ibid). Redundant contacts lead to the same people and consequently offer the same information benefits because each person knows what the other people know. Therefore important contacts are those that are non-redundant. Information benefits involve two issues, namely: legitimacy and trust. When information "comes from someone inside the decision making process who can speak to our virtue" (Burt, 1992: 63), legitimacy is assured. Trust is derived from the "confidence in the information and the care with which contacts looks out for our interests". Burt (1992) explains that trust is critical when the arena is imperfectly competitive. In such instances we depend on our personal contacts whilst the system can

be trusted in a perfectly competitive arena. Ellis (2000) amplifies that the question is not whether to trust, but whom to trust.

However, critics argue that Burt (1983,1992) seems to portray a rational actor assumption in his theory of structural holes due to the ability of the actor to deliberately manipulate and choose the ties that will maximise gains (Steier and Greenwood, 2000).

In the context of entrepreneurship the concept of structural holes is relevant because it shows the opportunities for information benefits among firms and hence results in economic benefits and the creation of economic potentials. Hoang and Antoncic (2003) corroborated that there was the likelihood that firms occupying bridging positions within networks enjoyed advantages due to the reception of new strategically important information sooner than other firms that do not occupy bridging positions in the network.

Social Capital

Some academics draw on the rational view to regard social capital in terms of resources which may be accessible through a firm's participation in networks (e.g. Coleman, 1988). While others (e.g. Burt, 1997) draw on the social behavioural approach to regard it in terms of the quality of relationships which constitute network membership. Nonetheless, social capital researchers agree that trust facilitates the reduction of uncertainty and opportunism in inter-organisational exchanges and facilitates the elimination of the need for contracts among actors in a network based on experience (e.g. Nooteboom, et al, 1997).

There is no single definition of social capital (Rodrigues and Child, 2012). However, some scholars regard the links between social relations such as ethnic, religious, and community groupings as social capital (e.g Putnam, 1993:3). Others such as Rodrigues and Child (2012:25) define social capital as social relationships that confer an actual or potential benefit. The concept of trust is central to the study of social capital (Putnam, 1993; Child and Rodrigues, 2012).

Putnam (2000) refers to the bridging and bonding typology. Bridging refers to social capital based on networks that are "outward-looking and encompass people across divers social cleavages" whilst "bonding" refers to social capital based on inward-looking

networks that tend to reinforce exclusive identities and homogeneous groups” (Putnam, 2000:22). Basically bonding social capital links people who are similar, such as kinsmen, together while bridging social capital links groups of people who are different together. However, in extreme cases “superglued” networks (excessive bonding) based on aggressive exclusion could be harmful to society (Putnam, 2000:21). Social capital therefore offers both positive and negative benefits.

Social capital affects entrepreneurship (Granovetter, 1985; Thorelli, 1992; Johannisson, 1995; Aldrich and Zimmer, 1985; Burns, 2011). Notably, the shared attitudes and beliefs in the community promote ties and trust between the individuals in the community. The bonding networks between entrepreneurs provide resources, likewise the bridging networks between civil servants and entrepreneurs locally provide support to the entrepreneurs (Berggren and Silver, 2009). Social capital theorists suggest further that firms create and are embedded in a web of relationships which may give them access to different forms of resources and opportunities (Ferrary and Granovetter, 2009).

Nonetheless, the social capital approach has also attracted harsh criticisms. For example, Fine and Green (2000) explain that the criticisms of the approach relate to the underlying assumption of methodological individualism that reduces the social to the individual. Also Schuller et al. (2000) in their criticisms insist that social capital is not intelligible because it is based on too many diverse definitions and it is used to investigate too many social issues and hence cannot be taken seriously. The approach, he insists, also presents challenges in measurements due to the diverse definitions and its reliance on proxies as indicators. Nee and Ingram (1998) also contend that by focusing on personal relationships, the embeddedness approach will introduce an element of indeterminacy into economic sociology as a programme that offers explanatory research. In this study I draw on the social behavioural view to focus on the processes whereby SME owner/managers develop and build trust in their export relationships.

This section has examined New Economic Sociological propositions that suggest that entrepreneurship is socially embedded and as such entrepreneurs may depend on cultural

institutions to build trust and cooperation (Granovetter, 1985; Johannison and Peterson, 1984).

2.5 Entrepreneurship, Small Medium Enterprises (SMEs) and Family Business

This section discusses Schumpeter's (1934; 1942) entrepreneurial theory, Kirzner's theory of entrepreneurship and the link between entrepreneurship and smaller businesses in an attempt to explain how SME internationalisation can be regarded as an entrepreneurial activity.

Schumpeter's Theory of Entrepreneurship

Schumpeter (1934, 1942) rejected the neo-classical economics assumptions of equilibrium and individualistic 'economic man' and posited that innovation and entrepreneurship resulted in economic change and evolution. Schumpeter's theory regards entrepreneurship as a force of creative destruction whereby new firms with entrepreneurial characteristics displace existing firms that are less innovative resulting in a higher degree of economic growth (Katsikis and Kyrgidou, 2008). Therefore an entrepreneur is a leader and a contributor to the process of creative destruction. He/she does new things or does things already being done in a new way (innovation).

Schumpeter (1934) distinguishes between five main types of innovation: introducing a good; introducing a new method of production; opening a new market; conquering a new source of raw materials and reorganising an industry in a new way. Accordingly, entrepreneurial performance involves, firstly, the ability to perceive new opportunities that cannot be proved at the moment at which action is taken. He argues further that the entrepreneur requires unusually strong will and great "personal weight" to overcome the fear of social sanctioning and the condemnation of deviants. Social sanctioning and condemnation do not only come from groups threatened by new innovations but also by those affected by even small changes in social custom. This may result from the inertia associated with the tendency for humans to resist deviating from routine, habitual and familiar ways of doing things even if a better alternative is available (Schumpeter, 1934:86).

Nonetheless, commentators argue that Schumpeter (1934, 1942) suggests a strong theory of social control and therefore determinism that comes from convention, routine, habit and social sanction (Goss, 2005). However, it could also be argued that Schumpeter (1942) indicates that such constraints are limited because entrepreneurs are prepared to be deviants based on individual motivations. Furthermore, the concept of new combinations achieved by the entrepreneur through the creation of new circumstances suggests an assumption of human behaviour based on a greater element of agency.

In this study, Schumpeter's entrepreneurial theory allows the examination of SME internationalisation as an entrepreneurial action that is embedded in a market process referred to as discovery of international market opportunities. SME internationalisation therefore involves the ability of the owner/manager to perceive new market opportunities in other countries and requires unusual strong will and great "personal weight" to overcome the fear of doing business across cultural boundaries.

Kirzner's Theory of Entrepreneurship

Kirzner became one of the most vocal critics of the neoclassical assumption of equilibrium and asserted that entrepreneurs are those who created economic change through decision-making. Kirzner's assumption of human behaviour is reflected in his definition of the pure entrepreneur as a decision maker whose entire role arises out of his alertness to hitherto unnoticed opportunities (Kirzner, 1985). Kirzner (1985) reiterates that an entrepreneur is one who perceives profit opportunities and initiates action to fill currently unsatisfied needs or to improve inefficiencies. To act means to discover opportunity under uncertainty. Kirzner's Entrepreneurial Discovery Theory is identified by three interrelated concepts: the entrepreneurial role, the role of discovery and rivalrous competition (Kirzner, 2000).

The role of discovery describes the discovery by the decision-maker of profitable opportunity ignored by others. The discovery of unknown profit opportunities or the existence of possible disaster involves natural alertness. Entrepreneurial alertness involves an attitude of receptiveness to existing opportunities that are ignored. The discovery by the entrepreneur is not a deliberate act of learning or of search but rather attributed partly to

deliberately produced information and pure chance. Rivalrous competition refers to the competition with other entrepreneurs whereby entrepreneurs seek to outdo rivals by offering the best possible deals to consumers. Kirzner (1997:48) argues further that knowledge is discovered and communicated through the process of competition. Every entrepreneurial act is regarded to be necessarily competitive and every act of competitive entry is entrepreneurial, therefore entering a market with a new idea, with a better product, with more attractive price, or with a new technique of production. He argues further that entrepreneurial activity is possible only when there are no resource monopoly obstacles to block entry (Kirzner, 1997:49). On analysis, Kirzner (1997) theorising about behaviour in the discovery process could be regarded as a unique contribution to the debate on structure and agency. However, Burzak (2002) argues that due to imperfections in financial markets not everyone can become an entrepreneur since opportunity discovery would depend on the resources possessed. Furthermore, the entrepreneur should not be the only one that should be rewarded for the entrepreneurial function since the workers who partake in production are also responsible and are equally creative (Burzak, 2002). It can also be argued that Kirzner does not address the role of institutions in fostering or inhibiting entrepreneurship (Baumol, 1990). Nonetheless, Kirzner's theory emphasises alertness to grasp realisable opportunities through rivalrous competition in entrepreneurship. For the purpose of this thesis, Kirzner's theory enables an examination of SME internationalisation as an economic action embedded in the process of discovery of market opportunities. Therefore I draw on Kirzner's theory to argue that the driving force of the internationalisation process is the entrepreneur's boldness and alertness to profit opportunities and in building networks and trust-based relationships that facilitate access to critical resources and enable cross cultural trade.

Entrepreneurship and Small Business

Entrepreneurship exists in both small and large firms however, an overlap clearly exists between entrepreneurship and the small business sector (Schumpeter, 1934, 1942). Entrepreneurial processes may result in a business start-up in the form of a small business or may take place in an existing small firm and thereby the entrepreneur will own and manage the small firm. However, it must be made clear that not all SME owners/managers are entrepreneurs (Carland, et al, 1984; Burns, 2011).

Interestingly, there is no uniformly acceptable definition of SMEs (Burns, 2011). In UK, the Bolton Report in 1971 argued that no single definition could cover all the divergent industries and therefore used eight different qualitative and quantitative criteria to define SMEs. Nonetheless, critics argue that the many definitions cause practical problems (Burns, 2011). Later, Loecher (2000) suggested that the term SME refers to a given size threshold for firms in all sectors. For example, the European Commission (1996) uses some of the following number of employees-based criteria among others for defining SMEs: 1) micro 0-9, 2) small 10-49 and 3) medium 50-249. The EC also states that any firm that has a maximum of 40 million euros annual turnover can be regarded as a SME. However, it can be argued that definitions based on financial criteria suffer from problems related to inflation and currency translation (Burns, 2011). To enhance simplicity, compatibility, and practical application, this study adopts the definition of SMEs from the Ministry of Local Government and Rural Development in Ghana that regards firms employing less than 100 people as SMEs (see section 6.5 for detailed criteria).

SMEs have distinctive characteristics that distinguish them from large firms and hence commentators argue that a small firm is not a scaled-down version of a larger firm (Burns, 2010). The four important aspects that differentiate between SMEs and the large firms are: the number of employees, size of turnover, market share and the personalised and independent management and ownership (Storey, 1994). Specifically, one of the distinctive features of SMEs is the compelling influence of the owner-manager on the activities and performance of the firm (Miesenbock, 1988). Typically, SMEs use simple systems and procedures which facilitate flexibility, immediate feedback, a short decision-making chain, better understanding and quicker response to customer needs than larger organisations (Singh and Garg, 2008). I will return to a discussion of more of the strengths of SMEs accruing from their structures in more detail in page 40-41.

SMEs are also saddled with many weaknesses when compared with large firms. The literature has identified that the number of weaknesses that arise from the characteristics of SMEs include: a lack of time, resources, technology and short-term planning perspective

(Barry and Milner, 2002). SMEs also experience difficulties in achieving economies of scale in the purchase of inputs, such as equipment, raw materials, finance, consulting services, etc. Small size also constitutes a significant hindrance to the internalization of functions such as training, market intelligence, logistics and technology innovation - all of which are at the very core of firm dynamism (Buckley, 1997; Ceglie and Dini, 1999).

On account of their common problems, small enterprises are in the best position to help each other (Best, 1998; Berry, 1997) and address shared problems related to liabilities of 'newness', 'smallness', and 'inexperience' through networks, relationships and cooperation (Wright et al., 2007; Best, 1998; Berry, 1997). Powell et al. (1996) has demonstrated that the locus of innovation does not reside in individuals or the firm but rather in the network in which the firm is embedded. Shaw (1993; 1998) therefore asserts that firms which do not formally or informally engage in the exchange of knowledge limit their knowledge base as well as constrain their ability to enter into long-term exchange relationships.

In the context of internationalisation, SMEs lack resources such as: information about targeted overseas markets, networks of distribution, networks of suppliers, knowledge of the business practices, access to markets and access to technology (Buckley, 1997). Holmlund and Kock (1998) corroborate that SMEs going international also lack resources such as personnel, hardware and capital. SMEs do not individually have the capacity to internationalise because the global market most often requires large production quantities, homogenous standards, and regular supply. The lack of the above resources constrains the development of products and services as well as the export activities of the sector. However, Ghauri et al. (2003) suggest that network organisations may offer potential solutions for export problems. Interestingly, it has been found that many SMEs prefer to remain independent and in control of their operations and hence are reluctant to cooperate with international partners (EIM, 2005) even though, to internationalise, SMEs can address liabilities of 'newness', 'smallness', and 'inexperience' through networks and relationship building (Ghauri et al, 2003; Wright et al., 2007). This usually involves managing familiar and unfamiliar relationships that may or may not be across cultures but will inevitably involve trust-based relationships (Dietz, et al., 2010).

The need for trust-based networks has become a necessity due to globalisation. Small and medium-sized enterprises (SMEs) and even micro-firms are increasingly involved in international business even though they usually lack the vital resources due to the weaknesses that arise from their characteristics. It is declared that about 25% of manufacturing SMEs in OECD countries compete in international markets and about 20% of manufacturing SMEs get between 10% and 40% of their turnover from international markets (OECD, 2004). SMEs do not only account for a significant share of exports but also import and link up to global production networks. Despite the opportunities offered by globalisation and innovations in information and communication technologies (ICTs), research indicates that SMEs may also face competition from overseas competitors. Humphrey and Schmitz (1998) confirm that industries in developing economies are exposed to increased competitive pressure due to trade liberalisation. This problem seems particularly pertinent in the context of SMEs in developing countries such as Ghana. Humphrey and Schmitz (1998) exhort that to mitigate this negative effect, firms are advised to restructure and build trust-based relations with other firms to facilitate international competitiveness even though this may not always improve performance due to limitations associated with the downside of trust-based relationships, these will be discussed in Chapter 3.

Entrepreneurship and Family Business

In this sub-section, I examine issues relating to family business. I focus on the importance, definitions and special characteristics of family business. I also investigate conflict between family culture and business culture and the role of trust and networking in family business. Family business constitutes an important form of entrepreneurship and the sector forms an important component of many economies (Morck et al, 2005; Burns, 2011). For example, family businesses represent about 70% of all businesses in the UK (Institute for Small Business Affairs, 1999) and in the European Union, they form about 85% of all businesses (Poutziouris and Chittenden, 1996).

Definitions of Family Business

There is no widely accepted definition of family business (Chrisman, et al, 2010; Burns, 2011) even though in simple terms a family business is one that is owned or controlled by a single family (Burns 2011:413). Academics and researchers have proposed many other definitions based on different criteria including family ownership, family involvement and family management (e.g. Carsrud; 1994:40; Daily and Dollinger, 1992:126; 1993:83).

Astrachan et al's (2002: 45-58) definition combines power, experience and cultural dimensions of family business. The power elements describe the family influence on ownership, governance, and management participation while the experience dimensions describe the number of generations in charge. The cultural dimensions refer to the family and business values of the firm. For the purpose of this thesis, I draw on Astrachan et al. (2002: 45-58) definition, particularly on the family and business values that shape exporting owner/managers' decisions with regards to building and using trust-based networks.

Family businesses have a number of distinctive features. Donckels and Frolich (1991:158-160) declared among others that family businesses incorporates both family and business interest and therefore can be regarded as rather inwardly directed or close family-related systems. Hence, family objectives and business strategies are inseparable thus giving rise to a more unified long-term strategy and commitment to fulfil them (Ward and Aronoff, 1994). The culture of the family also shapes the culture of the family business consequently a family can bring clear values, beliefs and a focused direction into the business (Burns, 2011:414-415). Aronoff and Ward (2000) explain that the most important contribution that a family can make to the success of a business is a commitment to values and values education. An owning family's values can give rise to vital synergies when they form the heart of the business. Strong family values shape the performance of family business in many ways including decision making, strategic planning, motivating family members and employees to work harder and also constantly challenging the business to renew and enhance conventional thinking and innovation. Ultimately, strong family values can enhance the reputation of the business, strengthen shareholders commitment to long-term goals rather than to short-term financial goals or profits.

Additionally, family businesses have distinct characteristics that provide an atmosphere of belonging and common purpose. This manifests itself in paternalistic relationships between the owner/managers and employees (Bertrand and Schoar, 2006) thus promoting trust, inspiration, motivation and commitment among employees (Tokarczyk et al, 2007).

Nonetheless, critics argue that family values can also bring a lack of professionalism, nepotism instead of meritocracy, rigidity and family conflict into the workplace (e.g. Schulze et al, 2001; Miller et al, 2009; Burns, 2011). The governance structures of family business also pose a serious liability with regards to raising external sources of financing (Claessens et al., 2002; Burns, 2011).

Burns (2011) explains that the conflicts in family business arise when family and business cultures differ. While family values emphasise loyalty based on emotion, caring and sharing, business culture is unemotional, task-orientated and based on self-interest, outward-looking rewarding performance and penalising lack of performance (p.415-416).

Interestingly, Drakopoulou-Dodd and Gotsis (2009) show that historically, the potential virtues and vices of entrepreneurship have been debated thousands of years ago. They argue that the exploitative abuse of power by entrepreneurs were among the themes of some of Jesus's teachings.

In the context of networking, Donkels and Frohlich (1991) suggest that pioneering owner/managers of family business are less network-oriented because they have fewer need for socio-economic networks and build less cooperation with other firms. However, Miller et al (2009) argue that family businesses are able to build social relationships and links due to their ability to exhibit integrity and commitment to keeping the relationships. Tokarczyk et al (2007) corroborate that family business has a strong desire for the development of customer relationships and show flexibility in decision making.

Family business boasts of abundance of trust (Burns, 2011). However, since trust is idiosyncratic and therefore unique to a relationship, later generations may not trust other family members in the same way they trusted the founding members of the business (Steier, 2001a). The lack of trust in later generations may undermine the very existence of the family business due to succession problems.

In the context of internationalisation Rauch (2001) declares that due to the difficulties in enforcing contracts, the reputation of families that are known can enable them to price products at a premium relative to unknown competitors.

This thesis examines how the family norms and ethos plays out against the business agentic ethos in exporting SMEs in Ghana.

This section has examined how as agents of change, entrepreneurs' boldness and alertness to profit opportunities and ability to perceive opportunities in their creation of wealth and social value are all influenced by society. In this way, cultural values, beliefs and norms and by implication social constructionism emerges as a lense that facilitates understanding entrepreneurship (Wright and Ehnert, 2010). It has also drawn attention to relationships between entrepreneurship, the small businesses and family business. It has also highlighted the fact that SMEs characteristically have liabilities of size and other resource constraints. Therefore SMEs on their own may not be able to internationalise, hence the need to embark on interfirm cooperation through networks and relationship building in order to achieve internationalisation. The need for such cooperation and competitiveness has become more urgent in contemporary business due to the globalisation of the world economy. This section also examined the family-in-business as a form of entrepreneurship. It showed that family businesses incorporate both family culture and business culture however the inseparable nature of family objectives and business strategies may often lead to conflicts.

2.6 Networks Approach to Firm Internationalisation

This section builds on the previous sections by investigating how historical, interpersonal and inter-organisational relationships may facilitate international entrepreneurship. I particularly focus on how (trust-based) social, business and extra-firm networks provide the resources that SMEs leverage to gain access to international markets.

The term internationalisation has been defined differently by different scholars. For example, Calof and Beamish (1995:116) define internationalisation as “the process of

adapting firms' operations - strategy, structure, resources, etc to international environment". On the other hand, Welch and Luostarinen (1988:36) define internationalisation as "the process of increasing involvement in international operations". This study adopts Welch and Luostarinen's (1988) definition of internationalisation. Exporting is regarded as selling directly or indirectly to foreign buyers using the firm's own dependent outlet or through the use of a foreign-based marketing firm (Albaum et al., 2002).

In order to offer explanations for foreign investment of MNEs two schools of economic thought – classical and neo-classical economic approaches were formulated (Dunning, 1995) (see section 2.2). However, scholars reacted to the limitations of the classical and neoclassical theoretical assumptions by drawing on transaction cost economics and internalization theory to explain that foreign direct investments (FDI) and international trade (exporting) were alternative approaches to international activity for the firm (Dunning, 1995; Buckley and Ghauri, 1999). Nonetheless, Vahlne and Noedstrom (1993) suggest that the economic view is mostly useful in the establishment of single production plants during the later stages of a firm's internationalisation. The economic approaches have again been criticised due to the underlying neo-classical assumptions. Consequently, some studies have drawn on behavioural theories (e.g. Penrose, 1959) of the firm to adopt a dynamic view to firm internationalisation.

The Uppsala Internationalisation Model

The behavioural or process approach was adopted from organisational theory. This approach is premised on the behavioural man instead of the economic man. According to Buckley and Ghauri (2004), two of the best known models that have been proposed to explain the firm internationalisation in the behavioural approach are "the Uppsala Internationalisation Model (U-Model) (Johanson and Wiedersheim-Paul, 1975, 2004; Johanson and Vahlne, 1977) and Innovation-Related Models (I-Models) developed by Bilkey and Tesar (1977) Cavusgli (1980) and Reid (1981). These models are also referred to as Stage models (Ruzzier et al, 2006). For the purpose of this thesis the Uppsala Internationalisation Model (U-Model) will be critically examined.

Johanson and Vahlne (1977) studied Swedish multinational enterprises (MNEs). The study drew on Johanson and Wiedersheim-Paul (1975; 2004) stage model to investigate firm's development, gradual acquisition, integration and its use of knowledge concerning foreign markets. Johanson and Vahlne (1977) postulate that as firms become more experienced with their international operations they become willing to commit more resources to these activities; firms may therefore progress from direct exporting to setting up an overseas subsidiary. Based on these findings Johanson and Vahlne (1977) suggest that firm internationalisation is a gradual incremental process consisting of a series of stages of increasing involvement in international operations as the company gains international experience. Interestingly, they found that there is great uncertainty in the internationalisation process originating from the "psychic distance". Psychic distance particularly refers to the geographic, economic and mostly the socio-cultural differences between the firm's home country and the foreign country (Johanson and Vahlne, 1977). Cultural differences may impede information flow due to language barriers. This relates closely to the concept of embeddedness arguably because geographic proximity may foster similarities in culture which in turn may facilitate trust building and therefore cooperation (Granovetter, 1985).

However, critics refer to the incremental, small-steps characteristic of these models as being contrary to the high number of SMEs that go global ('born globals') immediately after inception (McDougall et al., 1994). Not surprisingly, scholars (e.g. Turnbull, 1979; Reid, 1981) conclude that the stages model of internationalisation is too deterministic and applicable to the early stages of internationalisation while ignoring the internationalisation process taking place in more experienced companies. Miesenbock (1988) also criticises the stage models for being theoretically vague because the criteria for differentiating between the different stages are not clear and therefore the activities of the different stages are a matter of subjective judgement. One can also argue that the models are silent on the possibility of strategic decision making on the part of entrepreneurs and managers (Reid, 1983, Andersson, 2000). The model also overlooks interdependences between different country markets. It could be argued further that the stages model downplays the role that other firms play in firm internationalisation (Andersson, 2000). In acknowledgement of the above criticisms Johanson and Vahlne,

(1990) adopted the network perspective to explain that the network approach compliments Johanson and Vahlne (1977).

Social Networks and Internationalisation

SMEs acquisition of knowledge and other resources needed to speed up exporting are often achieved through owner/managers social networks. According to Granovetter (1973) the resource capability or new information available to the firm in collaboration depends on the strength of the relationships - what Granovetter (1973) dubbed as strong and weak ties. Scholars such as Oviatt and McDougall (2005) suggest that social networks allow entrepreneurs to recognise international opportunities and thereby facilitate internationalisation. It is also less costly to maintain weak ties. Recently, Rodriques and Child (2012) have emphasised that social networks both at home and abroad can be very important for SMEs seeking to export in international markets. They contend that trust based networks can provide information, interpretation, market opportunities and some degree of protection against the risks associated with being foreign, new and small. SMEs internationalisation could also be achieved through business networks.

Business Networks and Internationalisation

A business network may comprise actors, activities and resources; the actors could refer to people, parts of organisations or groups of organisations that control resources and activities. The actors can use activities and resources in a relationship to complement each other or to compete against each other (Hakansson and Snehota, 1995). The development of strong bonds, tacit knowledge and informal control is dependent on frequent contacts between the members of the network (Jones et al. 1997). Business networks could be horizontal or vertical. In this study, horizontal networks are defined as cooperative network relationships among SMEs who want to solve a common export marketing problem, improve production efficiency, or exploit a market opportunity through resource mobilisation and sharing (Ghauri, et al, 2003:731). Through horizontal networking, SMEs which compete may be in the best position to support each other due to the commonality of the problems they share (Berry, 1997). Cooperation allows SMEs that occupy the same position in the value chain to collectively enjoy economies of scale, obtain the purchases

of inputs in bulk, enjoy optimal scale in the use of machinery as well as pool production capacities to facilitate large-scale orders (Pyke, 1992).

Kale, et al. (2000) and Powell, et al. (1996) demonstrate that joint ventures and alliances offer learning through accessing information and knowledge resources that enhance firm performance and innovation but would be difficult to access through other means. Institutional theory also suggests that firms establish alliances with firms that are larger and also have higher status to facilitate resource acquisition and legitimacy (Stuart, 2000). In the promotion of exporting, the Nicaraguan export grouping network was very successful in achieving product standardisation and better quality and therefore the group was able to penetrate markets in European Union (EU), USA, Sweden and other countries (Ceigle and Dini, 1999).

Clusters and Internationalisation

Since the 1980's academics have recognised the significant role of local and regional networks, particularly, clusters as platforms for accelerated SME internationalisation (e.g. Porter, 1998; Becattini, 2000a). Porter (1998) regards clusters as firms, industries and institutions linked together by vertical and/or horizontal relationships with the key players located in a single state or nation. Geographical proximity of firms in a region and the attendant concentration of institutions and related economic activities enhance resources flow and thereby sometimes lead to competitive advantage for the cluster as a whole.

The competitive advantage in clusters, among other things, is attributed to the growth of trust (Johannisson et al, 2002). Berry (1997) confirms that cooperation in clusters and industrial districts, wherever found, is based to some extent on family structure, cultural homogeneity and traditions, political parties, church and other ethnic and/or other forms of cultural affinity. Local government and local business associations also play an important role in the provision of support services that facilitate sharing of knowledge in the cluster. UNIDO (2000) confirms that clusters facilitate the development of specialised services with regards to technical, financial and managerial services. Taiwan and Hong Kong are examples of economies most noted for large effective clusters of SMEs. There seems to be an association between clustering and export orientation (Berry, 1997).

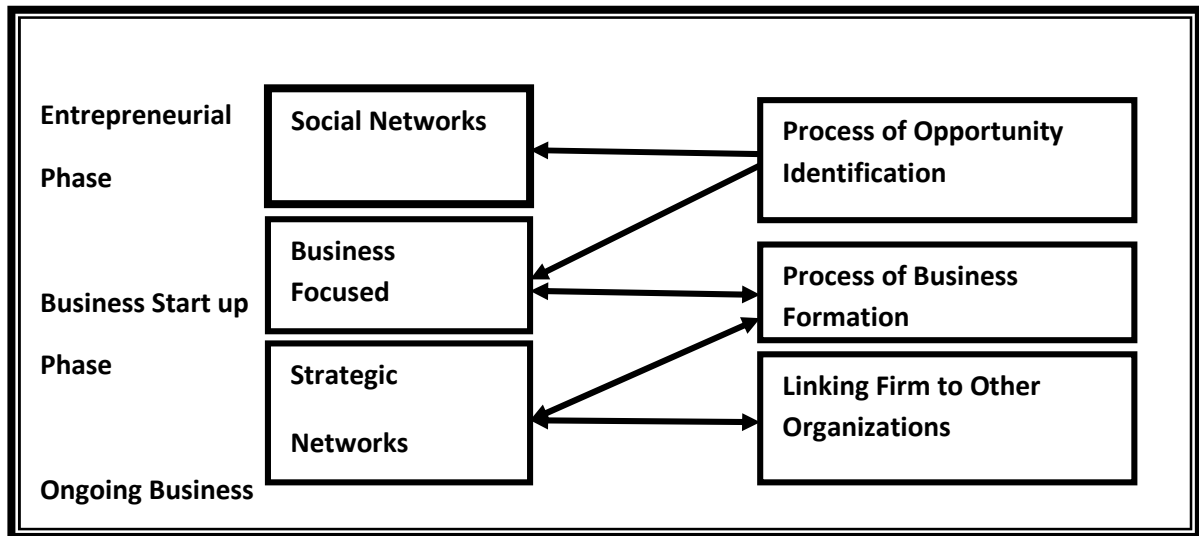
The business network approach is nevertheless criticised for its lack of close control of manufacturing operations and innovation processes in partner firms and thereby exposing firms to risk of opportunism (Robbins, 1990).

The Entrepreneurial Networks and Internationalisation

The role of entrepreneurs in the internationalisation process has led to increased interest in the newly emerged international entrepreneurial view which emphasises the role of entrepreneurs in mobilising the resources for internationalisation (Ruzzier et al., 2006). According to Barney (1991) firms achieve sustainable competitive advantage based on valuable, rare, inimitable and non-substitutable resources. However, firms must be appropriately organised in order to achieve full competitive potential from such resources. Pfeffer and Salancik (1978) and Burt (1983) suggest that resource dependence gives rise to the need for co-operative ties such as horizontal linkages and vertical integration. This approach suggests that firms establish formal and informal links with other firms to help reduce uncertainty and manage dependence (Heide, 1994). In the context of SMEs, the entrepreneur plays a crucial role in the establishment of the firm's links. Entrepreneurial networks may be developed based on membership in formal organisations, links with suppliers, customers, distributors and interpersonal linkages with acquaintances, friends, family and kin aimed at organising resources to facilitate exploiting opportunities (Drakopoulou-Dodd, 2011:75).

Butler and Hansen's (1991) model of entrepreneurial network evolution draws on Granovetter's embeddedness concept to explain that social networks provide important resources such as access to information during the initial stage or entrepreneurial phase of opportunity identification of new firms. (See figure 2.1).

Figure 2.1: A Model of Entrepreneurial Networks



Source: Adapted from Butler and Hansen (1991:3)

Notwithstanding its usefulness, Butler and Hansen's (1991) model can be criticised for the linear assumptions underpinning the model. For example, during this study it became obvious that social networks were used by entrepreneurs not only at the entrepreneurial stage but also at the start up and ongoing stages of firm development. This shows that entrepreneurial networks play a significant role at the various stages of the entrepreneurial process: from start-up and growth of a new firm, opportunity recognition, resource acquisition, the provision of information and provision of frameworks for innovation as well as the development of regional entrepreneurial environments (Drakopoulou Dodd and Anderson, 2007).

As discussed in Section 2.3.1, cultural structures also impact of entrepreneurial networking. Socio-cultural ties linked to family and kinship (strong ties) deliver a rich, timely, specific and important form of resources to the entrepreneur while weak ties gained from building friendships, socialising with people and earning their trust can be regarded as an investment in the business allowing access to new ideas and information (Granovetter, 1973; Uzzi, 1997; Drakopoulou-Dodd, 2011).

Drakopoulou-Dodd and Gotsis (2007) suggest that religious bonds also affect entrepreneurial networks due to the identification and affiliation with particular religious

grouping. Particularly, for ethnic minorities excluded from mainstream society, access to important professional advice and services may be accessed mostly through religious and ethnic groups. They explain further that this may be less important for members of a dominant religion. Dana (2010) declares that religion provides four different forms of networks to entrepreneurs: credit networks, employment networks, information networks and supply networks (p.11). It has been established that members of a particular religious faiths such as Jews, Jains, Muslims and Catholics depended on their fellow believers for credit (Dana, 2006, Dana and Dana, 2008; Galbraith, 2007). Entrepreneurs also use information networks comprising of co-religionists such as among Jews, Chinese and Muslims. Furthermore, entrepreneurs are also found to rely mostly on co-religionists for supplies. In essence, practising members of faith are more likely to build strong personal ties, friendships and trust with their fellow worshippers (Drakopoulou-Dodd and Gotsis, 2007). However, Dana (2010) intimates that entrepreneurs' recruitment from mostly members of their religion shows nepotism.

In the context of rapid internationalisation of new ventures, social networks enable firms to overcome the "psychic distance"- the constraints associated with foreignness. Vision and motivation are translated into venture and information exchange and resource acquisition from the environment are all made possible through the personal networks of the entrepreneur (Johannison, 1988)

Networks and Psychic Distance

Beckerman (1956) hypothesised the term 'psychic distance'(PD) to explain the existence of a behavioural factor that influences the ways in which suppliers in one country perceive the actual geographic or economic distance between suppliers and their customers as closer than the actual distance. He argued that the degree to which exchange partners understand a language, the existence of air transportation and the presence of prior established relations all impact on perceptions of psychic distance. The concept attracted increased interest in international business after scholars (Johanson and Weidersheim-Paul, 1975; Johanson and Vahlne, 1977) postulated the Uppsala Internationalisation Process Model.

In a multiple case-study of five Hong Kong firms that had internationalised, Child et al., (2002) conceptualised psychic distance as comprising three different forms of factors namely: distance-creating, distance-compressing, and distance-bridging factors. According to them, distance-creating factors refer to those factors that are “responsible for dissimilarity in business environments between the home country and the host countries for the investment” (p.49). They emphasise that culture and language differences in particular constitute the most important distance-creating factor. According to their model, distance-compressing factors are concerned with macro developments originating from social movements, institutional changes, globalisation and technological advances. Lastly they suggest that distance-bridging factors relate to top managers’ personal networks, based on long service and loyalty and also on previous business relationships and trust (p.50).

In their conclusion, Child et al. (2002:51) calls for studies to examine the conceptual mutuality that may exist between networking and psychic distance in the internationalisation process. It is in response to this call that this study explores the bridging factors - relationships and trust in the internationalisation process.

2.7 SME Networks and Internationalisation in the Context of Africa

SMEs dominate many sub Saharan African economies (Jackson et. al, 2008), hence entrepreneurship and SME internationalisation is particularly vibrant in the sub continent. Currently traders in sub-Saharan African countries continue to rely on networks of intermediaries, suppliers and customers based on long-term relationships; (Ghauri et al, 2003; McDade and Spring, 2005; Overa, 2006; Lyon, 2005). Entrepreneurial networking in sub-Saharan Africa is shaped by a number of socio-cultural institutions (Bowdich, 1819; Jenssen and Kristiansen, 2004; Tillmar, 2006). This may explain why cross-border trade in sub-Saharan Africa has also been dependant on pre-colonial and post-colonial institutions (Georgiou et al, 2011; Kea, 1982; Bowdich, 1819).

Thornton et al (2011) suggest that different societies draw on different cultural values to enhance economic behaviour and entrepreneurship. In the context of Africa, Jenssen and Kristiansen (2004) found that African and Asian subcultures have different preconditions

for the development of social networks, trust and skills necessary for the acquisition of resources for enterprise development. 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 organisations such as ‘tribal communities’ in solving business problems and sanctioning defaulters. Hyden (1980) refers to the economy of affection by showing how affectivity remains a part of peasant economies in Tanzania. He shows how peasants deploy ethnic and kinship networks to access resources in the midst of an autonomous economy that draws mostly on moral and cultural norms. Tillmar and Lindkvist’s (2007) study in Tanzania also shows how in the context of failed formal institutions, business owners who belonged to the same tribe resorted to tribal organisations in resolving disputes. These studies confirm that in Africa, 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).

Studies in Africa again suggest that there is a vibrant cross-border trade in sub-Saharan Africa (Brown, 1995; Fadahunsi and Rosa, 2002; Hashim and Meagher, 1999). Interestingly, 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). For example, Fadahunsi and Rosa (2002) and Hashim and Meagher (1999) show that entrepreneurs are involved in a vibrant cross-border trade between Nigeria and its neighbouring West African countries.

Given the importance of cultural institutions and trust-based networks on African SMEs, there is a need to understand how culturally specific institutions and networking practices impact on internationalisation in an African context (Jenssen and Kristiansen, 2004; Thornton et al, 2011).

2.8 Summary

The purpose of this chapter has been to investigate the extant literature on the evolution of the concept of entrepreneurship. The review indicates that neo-classical economics thinking regarded man as a rational, self-interested actor and as a result overlooked entrepreneurial discovery and therefore entrepreneurship.

Institutionalists therefore departed from classical and neo-classical thinking and asserted that institutional environment determines the incentives that drive entrepreneurship (North, 1990). Therefore there is a complex relationship between the entrepreneur and the context. Institutions such as cultural norms impact on entrepreneurial cognitive processes. The entrepreneurial process, as a result, involves the use of a variety of social and business ties that are built on trust and cooperation (Jack and Anderson, 2002; Johannisson and Peterson, 1984). Hence entrepreneurship and therefore SME internationalisation is embedded in socio-cultural relations as well as on cognition (Ellis, 2000; Scott, 1995; Kostova, 1997). Therefore economic and non-economic motives are intertwined.

The discussions of Schumpeter (1934), Kirzner (1997) also demonstrated this agency-structure dilemma and confirmed that whilst entrepreneurship emphasises individualism and independence, at the same time, entrepreneurs as individuals are dependent on the socio-cultural and institutional contexts. Therefore, entrepreneurship requires boldness and alertness to harness entrepreneurial opportunities.

This chapter also investigated the role of networks in the internationalisation process. The literature suggests that SME internationalisation is explained by the role of entrepreneurs who draw on their embeddedness in socio-cultural, economic and institutional contexts to mobilise resources for the process (McDougall and Oviatt, 1997; Granovetter, 1985). Strong ties linked to religion, family and kinship deliver a rich, timely, specific and important forms of resources to the entrepreneur while weak ties gained from building friendships, socialising with people and earning their trust can be regarded as an investment in the business due to access to new ideas and information (Granovetter, 1973; Uzzi, 1997; Drakopoulou-Dodd, 2011). Entrepreneurs' use of social, business and extra-firm networks within and across national borders provide the resources that SMEs leverage

to gain access to international markets (Berry, 1997, Child and Rodrigues, 2007). The use of networks highlights the key role of trust in SME internationalisation.

By drawing on the theories of embeddedness, entrepreneurship and internationalisation discussed in this chapter, it can be argued that SME internationalisation can be regarded as a “highly contextualised and a socially constructed activity” that may require trust as a coordination mechanism in the social and business networks that facilitate the process (Fletcher, 2004; Chell, 2007; Welter, 2011; Child and Rodrigues, 2007). Chapter 3 will follow with an analysis of the literature on how trust is developed and used, perceived to be violated and repaired in interpersonal and inter-organisational relationships.

CHAPTER 3: INTER-ORGANISATIONAL TRUST

3.1 Introduction

The previous chapter investigated the meta-theoretical bases for the study. It described SME internationalisation as a highly contextualised and socially embedded activity that may require trust as a coordination mechanism that facilitates the process. The aim of this chapter is to take a closer look at the concept of trust. The chapter is divided into eight sections. Section 3.2 discusses the need for trust in economic transactions. Section 3.3 focuses on some of the complex issues in trust research that are relevant to this study. Section 3.4 describes the different types of trust, namely personal trust and institutional trust, and how they are developed. The section also discusses how they influence the development of inter-organisational trust. This section ends by examining how trust is used and the outcomes. Section 3.5 explores trust violation. Section 3.6 examines the processes of repairing trust. Section 3.7 discusses trust research in international business while Section 3.8 offers a summary of the chapter.

3.2 The Need for Trust in Economic Transactions

Contrary to the assumptions of perfect competition underpinned by perfect information and rational decision making propounded by the neoclassical model, economic transactions involve imperfect information and therefore risks and uncertainty (Rousseau et al, 1998). Rousseau et al, (1998) posit further that risk and interdependence are two main requisite conditions. Risk is defined as “perceived probability of loss, as interpreted by a decision maker” (p.395). Risk originates from the uncertainty with regards to whether the other party has the intention and the will to act as expected. The presence of risks and uncertainty in economic transactions has given rise to the need to coordinate economic exchanges through contracts, trust or both in inter-organisational relationships (Williamson, 1975, 1985; Zucker, 1986; Rousseau et al., 1998). The interdependence implies that the interests of one party cannot be realised without relying upon the other partner (Rousseau et al., 1998). Mollering (2006) sums up the conditions required for trust building, thus: without actors, expectations, vulnerability, uncertainty, agency and social embeddedness, the problem of trust does not arise nonetheless the concept of trust is complex, slippery and fragile.

3.3 Complex and Slippery Issues in Trust Research

Trust is a complex concept because it is multi-level, multi-dimensional and also plays multiple causal roles. Consequently, valid and reliable measurements of trust still remain problematic (Churchill, 1979; Child, 2001). A review of empirical studies reveals that there is lack of consensus among researchers on a number of issues relating to trust including: multidisciplinary approaches, definitions, contexts, its relationship with contracts, the number of dimensions, operationalisations and methodologies (Raimondo 2000; Seppanen et al., 2007; Williamson, 1993). It is in view of these inherent ambiguities that Child (2001:274) declares that trust remains an under-theorised, under-researched and hence poorly understood phenomenon.

The concept of trust is based on inherent conflicts and divergent assumptions originating from diverse disciplines. Psychology (e.g. Rotter, 1971) for instance traditionally builds a view on trust by focusing on internal cognitions of trustors and trustees - in terms of the attributes but neglecting the role of the environment or contexts. Most economists regard trust as calculative (e.g. Gambetta, 1988; Williamson, 1993) and underestimate the context or institutions (North, 1990; Hodgson et al., 1994). Sociologists and Old Institutional Economists on the other hand suggest that trust is embedded in social relations (e.g. Granovetter, 1985) or in institutions (Zucker, 1986) while underestimating the role of the trusted and the trustee. This study seeks to draw on the cognitive, economic and sociological perspectives even though the sociological perspective will be the dominant approach.

Definitions

Seppanen et al. (2007) suggest that there are over 70 definitions of trust in the literature and even in studies that use similar theoretical approaches, the definitions of trust have not been necessarily similar (Rousseau, et al 1998; Raimondo 2000). In economics, Gambetta's (1988:217) widely cited definition 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". Gambetta (1988) therefore regards trust as a rational decision. Such rational choice

approaches 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.

On the contrary, Zucker (1986: 54) proposes that trust is "a set of expectations shared by all those involved in an exchange". She maintains that expectations are preconscious in nature in that they are taken for granted as part of the world known in common, until they are violated.

Other academics such as Mollering (2006) and Rousseau et al. (1998) in their definition of trust emphasise uncertainty, risks and vulnerability. Mollering (2006) defines trust as

“a reflexive process of building on reason, routine and reflexivity, suspending irreducible social vulnerability and uncertainty as if they were favourably resolved, and maintaining a state of favourable expectation towards the actions and intentions of more or less specific others”.

Rousseau et al. (1998:395) corroborate that trust is “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the behaviour of another”. In this thesis I draw on Mollering (2006), Rousseau et al. (1998) and the meaning of trust in Twi the most commonly spoken language in Ghana to adopt a working definition of trust as: ‘a belief (gyedie) that an actor places in another agent’s characteristics, ability to be leaned on, and behave or act as expected in an exchange in spite of the possibility of being let down by that partner’.

By drawing on the definitions of Mollering (2006) and Rousseau et al. (1998) I argue that entrepreneurs’ decision making with regards to building and using trust are fraught with uncertainty, risks and vulnerability and therefore calls for boldness and alertness (Schumpeter, 1934; Kirzner, 1997).

Trust and Context

The processes of building trust are affected by different contexts (Mayer et al., 1995; Rousseau et al., 1998). In the context of inter-organisational trust, context may refer to industry-specific conditions as well as cultural and institutional environments (Bachmann, 2010). Chao and Moon (2005) draw from the metaphor of a ‘mosaic’ of multiple cultural

identities to describe the many different cultures of an individual or an organisation. These cultural ‘tiles’ include nationality, ethnicity, sector/industry, organisation and profession. The various contexts arguably provide different forms of embeddedness that encourage or discourage trustworthy behaviour.

Culture impacts on trust due to its explicit and implicit impact on behaviour (Dietz et al., 2010), and the impact of multiple cultural identities makes cross-cultural trust building and maintenance challenging (Saunders et al., 2010:7). In particular, differences in culture may give rise to differences in explanations as well as attributions for behaviour and therefore misinterpretations, and conflict (Bachmann, 2010). The potential for differences accruing from exchange partners’ cultural beliefs, norms and value systems have given rise to the etic versus emic debate in trust research.

The proponents of the etic approach argue that there are universally applicable models of trust and its development whilst the emic perspective contends that people from different cultures understand and enact trust in varying ways (Dietz, et al., 2010:7-8). The etic perspective has adopted what Jackson (2004) labels the congruent approach in management studies and assumes that trust models, concepts and measures originating from research in the West could be used for studying trust in other countries. In contrast the emic approach suggests that the level, nature and meaning of trust may be different across different cultures (Dietz, et al., 2010). In this approach, cultural norms, beliefs and values are seen to impact on trust building between exchange partners from different cultures and may render the process of trust building problematic (Dyer and Chu, 2003). This problem may not be limited to national borders but may encompass interfirm relationships such as strategic alliances, joint ventures and flexible working relationships due to differences in organisational cultures (Zaheer et al., 1998). In the context of cross-cultural trade and a globalised world, country and regional specific cultural and institutional environments render the adoption of universal concepts and models untenable (Bachmann, 2010).

In the context of Africa, Tillmar’s (2006) study of preconditions for trust formation in Tanzania shows that SME owner/managers used indigenous organisations such as ‘tribal communities’ in solving business problems, sanctioning defaulters and thereby building

trust. This may not be surprising given that SMEs in Africa have less recourse to legal systems, either due to the cost of legal processes or perceptions of the legal system (Biggs and Shah, 2006). However, these issues are yet to be investigated. This study therefore heeds Zaheer and Zaheer's (2006:22) call for a 'fresh approach' and will investigate the impact of some elements of Ghanaian and West African cultures on the nature and meaning of trust whilst looking out for general patterns that may be applicable to other cultures. In brief I will marry the etic/emic approaches.

Trust and Power

Another concept that is closely associated with trust is power. Trust and power seem to work in a similar way. Both mechanisms enable social actors to establish a link between their mutual expectations with each other based on a coordination of their actions (Bachmann 2001). Therefore, trust may not be a necessary condition for cooperation (Mayer et al., 1995).

According to Bachmann (2001) the risky nature of trust implies that trust remains a fragile mechanism even if it becomes established in a relationship. Trust can be misplaced leading to significant emotional and economic consequences such as financial losses. Bachman (2001) therefore proposes that power is a more robust mechanism which even if misplaced does not entail significant losses as trust Bachmann, 2001). Nonetheless, power like trust can break down, particularly when the sanctions inherent in the violation of power cannot be enforced. In the context of inter-organisational relationships, power exists in various forms and resides in resources such as knowledge, skills, tasks, money, strategy, management, among others. Power in a network can be assessed based on a larger firm's influence on decision-making within a smaller firm with regards to pricing or investments in some situations it seems that the level of trust and the degree of cooperation depend partly on the size of the firms as well as economic power. Therefore, asymmetric trust arises when there is greater vulnerability on the part of one of the exchange members due to power and resource dependence (Pfeffer and Salancik 1978; Zaheer and Harris, 2006).

Trust versus Contracts

The economic and sociological approaches have given rise to a debate on the relationship between contracts and trust. Nonetheless, economics through the use of Transaction Cost Economics (TCE), spearheaded by Williamson (1975, 1985, 1993), perhaps provides one of the most comprehensive and most widely used theories that help to explain the relationship between contracts and trust in business relationships.

Transaction Cost Economics (TCE) defines a transaction as the transfer of property rights of goods or services between economic actors (Williamson, 1975). Williamson (1975, 1985) argues that substantial transaction cost in inter-firm relationships originates from the possibility of opportunism by any of the parties. Opportunism refers to “calculated efforts (by an exchange agent) to mislead, distort, disguise, obfuscate, or otherwise confuse an exchange party” (Williamson, 1985:47).

The presence of opportunism subjects several exchange partners to risks and uncertainty. Therefore given these “predatory tendencies”, it is important for an exchange agent to devise contractual safeguards against such opportunism (Williamson, 1993:98). Other TCE researchers e.g. Alchian and Demsetz (1972) agreed that inter-firm relations should be governed by contracts which are written agreements that monitor opportunistic behaviour of economic actors.

Originally Williamson (1975, 1985) explicitly neglected trust in Transaction Cost Economics even though he accepted that “trust is important and businessmen rely on it much more than is commonly realised” (Williamson, 1975:108). In subsequent works (e.g. Williamson 1985:405-406) he asserts that “operationalising trust has proved inordinately difficult”. Therefore he later claimed in his criticism that trust was a vague concept and therefore inappropriate in economic analysis (Williamson, 1993).

Economic sociologists (e.g. Bradach and Eccles, 1989; Nooteboom et al., 1997) however, disagree with the TCE approach and suggested that it is trust rather than contracts that enhances economic exchanges. They contend that trust economises on contract

specification, contract monitoring as well as offers material incentives for co-operation and reduces uncertainty.

One group of studies, for example Poppo and Zenger (2002) found that the increase in the general complexity of contracts led to increased trust. However, Malhotra and Murnighan (2002) assert that binding contracts that are aimed at promoting cooperative behaviour are more likely to decrease the level of trust and attitudes towards trust in collaboration. They explain that individuals do personal attributions towards trust in the absence of binding contracts. In contrast when there are binding contracts actors attribute cooperative behaviour and trust building to others. Hart (1989) corroborates that in practice, spelling out and enforcing each party's obligations in all conceivable ways is expensive and requires that the parties involved in the partnership keep on negotiating as they go along, therefore trust is required. In particular, in the context of SMEs commentators suggest that small firms often forget and ignore contracting issues and thereby cause more conflicts due to the imperfections and subjective interpretations of contracts in exporting SME interfirm relationships (Frankel et al., 1996). Therefore trust could serve as a lubricant for mitigating the inherent complexity and risks and therefore be used to cover expectations about what partner firms will do in situations that are not and cannot be explicitly stated in contracts (Arrow, 1974). Not surprisingly, the importance of legal contracts as the basis of inter-organisational relationships, particularly in entrepreneurship is found to vary between cultures (Hohmann and Welter, 2005). However, not much attention has been given to the importance of legal contracts in SME inter-organisational contexts in Africa even though this merits attention.

3.4 Types of Trust: How They are Developed and Used

The literature suggests that there are mainly two types of trust, namely: personal trust and institutional trust (e.g. Lyon and Porter 2010). In this regard, this study adopts the approach that organisational trust originates from personal trust and institutional trust.

Personal Trust

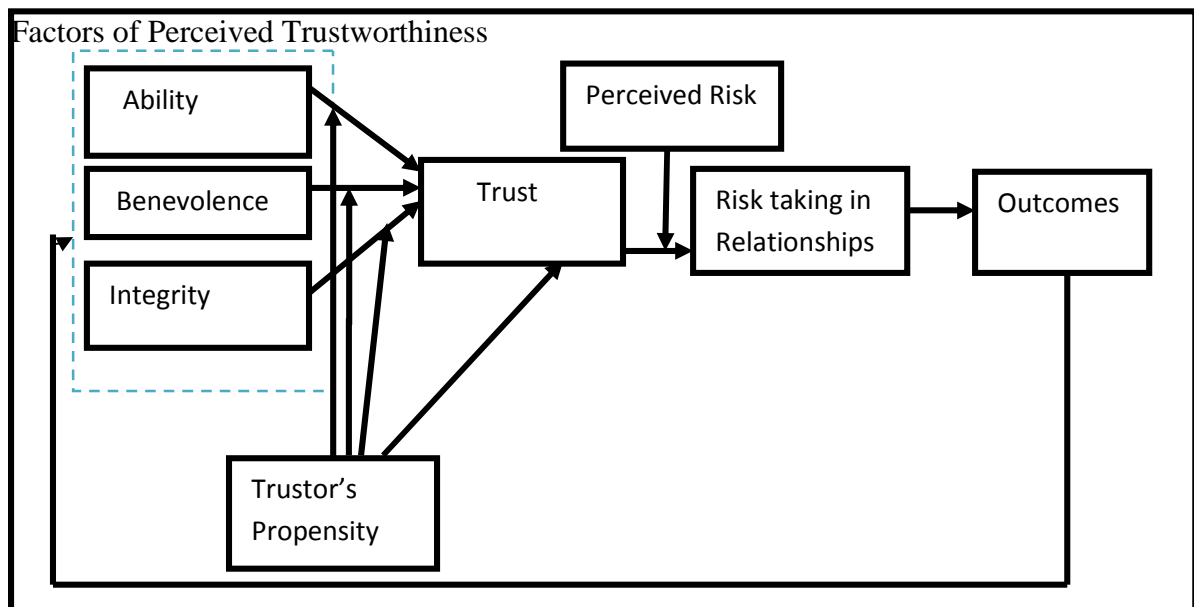
Personal trust results indirectly or by imputation from the outcomes of prior exchanges (Zucker, 1986). It is formed based on the initial knowledge of the exchange partner and

may depend on the characteristics of a group such as ethnic, kinship, social bonds and also from emotional bonds between friends, family members and other social groups (Welter and Smallbone, 2006). Social embeddedness facilitates the dissemination of information about actors in a social context (Granovetter, 1985). This information is referred to as reputation and relates to historic information about an actor's honesty, reliability or dependability. A good reputation serves as an incentive for fulfilment of obligations (Glaeser et al., 2000). Gulati et al. (2000) corroborates that reputation takes time to build but can also be destroyed quickly. As a result, social embeddedness creates strong disincentives for opportunistic behaviour. Personal trust may also emanate from organisations and from long standing bilateral business relationships involving partners of friends who assume that the partner will not abuse the trust reposed in him/her even though there may not be any explicit rules governing the relationship. These relationships are therefore governed by norms, values and codes of conduct. Personal trust becomes important in environments where formal sanctioning mechanisms are absent or fail and also where social groups such as ethnic minorities are excluded from mainstream societies in their host countries (Welter and Smallbone, 2006). In the context of this study scholars suggest that entrepreneurs need to build personal trust with key stakeholders such as customers and suppliers during market entry (e.g Aldrich, 1999). This becomes more important in societies where formal institutions are weak and as a result personal trust becomes very important for entrepreneurial success. Better interpersonal communications between firms facilitate greater opportunities for the development of economic relationship (Zucker, 1986).

One of the most widely used models that explain personal trust is Mayer et al's (1995). The model suggests that a trustor's propensity to trust and trustworthiness are the key determinants of trust. Trust is defined in the model as: "the willingness to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control the other party" (Mayer et al., 1995:712). According to this model a trustor's propensity to trust refers to "the general willingness to trust others" (Mayer et al., 1995:715). Propensity to trust originates from the differences in developmental experiences, personality types, and cultural backgrounds. Their study differentiates between trust and trustworthiness and

argues that trust would be predicted by the different factors of trustworthiness. However, their exact effect would depend on the context. Hardin (1996) suggests that it is important to differentiate between trust and perceptions of trustworthiness because trust may be shaped by other factors such as risk and not only perceived trustworthiness. Mayer et al. (1995:717) defined trustworthiness as: “the characteristics and actions of the trustee that will lead that person to be more or less trusted”. Thus trustworthiness relates to how the perceptions of the characteristics of the trustee form the basis on which the trustor becomes willing to be vulnerable while trust refers to the trustor’s intentions to be vulnerable. Perceived trustworthiness is a determinant of trust while trusting behaviour is a consequence of trust therefore these two constructs are different from the concept of trust itself. According to this model, trust originates from trustees’ perceived ability, benevolence and integrity. The three dimensions of trust are different but related. Ability is defined as the skills, competencies and the characteristics that enable a party to have influence within some specific domain. Benevolence refers to the extent of the trustee’s willingness to do good to the trustor (not be opportunistic) aside from the motivations for profit. Integrity “involves the trustor’s perception that the trustee adheres to a set of principles that the trustor finds acceptable” (Mayer et al., 1995, p.717- 719).

Figure 3.1: A Model of Interpersonal Trust



Source: Mayer et al (1995:715)

Hence integrity may depend on issues such as consistency of trustee’s credible communications, trustor’s belief in trustee’s sense of justice, and the congruence of

trustee's actions with his/her words. Figure 3.1 shows the dimensions of Mayer et al's model of interpersonal trust.

However, Mayer et al's (1995) dimensions of trustworthiness have been criticised by commentators due to the cultural emphasis on individualism that is prevalent in America and the West in general. These criticisms are informed by the debate on whether there are a range of trust dimensions that are universally applicable as assumed by the etic approach to the study of trust (Mayer et al., 1995; Saunders et al., 2010). This debate has arisen due to the adoption of the emic approach to the study of trust that suggests that the level, nature and meaning of trust may be different across different cultures (Dietz, et al., 2010). These two divergent approaches are informed by the cultural emphasis on individualism that is prevalent in America and the West in general and the emphasis on collectivism that has been found in cultures of the East and Africa (Hofstede, 1980; Triandis, 1972; 1988).

Doney et al. (1998) drew on Hofstede's dimensions to investigate how culture impacts on individual's attendance to, prioritisation and processing of trust-relevant information. They suggest that trustors from 'individualistic cultures' are more concerned with trustee's capability to honour promises than their counterparts from 'collectivist societies'. On the other hand, trustors from collectivist societies are more bothered with the trustees' predictability, motivations and endorsements from 'proof sources' such as other trusted parties or/and groups. Wang and Fulop (2007) also suggest that in Asia trustworthiness is measured based on factors such as credibility, faith and intentions. It could also be argued that Mayer et al's model focuses mostly on agency and underestimates the role of the context in which trust decisions are made (Mollering, 2006).

Even though there has been several studies in the West on the dimensions of perceived trustworthiness (e.g. Mayer et al,1995; Doney et al., 1998;) and in Asia (e.g. Wang and Fulop, 2007) very little if any attention has been paid to this subject in Sub Saharan Africa where entrepreneurs are found to use different cultural influences (Lyon, 2003; 2005; Jackson et al., 2008). The cultural norms in Sub Saharan Africa arguably may be different from other cultures such as the collective cultures of the East.

Furthermore, in the field of international business relationships, many questions on trust remain unanswered. It is therefore not surprising that recently, Schoorman et al (2007) have called for further research on the meaning of trustworthiness in different cultures due to differences in cultural norms and their impact on perceptions of ability, integrity and benevolence and therefore of trustworthiness. The differences in exchange partners' backgrounds may invariably lead to multiple cultural identities that make cross-cultural trust building and maintenance challenging (Saunders et al., 2010:7). This raises questions on expectations and interpretations of trust by exchange partners from different cultures in cross cultural exchanges.

This study aims to contribute to this debate in an African context. Given that Ghana is a collectivist or communal society (Buame, 1996; 2012) I will not restrict myself to Mayer et al.'s (1995) dimensions of ability, integrity and benevolence but rather I will focus on the measures that may emerge from the empirical study, those which are culturally specific to Ghana as well as those that will be universally applicable.

Organisational Trust

One of the conceptual difficulties with the study of trust is to identify who trusts whom in inter-organisational relationships. Organisational trust refers to trust reposed in organisations and in the processes and control structures of the organisation that enables the trustor to accept vulnerability when dealing with the representative of the organisation without knowing much about the particular representative (Zaheer et al., 1998; McEvily et al., 2003). Gillespie and Dietz (2009) and Dirks et al (2009) corroborate that organisations are multilevel systems and the various components contribute to perceptions of organisation's trustworthiness as well as to failures (Gillespie and Dietz, 2009:128; Dirks et al, 2009). For example, Gillespie and Dietz (2009) postulate that organisational trustworthiness results from the interactions between agents and groups in multilevel networks. Hence trustworthiness result from the proper functioning of the six components that they identified namely: 1) leadership and management practice, 2) culture and climate 3) strategy 4) structures, policies and processes 5) external governance and 6) public reputation. Basically, companies and their brands offer the basis for trust rather than the individual representatives (Zucker, 1986; Putnam 2000).

However, commentators disagree on whether organisations can be trusted because, originally, trust is regarded as an individual-level phenomenon. This is because only individuals have subjective mental states, expectations and attitudes (Levi, 1998; Zaheer et al., 1998). Instead scholars argue that formal organisations can be regarded as forms of institutions (Welter and Smallbone, 2006) in this way organisational trust is subsumed in institutional trust.

Zaheer et al. (1998) attempt to resolve this dilemma by arguing that even though it is conceptually consistent to regard trust as being placed in another individual or a group of individuals such as a partner firm, trust does not originate from firms but rather from individuals in an organisation. This confusion over who trusts whom often leads to a mismatch of the levels of theory and analysis. Cural and Inkpen (2002) disclose that while some studies are theoretically on the organisational level, trust is operationalised on the individual level. This study intends to avoid these traps by using conceptualisations and operationalisations of trust at the levels of the individual owner/manager and his/her social and working relationships. The rationale for this approach will be explained in detail towards the end of this section.

There is a complex relationship between interpersonal trust and inter-organisational trust. Zaheer et al. (1998) investigated buyer-supplier relationships and found that organisations served as the means through which the behaviour of individual agents are facilitated, directed, and inhibited. In the context of inter-organisational exchanges, Zaheer et al. (1998:142) posit that “interpersonal trust refers to the trust placed by the individual boundary spanner in her opposite member” in the partner organisation.

On the other hand, inter-organisational trust can be defined as “the extent to which organisational members have a collectively-held trust orientation toward the partner (Zaheer et al., 1998:143). According to Zaheer et al’s model inter-organisational interactions occur between the individual actors who act as boundary spanners. Trust at the interpersonal level is linked to trust at the inter-organisational level through the processes of institutionalisation (Zaheer et al., 1998:143-144). Through institutionalisation informal

commitments undertaken by an individual boundary spanner become established over time and therefore are regarded as taken-for-granted organisational structures and routines. Consequently, when “new individual boundary spanners enter the inter-firm exchange relationship, they become socialised into the norms of the mini-society”. Subsequently the norms from the inter-organisational relationship become internalised and the boundary spanners recreate these norms in their interpersonal trust orientations toward their partners in the firm in the dyad. Simultaneously, there is creation and re-creation of trust structures through a process of structuration (Giddens, 1979, 1984). During this process interpersonal trust of the boundary spanners becomes re-institutionalised and eventually influences the trust orientations of the other members of the organisations in their trust orientation toward the partner firms. This suggests the relevance of interpersonal trust in inter-organisational exchanges. Thus interpersonal trust facilitates interorganisational trust. John (1984) also found that the attitudes of boundary spanners impacted profoundly on norms of interfirm opportunism or cooperation.

Due to the dominant role of the owner/manager in SME internationalisation process, I argue that she/he will be the key boundary spanner for their organisations and hence the key decision maker on inter-organisational trust building and maintenance. This explains why for the purpose of this study I intend to conceptualise and operationalise inter-organisational trust at the level of the owner/manager.

Arguably, in the context of SMEs, the distinction between organisational trust and individual trust is blurred since owner/managers remain the key boundary spanners and decision makers for their organisations, this may differ in large organisations where decision making may not be vested in any single individual but rather in a number of managers. I argue further that in the context of SME internationalisation the owner/manager is the origin and object of trust and that interfirm relationships come into being because of their strategic decisions (Inkpen and Currall, 1997; Nooteboom et al., 1997; Janowicz and Noorderhaven, 2006).

I therefore aim to examine trust between two owner/managers who are the key boundary spanners of their respective organisations. This is more so since superior-subordinate relations in Ghana are characterised by high power distance. Therefore owner/managers in

Ghana in their formulation of strategy dictate to their organisational members by providing clear-cut instructions expecting their subordinates to mostly obey such commands (Kuada, 1994; Kuada and Thomsen, 2005). Nevertheless, this study also examines trust at the meso and macro levels by examining the relationships and institutions that impact on trust building.

Institutional Trust

The discussions on institutional trust in this section are based on Scott's (1995) classification that institutions comprise normative, cognitive and regulative aspects. Institutionalists conceptualise trust as a phenomenon within and among institutions as well as the trust individuals have in those institutions. Institutional trust may develop from both formal and informal institutions. However, there is a disagreement on whether formal institutions can be trusted or not. Scholars such as Mollering (2006) indicate that inter-firm relationships benefit from reliable institutions only if they trust those institutions. Others, such as Levi (1998) argue that trust in institutions is not possible since trust exists only between people.

Institutions impact on trustworthy behaviour due to the incentives that may be available and the sanctions they impose on trustees' mutual expectations in an exchange relationship. Long lasting social relations between exchange partners can create benevolence between trustors and trustees. The incentives and the motivations for trustors to exhibit trustworthy behaviour are derived from the embeddedness of trustors and trustees who make references to institutional contexts (Zucker, 1986; Mollering, 2006). In this way, institutional trust allows arms-length exchanges with new partners such as business consultants due to the presence of legal safeguards and sanctions that may be applied should the relationship fail (Welter and Smallbone, 2006). Therefore institutional trust is important for the efficient operation of the economy because the presence of a high level of institutional agents facilitate transactions with limited information about partners in an exchange.

Nonetheless, in cases where an exchange partner is not satisfied with the institutional arrangements or is unfamiliar with them, personal trust may complement institutional trust (Granovetter, 1985). This could be explained by the fact that personal trust can exist

regardless of the legal and political context whereas institutional trust may require stability and predictability based on legitimate societal institutions reflected by societal norms and values (Weter and Smallbone, 2006).

In inter-organisational exchanges, high levels of trust develop between actors after the effects of the norms deployed had been found to be satisfactory in earlier transactions. The willingness to behave in accordance to the expectations of the other partner based on relational norms leads to the development of trust amongst the exchange partners (Dwyer et al., 1987). Certain norms are brought into the relationship while others are agreed on by the parties involved in the exchange. Cultural norms impact on economic behaviour in industry, sectors, firms, individual business relationships and on each separate transaction (Scherer 1980). This raises questions on expectations and interpretations of trust by exchange partners from different cultures in cross cultural exchanges.

In venture creation, entrepreneurs mostly have to draw on trust based on social ties to mobilise resources (Bruderl and Preisendorfer, 1998). Cultural norms also serve as symbolic credit that enhances the ability of exchange partners to co-operate and to forego short-run gains in transactions (Frederking, 2004:198).

Zucker (1986) suggests that in the absence of a history of prior interaction, trust can be based on the legal systems that are used to enforce contracts with partner firms. Legal regulations and sanctions that can be applied when required can enable individuals to establish a basic level of trust in economic exchanges (Luhmann, 1979; Welter and Smallbone, 2006). The state normally enforces these legal regulations mostly likely imperfectly. In these circumstances trust may act as a means to reduce transaction costs through the provision of information which in turn helps to diminish opportunistic behaviour (Granovetter, 1985; Welter and Smallbone, 2006).

Legal norms therefore offer the good reasons sought by potential trustors before investing trust in a relationship (Luhmann, 1979). Conversely, uncertain institutional contexts such as those environments characterised by weak formal legal institutions would hinder trust in inter-firm relationships and give rise to the need to compensate for trust development in

other ways such as the use of social, informal control mechanisms (Welter and Smallbone, 2003; Welter and Smallbone, 2006).

However, institutional controls such as the legal and regulatory framework can also constrain trust building and therefore entrepreneurship. Particularly heavy tax burdens and excessive regulation may drive many micro and small business 'underground' into the informal economy (Sepulveda and Syrett, 2007:100).

In the absence of previous relationships, the trustworthiness of potential trustees in a partner firm could also be based on either the image of intermediaries who provide information on potential trustees or intermediary institutions that offer to back up potential trustees (Coleman, 1990; Hardin, 1996). Formal institutions such as local entrepreneurial associations and intermediary organisations such as government agencies could provide the basis for institutional trust (e.g Klein, 1995; Zucker, 1986).

Coleman (1990) argues that due to its transferability trust between individuals can become trust between strangers as well as of a broad fabric of society through parties that act as intermediaries. The usage of intermediaries therefore provides a channel or the possibility to share information across a radius, and functions as a bridge between two strangers and thus builds up trust across heterogeneous groups. Johannisson et al. (2002) therefore suggest that membership to an association results in 'second order social embeddedness' which reinforces reciprocal exchanges through the motives of belonging, common faith and therefore having an obligation.

Calculative versus non Calculative Trust

Trust development and use is explained based on different views. Williamson (1993) offers an economic calculative perspective of trust based on control, and on reciprocity and conditional cooperation. According to Williamson (1993), the term calculative trust refers to the use of wisdom, rationality and an economic calculative approach to trust and cooperation.

Gambetta (1988) describes trust based on calculation as: some agent A trusts some agent B, when A calculates that the probability of B performing an action that is beneficial, or at

least not detrimental, to A is high enough for A to consider engaging in some form of cooperation with B. Coleman (1990:99) reinforces that “the elements confronting the potential trustor are nothing more or less than the considerations a rational actor applies in deciding whether to place a bet”. Calculative trust is based on past experiences and trust development is based on the outcomes of risk taking or experience, equity preservation and inter-firm adaptations (Williamson; 1993; Das and Teng, 1998). However, New Economic Sociologists and old institutional economists disagree with the calculative approach due to the habituation of trust based on norms and codes of conduct (Granovetter, 1985; Zucker, 1986).

Platteau (1994) marries the calculation and habituation approaches and suggests that interpersonal trust is built and used through both calculation and actions derived from routines and cultural norms. Therefore trust could be regarded as calculative, routinised and also a reflexive process that is dependent on ongoing interactions between actors (Mollering, 2006). Even though such interactions may be started relatively blindly or accidentally, these interactions may become self-reinforcing in a process of reflexive familiarisation and structuration (Mollering, 2006, p.80).

With regards to entrepreneurship, one can argue that entrepreneurs are not always rational actors in their decision making and in their search for opportunities or resources (Baron 1998; Mitchell et al., 2004). Academics have demonstrated that under certain circumstances heuristics and biases in strategic decision-making influence entrepreneurs to develop and use non-rational modes of thinking (Busenitz and Barney, 1997).

It has been identified that the generation of trust between organisations and between organisations and institutions in local and regional economies constitute a significant relational asset that impacts on economic development (Storper, 1997; Sabel, 1992; Amin and Thrift, 1994). Gambetta (1988:217) explains that trusting someone indicates “the probability that he will perform an action that is beneficial or at least not detrimental to us is high enough for us to consider engaging in some form of cooperation with him”. However, Mayer et al. (1995) make it clear that trust and cooperation are not synonymous.

They argue that even though trust can most often lead to cooperation trust is not a necessary condition for cooperation.

Trust may also result from a Prisoner's Dilemma scenario. In trust games information about the prospects of future encounters (the shadow of the future) serve as incentives for cooperation as trustees realise that any immediate gain resulting from non-fulfilment (non-cooperation) would lead to losses in the gains in future encounters (Axelrod, 1984).

3.4.1 Outcomes of Trust in Inter-organisational Relationships

Notwithstanding the role of power in inter-organisational relationships, there is consensus that trust offers a competitive advantage to exchange partners in interfirm relationships. However, there is ambiguity in the literature on whether the effect of inter-organisational trust on firm performance is direct or not.

Some studies suggest that inter-organisational trust directly offers a variety of positive outcomes for interfirm relationships such as financial performance (Zaheer and Harris, 2006), competitive advantage (Barney, 1991) and higher return on investment (Luo, 2002). Other studies suggest that trust impacts on performance through the mediation of other factors (Zaheer and Harris, 2006). Trust reduces transaction and relationship-specific costs, for example through mitigating conflicts (Zaheer et al., 1998), opportunism (Smith and Barclay, 1997), control (Smith and Barclay 1997), flexibility (Young-Ybarra and Wiersema, 1999) and commitment (Morgan and Hunt, 1994).

In entrepreneurship, trust reduces uncertainty and complexity in business operations, reduces transaction costs, for example, in contracting and facilitates networking and allowing business relationships with strangers (Welter and Smallbone, 2006:472). Nonetheless trust has considerable downsides as discussed below and when violated can also adversely impact on entrepreneurship (McEvily et al., (2003).

Since trust involves a leap of faith, even though one might embark on careful calibration, as situations change, supporting commitments may become untenable for the trustor at some stage (Mollering, 2006). Another downside of trust originates from its heuristic nature; as a heuristic, trust may lead to systematic biases that can lead to judgments that

may be flawed and costly. Additionally, the creation, upholding and maintenance of trust involves costs in the form of significant amount of time and resources such as gifts that may be expensive (Larson, 1992; McEvily et al. 2003). Mollering (2006) also indicates that trustees may disguise ulterior motives and falsely invoke the socially desirable notion of trust in their attempt to exploit others.

According to Goel et al (2005: 205), over-trust is also a downside of trust. They define over-trust as “a condition where one chooses, either consciously or habitually, to trust another more than is warranted by an objective assessment of the situation”. Over-trust results in a condition of unguardedness that facilitates the exploitation of the trustor by the trustee. This is because actors who over-trust may most likely not engage in monitoring behaviour and may end up being more vulnerable to exploitation than actors who do not exhibit trust in the first place. Over-trust may also lead to lock-in from high trust relationships that may be unproductive (Gargiulo and Benassi, 2000).

To sum up, section 3.4 investigated the background approaches and the theories that relate to the processes of trust development and its use. The discussions showed that due to the embeddedness of the owner/manager, institutions particularly culture impact on the processes of trust building (Granovetter 1985; Zucker, 1986). The differences between personal trust and institutional trust and how they impact on organisational trust were also examined. On the aggregate the literature shows that trust serves as an organising principle, promoting co-operation and economic performance. However, trust has considerable downsides and when violated can also adversely impact on entrepreneurship (Weter and Smallbone, 2006:472; McEvily et al., 2003). Sections 3.5 and 3.6 therefore explore trust violations and how trust, when violated, could be repaired.

3.5 Trust Violations

Trust is fragile and if violated may be difficult to repair because trust violations can cause great damage to relationships between exchange partners (Lewicki and Bunker, 1996; Dirks, et al., 2009). Trust violations originate from information that differs from trustor’s expectations of behaviour of the trustees (Lewicki, 2006).

Actions from exchange partners that can violate trust may include the intentional exploitation of dependencies or by neglecting the fulfilment of expectations (Kim, et al., 2004). Trust violation may also originate from unreliability and undependability, harsh comments and criticism, or aggressive and antagonistic activities that occur as conflicts escalate (Lewicki, 2006). Perceived trust violations may also originate from unsubstantiated allegations.

Past experiences also impact on trust since negative experiences are likely to lead to the destruction of trust and actors who have had such experiences are likely to be reluctant to engage in inter-firm relationships (Hardin, 1996:27; Das and Teng, 1998). Hence trust violations harm trust and lead to a reduction in subsequent trust and cooperation (Deutsch, 1958; Lewicki and Bunker, 1996). Trust violations may lead to considerable consequences particularly in the context of business organisations. For example, when trust is violated in between a customer and a supplier or between collaborating firms in a horizontal relationship the firms that had fallen victim may suddenly find themselves in a situation that threatens their very existence (Bachmann, 2001).

Currently, there are a few studies that have investigated the trustor's perceptions of trust violations. Kim et al's (2004) study draws on Mayer et al's (1995) dimensions of ability, integrity and benevolence and suggested that perceived violations of ability and integrity are argued to lead to more decline in trust than perceived breaches in benevolence (e.g. Kim et al., 2004; Dirks et al., 2009). They found that trust violations that originate from perceived breaches of integrity or values may be generalised across other dimensions of trust due to stereotypes resulting from the belief that defective character transcends situations. This is because "people intuitively believe that those with integrity will refrain from dishonest behaviours in any situation, whereas those with low integrity may exhibit either dishonest or honest behaviours depending on their incentives and opportunities" (p.106). Kim et al. (2004) suggests that violations of benevolence may be overlooked.

In spite of the insights that Kim et al's (2004) research offers on the subject, it could be argued that since it is based on controlled experiments their study downplays the complex relationships between calculation, cognition and context. Also the study could be regarded as acontextual since it draws on the trustee's perceived breaches of Mayer et al.'s (1995)

dimensions of ability, benevolence and integrity. These assumptions about trust and its violations apparently ignore the role of different cultural spheres, especially between actors from different cultures (Dietz et al., 2010). Arguably, perceived trust violations by exchange partners especially in cross-cultural business interfirm relationships could also be subjective. These issues therefore call for more investigations into trust and its violations in different cultures.

3.6 Repairing Trust

The core challenge following the violation of trust is finding ways to repair the damage and rebuild relationships. Interestingly, trust repair is an emerging area of research that currently has seen a few studies mostly based on theoretical and controlled laboratory experiments (e.g. Lewicki and Bunker 1996; Kim et al, 2004; Lewicki, 2006; Dirks et al., 2009; Gillepsie and Dietz, 2009; Ren and Gray, 2009; Dirks et al, 2011). Trust repair effort is defined as: “activities directed at making a trustor’s trusting beliefs and trusting intentions more positive after a violation is perceived to have occurred” (Kim et al., 2004:105). Lewicki (2006) cautions that repairing trust may take time due to the need for parties involved to re-establish the reliability and dependability of the perpetrator over a period of time, nonetheless, violated trust may never be rebuilt (Slovic, 1993).

Lewicki and Bunker (1996) proposed a trust repair model suggesting that trustors may effectively contain conflict or rebuild trust in the shorter term by managing the distrust inherent in every relationship and also repairing the trust violated. To repair trust, they outlined a four step process: 1) acknowledge that a violation has occurred, 2) determine the causes of the violation and admit culpability, 3) admit that violation was destructive and 4) accept responsibility. However these scholars admit that their model is only theoretical and lacks empirical evidence. Furthermore, the main challenge of their model emanates from the willingness of the violator to play an active role which in many cases may not be likely. Their model also assumes that the trustor plays a passive role in trust repair.

In another study, Tomlinson et al, (2004) suggested that perpetrators of violations always apologise whenever relevant. However their findings are contradicted by a similar controlled experimental study by Kim et al. (2004). Kim and his colleagues found that apologies are only effective when they are rendered for competence-based violations, instead denials are

more effective for repairing violations of integrity, thus contradicting Lewicki and Bunker (1996) and Tomlinson et al (2004). Kim et al (2004) further observed that trust violations that originate from perceived breaches of integrity or values may be generalised across the other dimensions of trust due to stereotypes resulting from the belief that defective character transcends situations. This is because “people intuitively believe that those with integrity will refrain from dishonest behaviours in any situation, whereas those with low integrity may exhibit either dishonest or honest behaviours depending on their incentives and opportunities” (p.106). In contrast, Kim et al (2004) suggests that, violations of benevolence may be overlooked.

Recently, Dirks et al (2011) conducted four experiments in order to investigate interpersonal trust repair. They investigated the implications of substantive responses – penance and regulation and the cognitive processes that determine how and when they are effective. They found that penance and regulation were effective in that they elicited the mediating cognition of perceived repentance. By comparing findings from these substantive responses with verbal responses such as an apology they concluded that despite the differences between substantive and verbal responses, they each repaired trust through perceived repentance. Unlike Lewicki and Bunker’s (1996) model, Dirks et al’s (2011) model emphasised that the trustor’s cognitions of repentance of the trustee played a role in trust repair.

In spite of these insights Dirks et al’s (2011) studies were conducted in laboratory settings. It also focused on trust violations between students who were individuals who had not had prior relationships. They also assumed the willingness of the violator to play an active role which in some cases may not be likely.

To facilitate an understanding of organisational trust repair, scholars (Dirks et al. 2009; Gillespie and Dietz 2009; Ren and Gray 2009) have proposed theoretical models that identify the relevant factors that relate to successful trust repair in relationships at the organisational level. Dirks et al (2009) explained that since there are differences in actors involved in interpersonal and inter-organisational exchanges there are implications for the concept of trust as well as for the processes involved in trust repair. They argued further that organisational trustworthiness is based on perceptions about the systems, processes,

culture and management practices of an organisation but not on the personal attributes of the individuals. Therefore, multiple and complex organisational structures and systems may be modified with regards to the violating organisation. Additionally, they argued that in organisational contexts, the target for trust repair may be individuals or collectives such as project teams. Consequently, trust repair at the organisational level may be more difficult due to the multiplicity of organisational membership and the need for individuals to change their views towards the violating organisation. In this instance trust repair may involve changes of systems and processes. Nevertheless, trust repair in organisations that involve collectives may present more options than between two individuals, for example the one responsible for the trust violation could be fired.

Gillespie and Dietz's (2009) conceptual framework corroborates Dirks et al's (2009) theory. They theorised that interpersonal trust repair are not readily transferable to the organisational level because organisations are multilevel systems and the various components contribute to perceptions of organisation's trustworthiness as well as to failures (Gillespie and Dietz, 2009:128). They argue that trust violations which they refer to as organisation failures may result from malfunctioning of any of the six components that they identified, see section 3.4. To repair organisational level trust, Gillespie and Dietz (2009) proposed a four stage model viz: 1) immediate response 2) diagnosis 3) reforming interventions and 4) evaluation. They theorised further that trust could be repaired through substantive measures such as regulation by taking actions that would deter future breaches. Thus confirming earlier studies that "legalistic remedies" such as controls involving policies, procedures or monitoring (Sitkin and Roth, 1993), punishment and regulation of the perpetrator, the voluntary introduction of monitoring systems and sanctions (Nakayachi and Watabi (2005) all helped to restore trust because they increased the reliability of the behaviour of the perpetrator. Nonetheless in their conclusion, Gillespie and Dietz (2009) called for further studies on their proposition that interpersonal trust repair are not readily transferable to the organisational level.

Interestingly, Ren and Gray's (2009) theoretical framework on trust repair, also emphasised that the restoration of relationships is impacted by the type of violation-whether the violation relate to identity or of control and also on cultural expectations.

Particularly, they emphasised that culture impacts the norms that delineates the violations and prescribes the appropriate restoration process (p.108). Ren and Gray (2009) outline four restoration mechanisms namely 1) accounts 2) apologies 3) demonstration of concern and 4) penance. They stressed that the victim's perception of the type of violation and the national cultural values determined the processes of relationship restoration. Furthermore, they highlighted that in collectivist societies victims of trust violations in their attempt to repair trust are more likely to approach a third party thus supporting Tinsley and Brodt's (2004) declaration that collectivists tend to use intermediaries in the process of repairing relationships by relying more on covert expressions and thereby avoiding direct confrontation with perpetrators of trust violations.

Undisputably, Dirks et al's (2009), Gillespie and Dietz's (2009) and Ren and Gray's (2009) theoretical models have enhanced an understanding of organisational trust violations and repair immensely, particularly, their emphasis on the role of regulation, culture and norms is very relevant to this study. However, their models are theoretical and lack empirical basis. I argue further that these models may not be so applicable to SMEs since due to the dominant role of the owner/manager, trust repair decisions may most likely depend on him/her. More so, since in collective cultures like Ghana (where power distance is high) the owner/manager's strategic decisions including trust-based networking originate from him/her. The three models discussed above also pay less attention to the role of the victim of trust violation in trust repair processes. Therefore this research aims to contribute to the debate by empirically examining processes of trust violation and trust repair in SME internationalisation in a collectivist cultural context.

To sum up sections 3.5 and 3.6, the literature shows that both interpersonal and interfirm exchanges may involve trust violations that may lead to a need for trust repair. However, most of the existing studies are based on laboratory experiments and also assume that trust repair originate from the perpetrator of the violation.

3.7 Trust Research in International Business

Research on the role of trust in international business, though in its nascent stage, is surrounded by disagreements. Even though some studies had previously found that trust

improves performance in international business (Zhang et al., 2003; Child and Rodrigues, 2007; Ali and Larimo, 2011), others (e.g. Kenny and Fahy, 2011) found a positive but insignificant relation between trust and international performance. In contrast other researchers (e.g. Lyles et al., 1999) found a negative relation between trust and performance.

Child and Rodrigues (2007) investigated the experiences of 32 British SMEs many of which had entered and a few cases that were attempting to enter Brazil. The study found that in order to penetrate the Brazilian market, trust-based relationships were of paramount importance in the process.

Similarly, in their critical review of the literature on empirical research on trust-performance in international business, Ali and Larimo (2011) analysed 29 empirical studies that examined trust in strategic alliances. They focused on studies that exclusively focused on trust between organisations. Their review suggests that there is a positive link between trust and performance.

Kenny and Fahy (2011) focused on high technology SMEs' network capability. Among others, they hypothesised that there is a positive relation between trust and international performance. However they found that the relationship, though positive, was not significant at the 95 percent confidence level (p. 276).

In view of the apparent inconclusiveness in the findings, there is a need for further research on the role of trust in international business. Child and Rodrigues (2007:52) emphasise that the study of trust in firms engaged in international business is a relatively recent phenomenon and "its role in the internationalisation of SMEs deserves further investigation", more so because the few studies that examine the role of trust in SME internationalisation mostly do not focus on the micro processes through which trust is developed, used, violated and repaired in such networks. Therefore there is the need for further theorising and empirical studies and this study is designed to contribute to this debate.

3.8 Summary

This chapter has reviewed existing studies to show that the presence of risks and uncertainty in economic transactions have given rise to the need for coordination mechanisms in economic exchanges. This has led to the debate on contracts versus trust in inter-organisational relationships. In the context of SMEs I argue that trust may be an alternative to contracts due to its cost effectiveness, particularly in contexts with weak institutional frameworks where contracts are worth little.

The review suggests that most studies agree that trustworthiness originates from a trustor's propensity to trust as well as a trustee's ability, integrity and benevolence (Mayer, et al., 1995; Kim et al., 2004). However, the role of cultural norms on perceptions of trust and trustworthiness makes the adoption of universal dimensions problematic (Dyer and Chu, 2003; Dietz et al., 2010). The discussions also explain that economic models such as TCE emphasises that the decision to trust or not to trust originates from a careful rational reasoning of consequences (Gambetta, 1988; Sugden, 1991; Williamson, 1993). On the contrary, New Economic Sociologists insist that trust formation and use can also be habitual and routine because trust is embedded in institutions and therefore taken for granted (Granovetter, 1985; Zucker, 1986). Trust may also involve reflexivity (Møllering, 2006). Trust remains a key determinant of inter-organisational cooperation as it encourages adherence to mutually agreed rules through shared norms of reciprocity. However, trust has a downside as it is fragile and may be violated (Luhmann, 1979; McEvily et al. 2003).

Nonetheless, most of the studies that have examined trust violations and trust repairs have been conducted through carefully controlled laboratory experiments (e.g. Kim et al, 2004; 2009) and theoretical frameworks (Lewicki and Bunker, 1996; Ren and Gray 2009). Furthermore, the studies suggest that trust violations and repair at the individual and organisational levels may involve different forms of ability, integrity and benevolence (Dirks et al., 2009; Zaheer et al., 1998).

Arguably, the models presented adopt a congruence approach to the study of trust violations and repair and hence have not been able to examine the role of cultural norms

and their impact on interpretations of what constitutes violations and the acceptable norms for repairing trust that has been violated (Kim et al., 2004; Dietz et al., 2010).

In the context of internationalisation, the most recent internationalisation studies suggest that the role of trust in internationalisation is conflicting. Whilst some scholars have found that entrepreneurs could use trust-based relationships to exploit opportunities and penetrate international markets (e.g. Child and Rodrigues, 2007; Ali and Larimo, 2011), others have found an insignificant positive relation between trust and international performance (e.g. Kenny and Fahy, 2011). In contrast other researchers have found a negative relationship (e.g. Lyles et al., 1999). However, none of these studies was conducted in Africa. Hence this project aims to investigate the role of trust in SME internationalisation in an African context.

In this thesis the interest in trust building, use, violations and repair arises due to the potential for use of networks in solving export marketing problems in developing countries (Ghauri et al., 2003). Notably, some networks fail due to conflicts which arise from the lack of satisfaction of one of the parties in the network with regards to the management of processes of exchange (Coles et.al., 2003; Easton, 1998). It is therefore argued that trust facilitates cooperative behaviour and mitigates harmful conflict in such networks (Rousseau et al., 1998). However, since conflicts may inevitably arise, this study argues that by understanding the dynamics of trust in exporting relationships, SME owner/managers may be able to build and use networks to access critical resources for internationalisation. In cases of perceived violations of trust in these export networks, entrepreneurs could use alternatives to litigation through arbitration and bargaining as well as negotiation for the settlement of disputes without resorting to adversarial conflicts (Lewicki and Bunker, 1996). This study therefore aims to contribute to knowledge through examining an Africanist perspective since Western and Asian models may not be applicable to the African context

CHAPTER 4: TOWARDS A CONCEPTUAL FRAMEWORK

4.1 Introduction

The purpose of this chapter is to develop and formulate the research questions and conceptualise the theoretical framework for this study. The frame of reference facilitates the understanding of the key factors, constructs or variables as well as the presumed relationships in a narrative or graphical form (Miles and Huberman, 1994). For the purpose of this study, I will use both narrative and graphical forms for the frame of reference.

In brief the literature review in chapters 2 and 3 suggests that SME internationalisation is an entrepreneurial activity that is achieved through the creation or discovery of international market opportunity by the entrepreneur (Schumpeter, 1934; Kirzner, 1997). The processes of creation or discovery of international markets are however constrained by the 'Psychic Distance' (PD) (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Child et al, 2002). PD refers to the differences in institutional, particularly cultural differences between the home and international markets which, in the context of SMEs could be bridged through trust-based entrepreneurial networks and relationships. Nevertheless, entrepreneurial networks and trust in turn are shaped by the institutional contexts (Smallbone and Welter, 2001; Welter, 2011).

4.2 Conceptual Framework and Research Questions

This section draws on the theoretical and conceptual frameworks to formulate the research questions for the study. The main objective of this study is to understand the role of trust in exporting SME internationalisation. Hence the main research question is: *What is the role of trust in exporting SME relationships?*

Personal and Working Relationships

The literature suggests that SME internationalisation is explained by the role of entrepreneurs who draw on their embeddedness in socio-cultural, economic and institutional contexts to mobilise resources for the process (Granovetter, 1985; McDougall and Oviatt, 1997; Oviatt and McDougall, 2005). Entrepreneurs' use of social, business and

extra-firm networks within and across national borders provide the resources that SMEs leverage to gain access to international markets (Berry, 1997, Child and Rodrigues, 2007; Rodrigues and Child, 2012). Therefore inter-personal and inter-firm networks and relationships have been suggested to be important for SME internationalisation (e.g. Johanson and Vahlne, 1990).

This could be understood given the dissimilarity (PD) in business environments that may exist between the home country and the host country for the investment. Culture and language differences in particular constitute the most important distance-creating factor. These barriers could be overcome through distance-bridging factors relating to top managers' personal and business relationships and trust (Child et al., 2002). In effect in the context of rapid internationalisation of SMEs, entrepreneurs' social and business networks enable firms to bridge the "psychic distance" (PD) - the constraints associated with foreignness (Child et al 2002).

Similarly, scholars have outlined the role of horizontal and vertical networks particularly in industrial networks and local clusters, as an incubating platform for SME internationalisation (Becattini, 2000). The concept of embeddedness has refocused attention on the key role of extra-firm social and institutional relations (with intermediary organisations) that may help to generate a pool of resources that will support exporting entrepreneurial activities (Best, 1998; Amin and Thrift, 1994).

Even though networks have been found to have a positive impact on SME exporting and profitability (Lu and Beamish, 2001), there is a debate in the literature with regards to the benefits of strong versus weak ties in international entrepreneurship. It will therefore be interesting to identify the type and nature of network relationships that facilitate cross-border trade in Ghana, a sub-Saharan African country given that the sub continent is characterised by weak formal institutional support, hence the first research question: *What are the personal and working relationships used in SME exporting?*

Legal Institutions and Entrepreneurial Networking

Notably, formal institutional factors such as the competence or corruption of court officials, the tax system, and other incentives offered by the institutional environment

(Zucker, 1986; North, 1990) impact on the ability to trust (Welter, 2005). In this way formal institutional structures influence the choice of governance structures as well as the margins and the objectives of organisations (North, 1990; Berry, 1997). Therefore entrepreneurs' trust and perceived trustworthiness in institutions impact on their network strategies. Interestingly, academics have found that human, organisational and entrepreneurial behaviours are all influenced by how actors perceive their worlds (Ajzen, 1991; Buchanan and Huczynski, 2004; Krueger and Carsrud 1993). Undoubtedly, perceptions have limitations such as accepting stereotyping uncritically and basing attributions on flimsy and potentially irrelevant evidence (Buchanan and Huczynski, 2004). Nonetheless, entrepreneurial behaviour is shaped by perceptions of the environment and this explains why recently, researchers have argued that entrepreneurship is a social construct (e.g. Chell, 2007; Welter, 2011). Therefore, in contexts where entrepreneurs perceive formal institutions to be inefficient, entrepreneurs' attitudes to networking and relationship building in international markets are particularly expected to be influenced by the informal institutional environment (Smallbone and Welter, 2001; Aldrich, 1999). However, the literature has paid little attention to the role of formal and informal institutions in developing nations with relatively weak formal institutions hence the second research question is: *How do entrepreneurial perceptions of the legal system shape these (personal and working) relationships?*

Types of Trust

The presence of risks and uncertainty in economic transactions demands that entrepreneurs choose governance structures which mitigate uncertainty in their networks. This need has given rise to the debate on contracts versus trust in inter-organisational relationships (Williamson 1975; 1985; Bradach and Eccles, 1989; Rousseau et al., 1998). Given that smaller businesses are resource-constrained but obliged to manage familiar and unfamiliar relationships that may or may not be across cultures raises the need for them to adopt cost effective governance mechanisms. More so, since in practice spelling out and enforcing exchange partners obligations in all conceivable ways in a contract is expensive particularly for SMEs, it is not surprising that Child and Rodrigues (2007) showed that trust-based relationships were of paramount importance in SME internationalisation processes.

However, the most recent internationalisation studies suggest that the role of trust in internationalisation is conflicting. Whilst some scholars have found that entrepreneurs could use trust-based relationships to exploit opportunities and penetrate international markets (e.g. Child and Rodrigues, 2007; Ali and Larimo, 2011), others have found an insignificantly positive relation between trust and international performance (e.g. Kenny and Fahy, 2011). In contrast, other researchers found a negative relationship (e.g. Lyles et al., 1999). However, none of these studies was conducted in Africa. Hence this project aims to investigate the role of trust in SME internationalisation in an African context.

The discussions on trust in internationalisation however suggest that given the embeddedness of the owner/manager, the processes of trust building is context-based and as a result personal, organisational and socio-cultural factors influence trusting and perceived trustworthiness in exporting SME interfirm relationships. Zucker (1986) suggested that in the absence of a history of prior interaction, trust can be based on formal institutional safeguards, for example the legal and regulatory systems that are used to enforce contracts with partner firms. Hence in uncertain formal institutional contexts, personal trust assumes an important role (Zucker, 1986; Welter and Smallbone. 2006). Nevertheless, the balance of personal versus formal institutional trust is complex but particularly important in the context of developing countries where there are relatively weak formal institutional contexts.

The discussions on the literature further explained that economic models such as Transaction Cost Economics (TCE) emphasise that the decision to trust or not to trust originates from a careful rational reasoning of consequences (Gambetta, 1988; Sugden, 1991; Williamson, 1993). On the contrary, institutionalists such as New Economic Sociologists insist that trust formation and use is habitual and routine because trust is embedded in institutions (Granovetter, 1985; Zucker, 1986) and therefore it is mostly taken-for-granted. Other scholars such as (e.g. Platteau, 1994; Mollering 2006) have suggested that trust involves elements of calculation, taken-for-grantedness as well as reflexivity. It will therefore be interesting to examine how trust is used by entrepreneurs in

Ghana. This leads to the third research question: *What are the types of trust that facilitate exporting SME relationships and how are they developed and used?*

Perceived Trustworthiness

The literature has shown that trust originates from perceived trustworthiness (Mayer et al., 1995) which in turn originates from a trustors propensity to trust as well as a trustee's ability, integrity and benevolence (Scott, 1995; Mayer, et al., 1995). However, the role of cultural norms on perceptions of trust and perceived trustworthiness makes the adoption of universal dimensions problematic (Dyer and Chu, 2003). Therefore, there is a debate on whether there are a range of trust dimensions that are universally applicable as assumed by the etic approach to the study of trust (Mayer et al., 1995; Dietz, et al., 2010). This debate has arisen due to an alternative (emic) approach to the study of trust that suggests that the level, nature and meaning of trust may be different across different cultures (Dietz, et al., 2010). These two divergent (etic versus emic) approaches are informed by the cultural emphasis on individualism that is prevalent in America and the West in general and the emphasis on collectivism that has been found in cultures of the East and Africa respectively.

The differences in exchange partners' backgrounds may invariably lead to multiple cultural identities that make cross-cultural trust building and maintenance challenging. Saunders et al., (2010:7) therefore raise questions on expectations and interpretations of trust by exchange partners from different cultures in cross cultural exchanges. Even though there have been several studies in the West on the dimensions of perceived trustworthiness (e.g. Mayer et al, 1995; Doney et al., 1998) and in Asia (e.g. Wang and Fulop, 2007) very little attention if any, has been paid to this subject in sub Saharan Africa where entrepreneurs are found to use different cultural influences (Hyden, 1980; Lyon, 2003; 2005; Tillmar and Lindkvist, 2007; Jackson et al., 2008). It will therefore be necessary to examine how exporting owner/managers perceive trustworthiness in their relationships, hence the fourth research question: *How do exporting SME owner/managers perceive trustworthiness in inter-organisational relationships?*

Trust Violations

Trust remains a key determinant of inter-organisational cooperation as it encourages adherence to mutually agreed rules through norms of reciprocity. Nonetheless, it involves a leap of faith (Möllering, 2006). Consequently, even though one might embark on careful calibration, as situations change, supporting commitments may become untenable for the trustor at some stage (Möllering, 2006). Furthermore due to its heuristic nature, trust may lead to systematic biases that can lead to judgments that may be flawed and costly. Hence, it has a downside as it is fragile and may be violated (Luhmann, 1979; McEvily et al. 2003). As a result, firms may suddenly find themselves in a situation that threatens their very existence if they fall victim through trust violations such as cheating (Bachmann, 2001). Trust violation is argued to result from perceived violations of ability, integrity and benevolence (Mayer, et al, 1995; Dirks et al, 2009).

The differences in exchange partners' backgrounds may also invariably lead to misunderstandings in personalised relationships due to incompatible cultural values, beliefs and assumptions (Saunders et al., 2010). Hence, due to the influence of differences in cultural norms, it could be argued that perceptions of trust violation could be subjective most especially between actors from different cultures (Ren and Gray, 2009; Dietz, et al., 2010). This leads to the fifth research question: *How do exporting SME owner/managers perceive trust to be violated in relationships and what are the outcomes?*

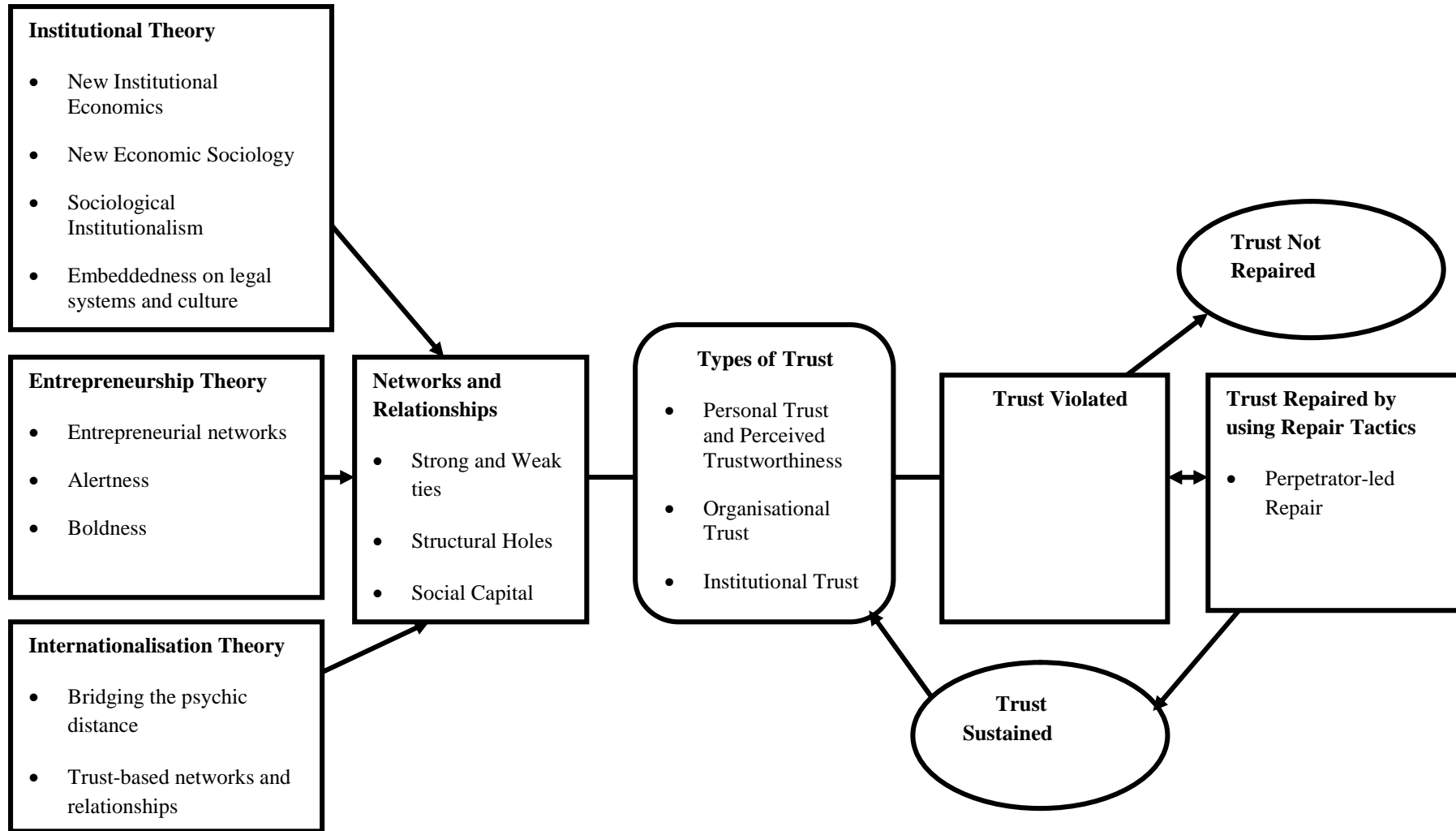
Repairing and Rebuilding Trust

The core challenge following the violation of trust is finding ways to repair the damage and rebuild relationships. Recently, scholars (e.g. Lewicki, 2006; Kim et al., 2009) have suggested models that present different levels of trust repair involving several interrelated principles. Even though existing studies (e.g Dirks et al, 2011; Lewicki and Bunker, 1996; Gillepsie and Dietz, 2009; Ren and Gray, 2009) have enhanced an understanding of trust repair processes, they were conducted through carefully controlled laboratory experiments. Furthermore, culture impacts on an individual's perceptions of violations of trustworthiness and therefore influences the repair mechanisms adopted (Ren and Gray, 2009). However, most of the existing studies arguably adopt a congruence approach to the study of trust and hence ignore the role of culture and its impact on the adoption of

trust repair mechanisms (Ren and Gray, 2009; Lewicki and Bunker, 1996). This raises the sixth research question: *What are the processes used for repairing and rebuilding trust in exporting SMEs inter-organisational relationships?*

The formulation of the research questions from the theoretical framework in this chapter allows the development of the conceptual framework. Figure 4.1 presents a graphical representation of the conceptual framework and also shows the links between the key theories and concepts for this study.

Figure 4.1 The Conceptual Framework of Trust in Exporting SME Networks and Relationships



4.3 Summary

The purpose of this chapter was to offer the rationale behind the choice of research questions and the conceptual framework. The resulting conceptual framework that is graphically represented in Figure 4.1 shows the three theories: Institutional Theory, Entrepreneurship Theory and Internationalisation Theory and their links to the concepts in this study.

Firstly, this study draws mostly on the concept of embeddedness drawn from New Economic Sociology and Sociological Institutionalism (Granovetter, 1985; Zucker, 1985; Aldrich, 1999). Secondly, I draw on Entrepreneurship Theory with regards to entrepreneurs' ability to perceive profit opportunities as well as their boldness and risk taking behaviours in building entrepreneurial networks to allow entry into international markets (Kirzner, 1979; 1999; Schumpeter, 1934; 1942; Drakopoulou Dodd 2011). Thirdly, I take insights from Internationalisation Theory to explain how entrepreneurs build and use trust-based networks and relationships to bridge the psychic distance (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne, 1977; Child et al, 2002; Oviatt and McDougall, 2005; Child and Rodrigues, 2007). Figure 4.1 suggests that entrepreneurs draw on their embeddedness on institutions, particularly legal systems and socio-cultural norms to build trust-based networks and relationships needed for international market entry (North, 1990; Zucker, 1986; Oviatt and McDougall, 2005; Child and Rodrigues, 2007). The social capital inherent in the strong and weak ties allows entrepreneurs to bridge the psychic distance and also the structural holes (Ellis, 2000; Rodrigues and Child, 2012). Embeddedness on institutions again enable entrepreneurs to build personalised trust, organisational trust and institutional trust and also to perceive trustworthiness in inter-organisational relationships (Zucker, 1986; Welter and Smallbone, 2006; Ren and Gray, 2009; Dietz et al, 2010). Within the networks trust may be violated and repaired by the perpetrator (Lewicki and Bunker, 1996; Kim et al, 2004).

My adoption of the above theoretical and conceptual frameworks impact on my choice of methodology for this study. The next chapter therefore discusses the research philosophy, research design and issues relating to validity, generalisability and ethics.

CHAPTER 5: METHODOLOGY

5.1 Introduction

The aim of this chapter is to offer the rationale behind the choice of methodology and methods used in this research. Section 5.2 discusses my research philosophy and approaches. Specifically, this section explains how my philosophical assumptions inform my research approach, research strategy and research design. Section 5.3 discusses the research strategy. Section 5.4 presents the case study design. It outlines the unit(s) of analysis, sampling, access, data collection methods and data analysis. Section 5.5 discusses quality issues relating to validity and generalisability whilst Section 5.6 outline ethical issues involved in this study.

5.2 Research Philosophy and Approaches

As stated in Chapter 1, the purpose of this study is to explore the “processes, practices and implications for the development, use, perceived violation and repair of trust as a coordination mechanism in exporting SME relationships” (p.3). This study was also explanatory aimed at showing relationships between events and the meanings of those relationships. These research purposes informed my choice of research philosophy and strategy. Research philosophies relate to the development of knowledge and the nature of knowledge and therefore embody important assumptions about how researchers view the world (Saunders et al., 2007:101). Burrell and Morgan (1985:2) corroborate that “different ontologies, epistemologies and models of human nature are likely to incline social scientists towards different methodologies”.

Based on my view that reality is socially constructed, I adopted an interpretivist approach in this study. My approach is also in response to calls from researchers for the use of qualitative, hermeneutically oriented methods in international business research (Hurmerinta-Peltomaki and Nummela, 2006). In their study of over 50 published empirical studies in international entrepreneurship, Coviello and Jones (2004) found that traditionally positivist ontology has dominated entrepreneurship methodologies therefore they called for the use of interpretivist approaches too in international entrepreneurship.

Social and organisational research had been classified into different paradigms by scholars.

According to Schultze and Leidner, (2002) one such classification refers to four paradigms namely: positivism, interpretivism, radical structuralism and radical humanism. Saunders et al. (2007), on the other hand, outline three epistemological stances namely: positivism, realism and interpretivism. Positivism and interpretivism are viewed as the two opposite ends of a continuum. The main approaches of positivism and interpretivism could be explained based on ontology, epistemology and research purpose (Guba and Lincoln, 2000). Accordingly, my research paradigm was discovered by answering three fundamental questions: 1) the ontological questions- what is the form and nature of reality and, what can be known about it? 2) the epistemological question - what is the nature of the relationship between the knower or would-be knower and what can be known? and 3) the methodological question - how can the inquirer (would-be knower) go about finding out whatever he or she believes can be known? (Guba and Lincoln, 1994:108).

Positivist ontology claims that certain knowledge is out there based on an objective and independent reality which can epistemologically be found with high degrees of certainty through the use of scientific objective methods. Realism is similar to positivism because it advocates for a scientific approach to the development of knowledge (Saunders et al., 2007). On the contrary, interpretivists use a relativist ontology and claim that knowledge is built based on social construction and therefore knowledge is personal and subjective (Weick, 1984). Essentially in this study I adopt interpretivism because I argue that epistemologically, knowledge with regards to trust processes in SME internationalisation can be found based on understanding of the viewpoints of the entrepreneurs (Morgan and Smirchich, 1980). Another philosophical school of thought that apparently marries positivism and interpretivism comes from the pragmatists.

Pragmatists argue that most research, while focusing on a particular ontology, may use several techniques that may be derived from the other ontology, hence they draw on both positivist and interpretivist approaches, rather than using any single approach alone. Pragmatists “emphasise the research problem and use all approaches available to understand the problem” (Creswell, 2009:10).

Interestingly, the positivist-interpretivist debate pervades institutionalist research approaches. While rationalist institutionalism uses a social realist approach by assuming

that a reality exists outside of human perceptions, sociological institutionalism argues that reality is not regarded as external to human interpretation, but it is rather constructed by our understanding and interpretations in a process of structuration during which actors change and structure reality (Giddens, 1984; Hodgson, 2007; Zucker, 1986). In this study, I argue that exporting owner/managers' reality in the context of trust development, use, violation and repair in SME inter-organisational relationships is developed through their social and economic shared and lived experiences (Easton, 1998). This conforms to the view of academics (e.g. Fletcher, 2007; Chell 2007; Welter, 2011) who contend that entrepreneurialism revolves around the social construction of reality.

According to Hyde (2000), the two main approaches used in the acquisition of new knowledge in research are deductive and inductive approaches. I used deductive approach to enable a link of the study to existing knowledge. However since there is a lack of a dynamic theory or model developed to explain the role of trust in SME internationalisation in Ghana, this study also used an inductive approach with the use of qualitative methods to explore processes and meanings based on a more detailed data from 24 exporting SMEs owner/managers in Ghana (Coviello and McAuley, 1999). These approaches conformed to the network research approach that facilitates the description and analysis of SMEs interaction in networks (Johannisson, 1998). Traditionally, positivists associate with deductive research predominantly based on quantitative methods while interpretivists associate with inductive research predominantly based on qualitative methods (Bryman and Bell, 2007). A deductive research approach which is traditionally associated with quantitative methods starts with an established theory, and by testing hypotheses empirically, seeks to verify if the theory is generalisable or applicable to other specific instances. Quantitative methods aim at predicting patterns and changes in social phenomena and therefore emphasise variable analysis. Quantitative approaches therefore collect objective, quantifiable data that explain causal relationships between concepts and seek to make generalisations about the population (Curren and Inkpen, 2002). Quantitative methods enhance the generalisation and the diffusion of produced knowledge through the use of valid and reliable measurement methods (Churchill, 1979). In other words, quantitative methods explain trends, commonalities and averages. However, these methods lack the capacity to offer

explanations for the meanings and the processes involved. This explains why in this study I used mostly qualitative methods.

Qualitative approaches unlike quantitative approaches led to the exploration of trust processes and enabled the making of comparisons of West African markets with intercontinental markets as well as agricultural, manufacturing and services sectors to offer explanations of the phenomenon under study. In particular qualitative methods provided knowledge on change and social contexts and on the dynamics of trust processes. Through the use of inductive approaches which are traditionally associated with qualitative methods I aimed to develop theory based on exploring processes and meanings that are not measured in terms of quantity, amount, intensity or frequency but instead stress the socially constructed nature of trust in SME internationalisation (Guba and Lincoln, 1994). Sullivan (2001) emphasises that when there is little theoretical support for a phenomenon, it may be impossible to develop precise hypotheses, research questions, or operational definitions. In such a situation, qualitative research is the preferred approach because it can be more exploratory in nature.

Researchers in methodological issues, use the quantitative and qualitative distinction to assist in their classification of different methods used in business research even though some academics argue that the distinction between the two is false, others argue that there are fundamental differences (Bryman and Bell, 2007). Nevertheless, even though the qualitative-quantitative divide appears to be a dichotomy with each approach based on distinct methods, there are many components of the two approaches that are revealed as a range of values on a continuum. Hayes (1997) explains that some qualitative studies are aimed at understanding behaviour and not meaning while some quantitative studies focus on meanings. Therefore, researchers are able to use different research methods under different research conditions. This explains why I used some quantitative data from secondary sources as well as from my primary data.

5.3 Research Strategy

A research strategy defines the general plan of how the researcher goes about to answer the research question(s) (Saunders et al., 2007:135). Different scholars have suggested

different research strategies. Nonetheless, these scholars agree that these methods are not mutually exclusive. For the purpose of this study, I conducted case studies based on 24 exporting SMEs.

Pilot Case Studies

Between May and June, 2009 pilot interviews were conducted. The case studies involved one exporting firm each from the agricultural, manufacturing and services sectors in Ghana. Two exporting SMEs owners/managers from the agricultural and manufacturing sectors, and, one operations manager from the services sector were contacted and interviewed for 1 hour thirty minutes each during the pilot study. I included questions that sought from respondents' the clarity of the themes used, any omissions made, the duration and the respondents' overall experience during the interviews. However, all three respondents commented that the interview themes were fully understandable. I used a critical incident technique. I used the pilot interviews to test and refine my research questions, and the procedures to be followed particularly the themes that were to be used in the main study (Yin, 2009). I also used the pilot study to assess how to establish rapport with the respondents and reduce observational bias. This aspect of the pilot study was very important to this study. From the pilot studies I also refined my research questions.

5.4 The Case Study Design

A case study is defined as a “strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real-life context, using multiple sources of evidence” (Robson, 2002: 178). The relevance of case study strategy in this research relates to the importance of contexts. Yin's (2009) definition of a case study highlights the importance of contexts; a “case study is an empirical enquiry that:

- 1) Investigates a contemporary phenomenon in depth and within its real life context, especially when the boundaries between phenomenon and context are not clearly evident.
- 2) The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, the data needing to converge in a triangulating fashion, and as another result, benefits from the

prior development of theoretical propositions to guide data collection and analysis (Yin, 2009:18).

Since this study draws on embeddedness theory and seeks to gain a rich understanding of the context of the research as well as the processes of trust building, use, perceived violation and repair in SME internationalisation, the choice of case study strategy was most appropriate for this study. The use of case studies strategy was also based on the three criteria suggested by Yin (2009:8) for choosing a particular research strategy, namely: “type of research question posed, the extent of control an investigator has over actual behavioural events and the degree of focus on contemporary as opposed to historical events”. This research focused primarily on (how) the processes that underlie owner/managers development, use and perceived violations and repair of trust in inter-firm relationships. In this regard I adhered to Yin’s (2009) admonition that “why” and “how” research questions most likely demand that case studies, histories and experiments are used.

This research also focused on contemporary and historical issues that enabled an understanding of owners/managers’ decisions and behaviour in relation to their trust-based networks and relationships. In essence this study sought to retain the holistic and meaningful characteristics of real-life events using multiple sources of evidence pertaining to processes of entrepreneurial trust based relationships in SME internationalisation (Saunders, et al, 2007). My choice of case study strategy was also in response to Easton’s (1998:73) admonition that researchers of network systems most often use a case study research strategy. This study also draws on Yin’s (2009:27) five components of a case study research design that are especially important: 1) a study’s questions, 2) its propositions, if any, 3) its unit(s) of analysis, 4) the logic linking the data to the propositions and 5) the criteria for interpreting the findings.

Case studies are very useful since the existing knowledge base is poor and there is little or no conceptual framework or hypothesis on the use of trust in SME internationalisation in developing countries (Perry, 1998; Yin, 1994; 2009). Furthermore, the case study approach facilitates theory construction and building based on understanding, explaining and interpreting the role of trust in exporting SMEs’ inter-firm relationships in Ghana.

In this study I aimed to allow the literal replications within sectors to compliment the theoretical replication across sectors (Yin, 2009). I therefore used multiple case studies of SMEs to enable a much deeper understanding of how the social world looks from the perspective of owners/managers being studied (Sullivan, 2001:332). This study also aimed at ensuring a cross-section of different sectors because the “uniqueness of the individual cases and contexts is important to understanding” (Stake, 1995:39). Therefore the multiple cases allowed a range of similarities and contrasts and thereby added confidence to the findings of the study (Miles and Huberman, 1994; Yin, 1994:45).

Multiple-case approach facilitated the study of patterns related to the three different export sectors and also helped to avoid chance associations (Yin, 1994; Eisenhardt, 1991). Furthermore, the multiple case studies unearthed processes that are essential for the success or failure of SME owners/managers inter-firm relationships but might remain hidden if other methods such as large-scale surveys had been used.

However, I acknowledge that there are several pitfalls associated with case studies. Yin (2009) cautions that case studies may lack rigor and this may result from the case researcher not following systematic procedures and also allowing biased views to determine the direction of the findings and conclusions. There are also limitations due to lack of basis for scientific generalisation; case studies can only be generalized to theoretical propositions because they are only concerned with single experiments. Case studies are also criticised for taking too long, and resulting in massive, unreadable documents. Case study research is additionally perceived to be subjective because researchers are usually expected to be closely involved in the firm as well as with the respondents under study (Bryman and Bell, 2007). In this regard I acknowledged that the subjective nature of interpretations of the qualitative information could allow bias to enter into the study. However, I exercised restraint and self-control to help reduce the problem of bias during the different stages of the study. This will be explored further in section 5.5.

5.4.1 The Unit(s) of Analysis

The unit (s) of analysis defines what the case is and therefore constitutes an important component of case study design (Yin, 2009). In this study I focused on the owner/manager

as the primary unit of analysis since inter-organisational trust building, collaborations and cooperation are strategic decisions that originate from top level boundary spanners. This could be regarded as strategic-level trust (Child et al, 2002; Janowicz and Noorderhaven, 2006). The literature review shows that SME internationalisation is a multi-level process and therefore involves individuals, firms and institutions. In this regard I used a holistic design and this was particularly appropriate since all 24 firms in the study were small and medium enterprises employing less than 100 people and the decision makers' perceptions and characteristics remains the single most important variable in SME internationalisation (Yin, 2009; Miesenbock, 1988).

Focusing on the entrepreneur allowed a multi-level analysis of trust at the micro, meso and macro levels. The analysis related to the entrepreneur's decisions with regards to trust building in relation to his/her firm's relationships and the influences of the institutional environment on owner/managers' trust processes. In this regard the relevant information that was collected and the level of analysis for this study included data on the individual owner/manager, his/her social and working ties and the domestic institutional environment, particularly institutions such as the courts that impact on entrepreneurship and inter-organisational trust building (Schumpeter, 1934; Granovetter, 1985; North, 1990; Drakopoulou Dodd and Anderson, 2007). This approach also reflects Hackmann's (2003) bracketing strategy that calls for the study of elusive organisational phenomenon of interest to be approached from analyses at one level up or one level down.

5.4.2 Sampling

Sampling techniques enabled me to collect the data for this study from 24 exporting SMEs (including my 3 pilot cases) from the population of SME exporters in Ghana. A research population refers to the set of people or events from which the sample is selected and to which the study results may be generalised. The target population for this study was all the exporting small and medium enterprises (SMEs) in Ghana. SMEs were chosen due to their dominance of Ghana's non-traditional export sector and the immense potential of the sector on Ghana's export performance (Owusu Frimpong and Mmieh, 2007; World Bank Report, 2007).

The selection of the 24 cases for the study was based on non-probability sampling in accordance with the research questions and the theoretical framework (Marshall and Rossman, 1999). Purposive sampling was used to reflect exporting SMEs based on markets and sectors.

I aimed to select cases to ensure maximum variation; hence firms were selected based on whether their export markets were in West African or intercontinental markets due to the potential differences in entrepreneurs' use of trust-based networks within the two markets (Saunders et al., 2007). Twelve firms that exported exclusively to West Africa markets were chosen while another twelve that exported exclusively to countries outside of Africa were identified and selected as exporting to intercontinental markets. The selection of 12 cases for each market was in adherence to the counsel of researchers of qualitative studies: that if a researcher aims "to understand common perceptions and experiences among a group of relatively homogeneous individuals, twelve interviews should suffice" (Guest et al., 2006: 79). The selection of a quota or stratified sample of 12 exporters in each market also followed the advice for the use of a stratified or quota sample of 12 participants per group in the study of how two groups differ along a given dimension (Guest et al., 2006:76). Due to the desire to compare the data from the West African and intercontinental markets, firms exporting to both markets were not included in the sample. SMEs that have been in business for not less than one year and belonged to agricultural, manufacturing and services export sectors were selected. The three different sectors were chosen because Ghana's economic structure is mixed with agriculture, services and industry being the main contributors to GDP. In 2005 agriculture provided about 40% of GDP followed by services (32%) and manufacturing (28%) (Robson et al, 2009). Nonetheless, I did not strictly adhere to these proportions in selecting the samples but instead ensured that all three sectors were equally represented (8 cases each) in the sample. The selection of eight cases in each sector conformed to the recommendation of qualitative researchers (e.g. Morse, 1994; Nielsen and Landauer, 1993; Guest et al., 2006) that six participants could uncover about 80% of key themes in a study. These differences in sectors and markets helped avoid chance associations (Yin, 2009; Eisenhardt, 1991).

These quotas were achieved after 12 visits to meetings, export forums, trade fairs, ports and open markets. Robson and Freel (2008) in their study of SME exporters in Ghana stated that there is no single register for small firms in Ghana. As a result I took the telephone numbers of 148 owners/managers and CEOs of firms during my visits to the various places. I called those whose numbers I had collected and used four filter questions for selection based on: firms employing less than 100 people, exporting to West Africa or intercontinental markets, operating in agriculture, manufacturing and services sectors and not less than one year old. Through this filtering process, I found out that out of the original 148 firms, 23 were large firms, 41 were non exporters, 19 were less than one year of age, and 25 firms rejected the invitation to participate in the research. I was then left with 40 firms that fulfilled the criteria and also consented to participating in the research (see appendix 3 for details of organisations and places visited, number of executives contacted and those finally selected). I then proceeded to interview the 24 cases needed until I achieved my quota of firms i.e. exporting to West Africa (12) and intercontinental (12) markets, and eight firms each in agriculture, manufacturing and services sector respectively. These sampled firms included my three pilot cases. Hence I used heterogeneous sampling to enable the collection of data to describe and explain the key themes that were observed (Saunders et al., 2007).

The sample also comprised 16 firms that are registered at the Registrars General's Department and therefore regarded as operating in the formal sector and eight (8) firms that had not been registered and hence regarded as operating in the informal sector. The unregistered firms were identified through visits to markets and industrial areas and also through conferring with trade associations. Nevertheless non-association members were also identified and included. I also examined the characteristics of the owner/manager based on variables such as age, gender, education and ethnicity (Gartner and Shane, 1995). For details of dates, places, observations, exporters and other key informants contacted see appendix 3.

The purposive (quota) sampling technique was invaluable to me because this study sought to explore the similarities and differences in processes involved in the role of trust in SME internationalisation in Ghana between West African and intercontinental markets and also between agriculture, manufacturing and services sectors. However, I also

acknowledge that purposive sampling has been criticised by scholars due to inherent weaknesses. In particular, it has been argued that purposive sampling cannot be representative (Bryman and Bell, 2007). Nonetheless, this research was not meant to be generalised to the general population but rather sought to make theoretical generalisations instead. See Table 5.1 for the profiles of the 24 cases and see Appendix 1 for details on individual cases.

Table 5.1: Profiles of Cases for this Study

Firm Profile					Entrepreneur Profile				
Case No	Firm Company	Year Established	Employees	Sector	Main Export Markets	Interviewed	Gender	Age	Educational Level
1	Beads Co	1998	5	Services	Senegal, Nigeria, Togo,	Owner/manager	Female	50+	Post Secondary
2	Master Engineering Services	2003	12	Services	Cote D'Ivoire, Mali, Burkina Faso	Owner/manager	Male	45-49	Elementary
3	Ember Inn	1989	6	Services	Nigeria, Burkina Faso, Mali, Niger,	Manager	Male	40-44	Secondary
4	Fuel Ltd	2009	17	Services	Mali, Burkina Faso, Niger	Owner/Manager	Male	50+	Post Secondary
5	Cola Nut Enterprise	1983	6	Agriculture	Nigeria	Owner/manager	Male	50+	Secondary
6	Maize Ltd	1990	10	Agriculture	Niger, Burkina Faso, Mali	Owner/manager	Male	50+	Elementary
7	Egg Company Ltd	2001	35	Agriculture	Niger, Mali, Burkina Faso	Owner/manager	Male	40-44	Elementary
8	Oranges Enterprise	1985	10	Agriculture	Niger, Burkina Faso	Owner/manager	Female	50+	Secondary
9	Jolly Fashions	2004	8	Manufacturing	Burkina Faso, Nigeria	Owner/manager	Female	35-39	Secondary
10	Alma Fashion and Designs	1995	13	Manufacturing	Nigeria, Burkina Faso, Mali, Senegal	Owner/manager	Female	40-44	Secondary
11	Cocoa Products Ltd	2000	10	Manufacturing	Nigeria, Burkina Faso	Owner/manager	Female	35-39	Secondary
12	Jewellery Company	1969	15	Manufacturing	Senegal, Togo Nigeria	Manager	Male	40-44	Post Secondary

Table 5.1: Profiles of Cases (continue)

Firm Profile						Entrepreneur Profile			
Case No	Firm Company	Year Established	Employees	Sector	Main Export Market	Interviewed	Gender	Age	Educational Level
13	Saart Hotel	2008	37	Service	USA, UK, EU	Manager	Female	25	Graduate
14	San Hotel	2000	12	Service	USA, EU	Owner/Manager	Male	50+	Graduate
15	Kente Company	1996	9	Service	USA, UK	Owner/manager	Male	30-34	Post Secondary
16	Diamond Hotel	1995	15	Service	USA, EU	Manager	Female	25-29	Post Secondary
17	Vegetable Ltd	2003	26	Agriculture	UK	Owner/manager	Male	30-34	Secondary
18	Cashew Company	2002	38	Agriculture	India, Switzerland	Owner/manager	Male	30-34	Graduate
19	Pineapple Company	1998	60	Agriculture	EU, Asia	Owner/manager	Male	50+	Post Graduate
20	Rapho Company	2002	20	Agriculture	EU, USA	Owner/manager	Male	50+	Post secondary
21	Lanta Spices	1991	38	Manufacturing	USA	Owner/manager	Female	50+	Post graduate
22	African Beads Ltd	1986	25	Manufacturing	Canada, USA, UK	Owner/manager	Male	30-34	Elementary
23	Shea Butter Company	2003	25	Manufacturing	USA	Owner/manager	Female	50+	Post secondary
24	Dried Fruits Ltd	1996	20	Manufacturing	Switzerland, China	Owner/manager	Female	50+	Post secondary

Compiled by Author

5.4.3 Access

Gaining access to organisations and maintaining that access based on the scope of the access remains problematic in research (Saunders, et al., 2007). It was therefore not surprising that one of the main challenges in this project related to getting access to owners/managers and other key informants, who were usually time-constrained and also at times not willing to disclose confidential information to “strangers” such as me. During the pilot studies, it also became apparent that access was a key issue in trust research. Hence the need to build trust with participants of this project became more relevant (Lyon, 2012).

I therefore negotiated access to some of the participants through gatekeepers such as the Chief Executive Officer (CEO) of Association of Ghana Industries (AGI), Chief Executive Officer (CEO) of Ghana Chamber of Commerce and Industries, Chief Executive Officer of Ghana Export Promotion Council, Director of the Accra International Trade Information Centre, Chief of Security Operations, Aviance at Kotoka International Airport. However, during the pilot studies, the interaction with the respondents demonstrated that access by gatekeepers such as the CEO of Ghana Chamber of Commerce and Industries could not guarantee cooperation, especially when researching SMEs whose owners/managers are time-constrained. Therefore, it was necessary to explain the benefits of the research to the respondents and build trust by telling them a little about my experience as a former small scale exporter and importer and my intention to study SME internationalisation in an attempt to make useful suggestions to improving SME exporting in Ghana.

It is also acknowledged that access through gatekeepers could have led to self selection bias as some owners/managers might have been more willing to offer themselves for such interviews. This bias was minimised by visiting ports, airports, trade fairs, conferences, workshops and open markets to recruit respondents in order to ensure that a broad spectrum of exporters were covered in this study. I also gained access to exporters in the informal sector at the Kumasi Central Market in the south and Techiman Market in the north of the country through personal visits and friends who had links to some of them. These markets were chosen because they are the two biggest markets where the greater number of indigenous exporters could be found.

During the interaction with the entrepreneurs, a letter of introduction from the research office at Middlesex University was utilised and, additionally, I built on the initial relationships and the experience gained during the pilot study. Respondents were also assured of confidentiality and anonymity. In a similar study on trust in groups, Lyon (2005) used informal introductions to traders and thereby won their trust and cooperation.

5.4.4 Data Collection Methods

This research employed mostly qualitative data. The research also used both primary and secondary data. The primary data was gathered through semi-structured interviews and observations of exporting owner/managers in their work settings and also during meetings, trade fairs and export forums. These sources produced first-hand information about the target population in question as well as on issues bordering on the research. The secondary data used comprised both qualitative and quantitative data and was accessed from Ministry of Trade and Industry, Ministry of Finance and Economic Planning, Ghana Export Promotion Authority, Ghana Chamber of Commerce and Industries, National Board for Small Scale Industries (NBSSI) and other sources, including journal articles, textbooks as well as the internet.

I employed an “iterative tactic” to collect the data for this study. I conducted the literature review and pilot study and also used observation and semi-structured interviews, all iteratively. Yin (2009) states that researchers can use any of the following six sources for collecting data in case studies: documentation, archival records, interviews, direct observation, participant observation and physical artifacts. I therefore used documentation, direct observation and interviews as multiple sources for data collection in addition to a comprehensive literature review.

Documentation

Firstly, I conducted a comprehensive literature review on theories and empirical findings on the development, use, violation and repair of trust in inter-firm relationships and firm internationalisation. The literature review facilitated the building of the theoretical and conceptual frameworks for this study as shown in chapter 4.

I also used documentary secondary data from written materials from Government Ministries such as Ministry of Trade and Industry and other state-backed bodies such as Ghana Chamber of Commerce and Industries (GCCI), Ghana Customs and Excise, Ghana Export Promotion Council (GEPC) and National Board on Small Scale Industries (NBSSI). I also used information from companies' websites, correspondence, annual reports, journals, magazine articles and newspapers. Documentation data provided me with a wealth of information that had detailed data such as exact names and references and covered a long span of time in an inexpensive way. However, I acknowledged that the quality of the data could be compromised due to bias and selectivity from the authors; therefore the credibility and trustworthiness of the documents were assessed carefully (Saunders, et al., 2007).

Direct Observation

Overall I made 16 observations. I adopted the approach of a direct observer in my "attempt to observe and explain events within the context in which they occurred" (Lupton 1963: 29). This approach was in line with my philosophical assumptions that required me to adopt contextual rationality instead of economic rationality of the firm (Morgan, 2001a). This approach enabled me to overcome a key challenge in international business research relating to "making theoretical linkages between the micro level and the macro level" (Sharpe, 2004: 310). Accordingly, between June and October 2010, I worked closely with Ghana Chamber of Commerce and Industries and Ghana Export Promotion Council. During that period I aimed to gain the trust of the staff as well as entrepreneurs. I attended meetings of the Greater Accra Regional Chapter of Ghana Chamber of Commerce and Industries which are held on every second Wednesday of the month at Accra International Trade Fair Centre. Additionally, since my name was on the mailing list of Ghana Export Promotion Council, I attended conferences, seminars, workshops and trade fairs organised throughout this period mostly in Accra and Tema.

I also built a rapport with the Head of Security at Aviance - the main air freight company at Kotoka International Airport in Accra, who incidentally happened to be an alumnus of University of Leicester, my alma mater. This relationship enabled me to contact and build ties with many exporters who came there frequently to export their products to the

intercontinental market. I also visited the Central Market and Asawasi Cola Market, the Suame Light Industrial Complex, also known as Suame Magazine all in Kumasi and the Techiman Food Market. These entrepreneurs mostly operate in the informal sector and are mostly ignored by the government's export promotion drives. These visits enabled me to attend the association meetings of the exporters and build relationships with prospective interviewees. Furthermore, between August and November 2011, I carried out follow-up visits to ports, markets, airports, offices and other public places such as University of Ghana and the palace of a local chief to seek clarifications on emerging themes.

Direct observation enabled me to participate in both formal and informal discussions on issues relating to SMEs use of trust-based networks in internationalisation in Ghana. These visits and the meetings led to the building of rapport with prospective key informants and facilitated their cooperation during subsequent interviews (Spradley, 1979; Tillmar, 2012). In his study of trader associations and urban food systems in Ghana, Lyon (2003) used a similar method by attending the meetings of tomato growers and sellers.

During my observations, I was immersed in the social processes of exporting owner/managers and gained an insight into the context of their perceptions, interpersonal behaviour and how they developed and used trust in interfirm relationships. As a result, I was able to refine my research questions (Sharpe, 2004; Yin 2009). Nevertheless, the process was challenging as I struggled with my quest to be closely involved in some of the discussions and at the same time keep a distance in others in order to observe the owner/managers without much interference. Furthermore, since observation involved several visits to different places it was time-consuming and very expensive (Yin, 2009).

Semi-structured Interviews

The third data collection method that I used was interviews. Over all, 24 owner/managers were interviewed (10 in each market) while four managers (two in each market) also granted interviews on behalf of their owner/managers who were not available. Sullivan

(2001: 98) explains that “interview techniques are better able to capture the very critical subjective meanings that are essential elements of understanding human behaviour”. Therefore, interviews are extensively used in qualitative research and more so in case studies (Yin, 2009; Marshall and Rossman, 1999). In this study, interviews enabled me to gain insights into meanings of how exporting owner/managers developed and used trust-based ties to access resources embedded in domestic, West African regional and intercontinental institutional contexts (Granovetter, 1985).

I used qualitative interviews in two stages. The first stage was the pilot study which has been discussed in detail in this section. The interview guide for the main study comprised questions that were non-standardised but based on fairly specific themes on owner/managers use of institutions, relationships and trust in SME inter-firm relationships and exporting (Boyatzis, 1998). The themes were based on the research questions in the conceptual framework. I achieved informed consent by fully informing participants about the nature, aims, and use of the research and their roles in the research. I also assured participants of anonymity and confidentiality (Saunders et al., 2007).

I used face-to-face semi-structured interviews instead of telephone interviews to enable me establish personal contacts with the interviewees and therefore interpret verbal and non-verbal behaviour as well as explain questions. The interviews were held at the workplaces or at the owners/managers’ homes depending on where they felt comfortable. During the early stages of the interviews, descriptive questions were used since they were useful in starting the conversation (Spradley, 1979). These questions related specifically to general information on the export activities of the firms. These questions included names of firms, year of establishment, registration status, size of firm in terms of number of employees, export markets and volume of exports. Direct and early questions about trust were not used as this might have limited access to sensitive information. The questions related to how and why entrepreneurs built, used, perceived violations and repaired trust and the types of contextual influences that shaped their decisions. Questions seeking the disclosure of ‘sensitive’ information were asked during the latter stages of the interviews (Spradley, 1979; Dalton et al. 1997; Lyon, 2012). This explains why questions about age, ethnicity and education levels were the last to be asked as

interviewees considered them to be 'sensitive', particularly, respondents' ages were given within age ranges because most of them considered disclosing their actual ages to be sensitive, see appendix 4 for a copy of the interview guide.

During the conversations I used a critical incident technique (Flanagan, 1954) to investigate how owners/managers reacted to incidents that happened. More information was requested on incidents such as sources of information for exporting, inter-firm collaborations, coordination mechanisms, role of family members, government and non-government institutions, socio-cultural institutions, offering of credit, opportunistic behaviour of partners, and membership of trade associations. The critical incident technique enabled me to probe deeper into events in order to unearth the dynamic nature of trust and capture the very critical subjective meanings that were essential elements of understanding entrepreneurs' behaviour (Sullivan 2001:98; Marshall and Rossman, 1999).

After the first round of interviews and the initial analysis, I conducted one follow-up interview with each of the 24 entrepreneurs during summer 2011. The follow-up interviews helped me to explore deeper into emergent themes particularly on the role of family members in enterprise development and exporting, role of trade associations in facilitating SME exporting in Ghana, outcomes of trust violations with time and the processes involved in how entrepreneurs interpreted trust violations. I must state that these subsequent interviews were shorter lasting between 15 minutes to 30 minutes. The repeated interviews helped me albeit to a limited degree to understand the dynamic nature of trust processes since this research was basically a cross-sectional study. It is acknowledged that one of the significant issues in trust research is that it is a dynamic variable (Flores and Solomon, 1998). Furthermore, empirical findings suggest that entrepreneurial processes are dynamic and exist across time and space (Gartner and Shane, 1995). Hence cross-sectional research in entrepreneurship is criticised (Zaheer and Harris, 2006). Nonetheless, in spite of the limited time available for this research, I conducted repeated interviews that lasted over a period of 2 years with all 24 cases.

I also conducted interviews with key informants in organisations such as Ghana Export Promotion Council and Ghana Chamber of Commerce and Industries, trade associations and research institutions. This approach offered me an effective means to unearth the meanings and processes that shaped exporting owner/managers' decisions. However, it required skill in order for me to steer the conversations to the phenomenon under study. The interviews were audio-recorded and later on transcribed with the help of transcription software. The interviews facilitated the explanation and understanding of the relationships between the themes and facilitated the interpretations of verbal and non-verbal behaviour as well as explained questions. The semi-structured interviews enabled me to explore and understand the relationships between the themes and how exporting SMEs owners/managers developed trust, perceived trustworthiness and its violations and embarked on its repair in inter-firm relationships.

During the research, I reckoned that interviewees could give information that was inaccurate due to poor recall; the interviewees could also give information that they thought I wanted to hear (Yin, 2009). To mitigate these weaknesses, I triangulated the interview data with other sources of information such as documentation and observation. I also acknowledged that face-to-face interviews were more time consuming and expensive. Additionally, interviewees on a few occasions were not prepared or not comfortable to divulge all the information that was pertinent to the aims of the research (Marshall and Rossman, 1999).

The triangulation of data for this study aimed to limit the potential problems associated with using only documentation, observation and semi-structured interviews and thereby enhance the accuracy as well as increase the level of confidence in my findings. The approach enabled me to adapt my interview guide as well as gain a better understanding of the existing and emerging concepts and themes. Curren and Inkpen (2002) confirm that triangulation ensures methodological rigour in the study of trust within organisations.

5.4.5 Data Analysis

Analysis of qualitative data is challenging due to its complex, interactive and iterative nature (Saunders et al., 2007; Miles and Huberman, 1994:12) and more so due to the

subjective nature of human knowledge. To facilitate the process, I relied on both theoretical propositions and case description in this study. Accordingly, my choice of research questions, conceptual framework, samples of cases and instrumentation all informed the data analysis.

According to Yin (2009), the four strategies recommended for analysis are: 1) relying on theoretical propositions 2) developing a case description 3) using both qualitative and quantitative data 4) examining rival explanations (Yin, 2009:130-135). The case description accorded me the opportunity to identify the appropriate causal links for analysis and facilitated gaining in-depth insight, the enumeration and the tabulation of some of the decisions that owner/managers took in their trust-based relationships (Yin, 2009).

The semi-structured interviews from each of the 24 cases were transcribed rigorously based on the audio recorded interviews (Boyatzis, 1998; Marshall and Rossman, 1999). Two thirds (16 of 24) of interviews with the entrepreneurs were conducted in English and therefore did not require translations. Eight interviews were conducted in Twi - the dominant language in Ghana. The Twi transcripts were translated into English after transcription. Each transcription was saved under a filename that identified me and the interviewee while maintaining confidentiality and preserving anonymity (Saunders et al., 2007).

The transcripts were checked for accuracy and cleaned of typographical errors and the data of each transcript classified based on the six themes identified during the studies namely: The type and nature of relationships that influenced owner/managers exporting activities, owner/managers perceptions of the legal systems and how these perceptions shape their inter organisational relationships, owner/managers' development and use of trust in relationships, perceived violation of trust and the repair and rebuilding of trust in relationships.

Bryman and Bell (2007) suggest that there are five strategies for analysing qualitative data namely: conversation analysis, discourse analysis, narrative analysis, analytic

induction and grounded theory. Braun and Clarke (2006) however suggest that thematic analysis is an alternative strategy for analysing qualitative data and they define it as “a method for identifying, analysing and reporting patterns (themes) within data” (Braun and Clarke, 2006:79). The data analysis in this study was undertaken through the use of thematic analysis (TA) due to the advantages inherent in its use.

Thematic analysis enables researchers to unearth similarities and contrasts as well as identify emerging themes to enable the establishment of a chain of evidence to build the arguments (Braun and Clarke, 2006). It also allows the organisation and description of the research findings in detail. It is flexible, relatively easy and quick to learn and do and notably very accessible to beginners in research (Braun and Clarke, 2006:79). However, some researchers argue that the strategy is poorly demarcated and overlaps with many other approaches such as grounded theory in its search for themes (Braun and Clarke, 2006).

Due to the inherent advantages I analysed the data based on the six steps proposed by Braun and Clarke (2006) for using thematic analysis. After the transcription, I coded the data with the research questions and the theoretical framework in mind (Miles and Huberman, 1994; Braun and Clark, 2006; Saunders et al., 2007). I used the codes based on code names/code labels to construct a thematic map. I also used Boyatzis (1998) criteria for a “good code” which refers to a code that reveals the qualitative richness of the phenomenon under study. The process unearthed themes within the data that emerged to become the categories for the analysis. The themes included: 1) personal and working relationships that were used by entrepreneurs in crossing cultural boundaries 2) entrepreneurial perceptions of both corruption within the legal systems in Ghana and West Africa and high cost of pursuing commercial disputes in international markets 3) two types of trust including ‘personalised trust’ and ‘parallel institutional trust’ were the most used by entrepreneurs in export exchanges 4) a range of factors including ‘honesty’, ‘timely payments’, ‘quality products and services’, ‘credit relations’, ‘punctuality’ and ‘sharing of market information’ were the most cited factors of entrepreneurs’ perceived trustworthiness of exchange partners 5) Customer-led trust violations, supplier-led trust violations, facilitator-led trust violations and court-related trust violations were the most

common forms of trust violations identified 6) entrepreneurial interpretations of trust violations were found to be shaped by cultural norms, industry norms and power relations and 7) entrepreneurs used victim-led and perpetrator-led approaches to trust repair. The key themes that had emerged from interviews and observations were then summarised and the relationships between the themes identified. The summaries were also related to the contexts of the interviews and the observations (Saunders et al., 2007). This approach enabled me to have an in-depth overview of the interview transcripts.

Evidence from each case was iteratively compared with the conceptual framework to ensure that there was a close fit with the data and that new insights could be identified and taken advantage of in order to yield an empirically valid theory (Eisenhardt, 1989 p.541). Nonetheless, the amount of data generated required considerable amount of time for transcription and analysis. However, after reading over the transcripts several times I was better prepared for the analysis of the qualitative interviews.

Yin (2009) outlines five analytic techniques namely: 1) pattern matching 2) explanation building 3) time series analysis 4) logic models and 5) cross-case synthesis. I mostly utilised explanation building and cross-case synthesis. The explanation building approach helped me to build an explanation about the cases through the use of the theoretical framework while at the same time seeking to explain the “how” of owner/managers’ actions. The approach also facilitated the establishment of causal links that reflected critical insights into the role of trust in SME internationalisation. This approach enabled significant contributions to theory building while emphasising policy implications (Yin, 2009). The cross-case syntheses approach was particularly relevant to the analysis of the multiple cases. This approach allowed the treatment of each case as separate while simultaneously allowing the cases to be analysed as part of a single study. It must be stated that I did most of the analysis in the field. In reporting the findings, I summarised the interviews, observations and documents and presented the findings in tables and quotes to help build my arguments. I also used quotes from interviewees from the individual cases in the three sectors and the domestic, West African and intercontinental markets based on some uniform framework (Yin, 2009). The quotes were translated

based on what the respondents said in relation to their interpretations of events while not losing fact of the contexts in which the statements were made.

5.5 Quality Issues

I ensured the quality of this scientific study based on four criteria suggested by researchers (Miles and Huberman, 1994; Yin, 2009) namely: construct validity, internal validity, external validity and reliability. I also developed and used a case study protocol (see appendix 2). Validity refers to the degree to which a researcher uses appropriate methods to study what he/she intends to study rather than studying another phenomenon. Consequently, there should be a good fit between theory, model or category and their description of theory in order to be valid (Gummesson, 1991:80-81). Reliability implies that the study can be replicated by other researchers.

I ensured quality by conducting pilot studies to clarify key concepts and themes to assist in the development of the research questions and the research design for the main study. Furthermore, I ensured that misinterpretations during the interviews were minimised through seeking clarifications on salient issues from respondents. I also ensured the retention of the raw data from tapes, field notes and documents (Lincoln and Guba, 1985).

Additionally, I used multiple sources of data collection such as documentation, observation and semi-structured interviews and was also subjected to peer review (Robson, 1993). Furthermore, during the analysis I made attempts to identify and emphasise the key patterns of similarities and differences between respondents' experiences and perceptions.

However, there is a debate on whether validity and reliability are relevant in the evaluation of the quality of qualitative research (Eisenhardt, 1989). Consequently, researchers such as Robson (1993) have proposed another set of criteria to determine the quality of qualitative research, namely: confirmability, credibility, transferability and dependability.

To enhance the logic linking the data to the research questions as stipulated by Yin (2009), a case study protocol was adopted. The protocol aimed at increasing the reliability of this study and also serving as a guide for the study. The protocol contained the procedures and general rules as well as the research instrument and it was particularly important because this study involved multiple cases (Yin 2009) (see appendix 2 for a copy of the protocol). Table 5.2 summarises the techniques adopted to enhance validity and reliability in this project.

Table 5.2: Tests and Techniques for Establishing Validity and Reliability in this Case Study Research

Case Study design tests	Corresponding qualitative design tests	Case study techniques	Phase of research in which techniques occurred
Construct validity	Confirmability	Multiple sources of evidence Review of case study report by peers/supervisor	Data collection Report writing
Internal validity	Credibility	Did within case analysis, then cross-case pattern matching Did explanation-building Ensured internal coherence of findings and concepts are systematically related	Data analysis Data analysis Data analysis
External validity	Transferability	Used multiple-case studies to compare and contrast findings Defined scope and boundaries of study. Compared evidence with existing literature gave full account of theories and ideas.	Research design Research design Data analysis
Reliability	Dependability	Assured congruence between research issues and features of study design Developed and refined case study protocol Recorded observations and actions as concrete as possible Used peer review/examination	Research design to data analysis Research design Data collection Data analysis

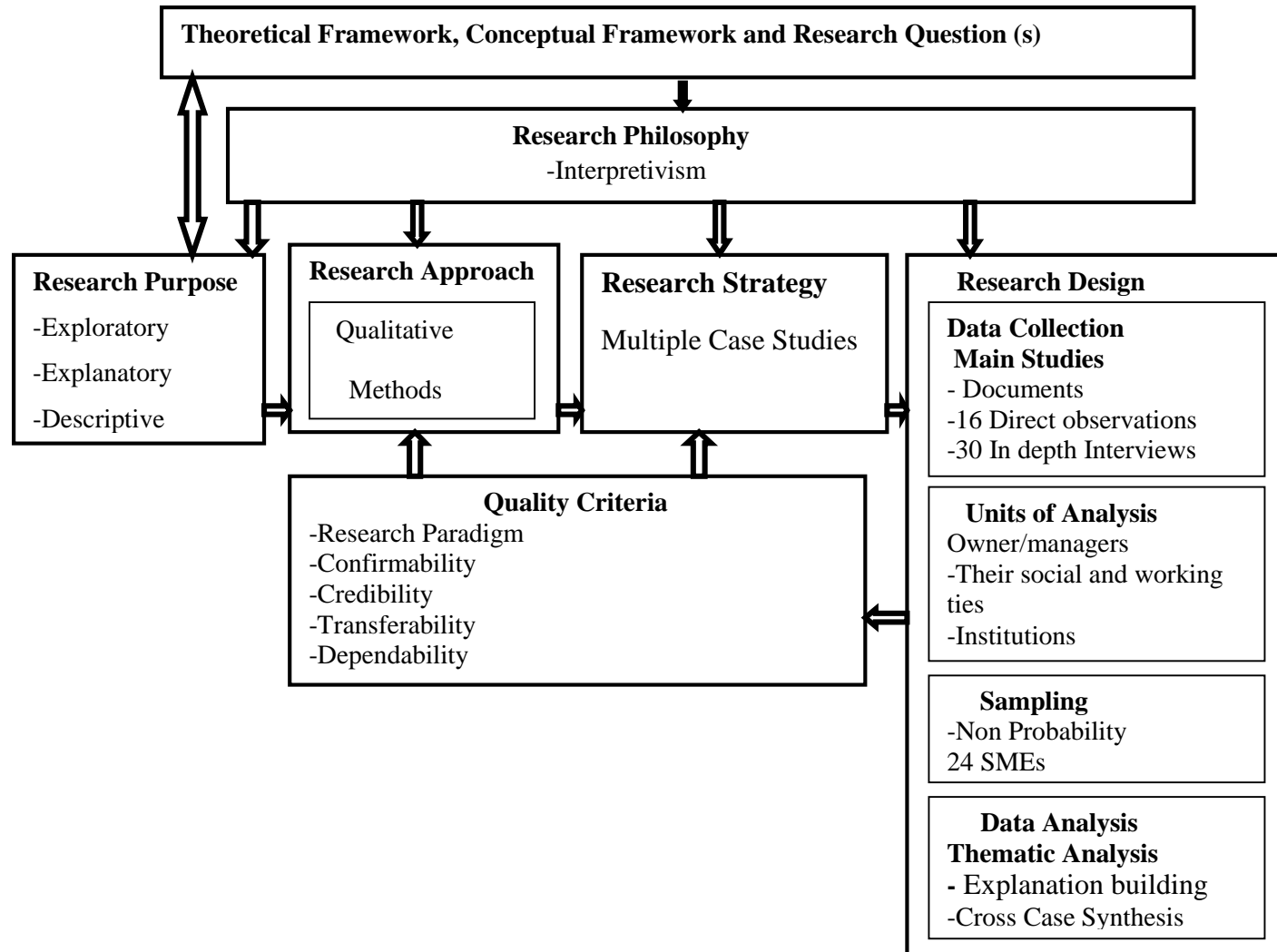
Source: Adapted from Miles and Huberman (1994) and Yin (2009)

5.6 Ethics

Ethics in research defines the appropriateness of the behaviour of the researcher in relation to the rights of those who become the subject of the research work, or are affected by it (Saunders et al., 2007). To adhere to the guidelines from School Research Ethic Panel (SRCEP) at Middlesex University Business School, I designed this research based on a methodologically sound and morally defensible ways to all the respondents (Saunders et al., 2007). In this regard, I abstained from deception and lies in the attempt to collect valid and reliable data. Nonetheless, there were ethical challenges due to the need to ask sensitive questions. To overcome those barriers, I built rapport and trust with the respondents. For example in my role as an observer I had to decide on how much the researched knew about the study (Curran and Blackburn, 2001:82). This was discussed with the gatekeepers and as a result I was introduced formally to participants during conferences, workshops and seminars. I also engaged in informal discussions during visits to public functions and places such as airports, trade fairs and markets.

Furthermore, this research involved the recording of conversations therefore I informed participating owners/managers and the other interviewees what the research entailed, explained the benefits and sought their consent prior to recording. Interviewees were also assured that their privacy and confidentiality would be respected while protecting their anonymity (Dalton et al., 1997; Saunders et al., 2007). This research has a number of limitations relating to the methods and these have been discussed in detail in section 10.6. Figure 5.1 summarises the methodological approaches discussed in this chapter.

Figure 5.1: Summary of the Methodological Approaches to this Study



CHAPTER 6 GHANA: SEARCHING FOR NEW INTERNATIONAL MARKETS

6.1 Introduction

Chapter 6 examines the context for the study. Section 6.2 establishes the rationale for choosing Ghana for the study. Section 6.3 investigates the geography and historical context and particularly focuses on pre-colonial trading relationships and institutions. Section 6.4 reviews current political/legal, socio-cultural and economic and export context for this study. Section 6.5 Examines issues relating to entrepreneurship and SMEs in Ghana while Section 6.6 presents the summary of the chapter.

6.2 Why Ghana?

This thesis uses exporting SMEs in Ghana as a case study based on a number of reasons:

1. The first reason for choosing Ghana is that I am Ghanaian and was involved in SME internationalisation, importing from Nigeria and UK and exporting to Nigeria in West Africa from 1992-2004. My experience showed that access to support from formal institutions such as banks was limited and consequently most SMEs involved in internationalisation had to rely on their own limited resources. This apparent lack of support from formal institutions offered avenues for researching into how SMEs embarked on internationalisation.
2. For the past 1000 years parts of Ghana have been linked to the West African and intercontinental markets through the Savannah, Saharan and Trans-Atlantic trade routes.
3. During these 1000 years there has been a dependence on a limited number of primary commodities and thereby adversely affecting the country's export earnings.
4. Ghana's relatively small market has made it necessary for policy to acknowledge that "economic growth must necessarily come through increased international trade" (Ministry of Trade and Industry, 2005:9).

5. Given that SMEs dominate the non traditional export (NTE) sector and also provide jobs for an estimated 90% of the working population it seems prudent to investigate issues relating to SME exporting in order to enhance the sector's potential in the country's export drive and economic development (World Bank, 2002; Owusu Frimpong and Mmieh, 2007).

6.3 Ghana- Geography and Historical Context

The modern country of Ghana refers to the former British colony of the Gold Coast which changed its name after independence in 1957. The country derives its name from the ancient Kingdom of Ghana which was located about 800km between the Senegal and Niger rivers to the north of Accra. Ghana was the title of the ancient empire's king and Arab traders used to apply the name Ghana to the capital and the state (Hilson, 2002). Twi and Akan speaking people in Ghana are thought to have emigrated between the 11th - 13th century from the ancient empire of Ghana in the savannah of West Africa. Ghana has a size of 239,460 square kilometres with a population of about 25 million and located at the Gulf of Guinea on the west coast of the Atlantic Ocean. The country shares an eastern border with Togo, western border with Cote d'Ivoire and Burkina Faso to the north all of which use French as their official languages.

Ghana played a role in the world economic system well before the arrival of Europeans to the Atlantic coast of Africa in the 15th century. The trans-Saharan trade linked the whole of the Mediterranean, Arab and European empires together and gold was supplied from the Senegal and Ashanti region in Ghana to these markets. The Egyptians and the Carthaginians were engaged in trade with the country. However, the volume of trade was not significant until about AD 750 when under the influence of the Islamic merchants camels were used to transport merchandise across the hostile terrain of the Sahara desert (Hooker, 2002; Wilks, 1993; Iliffe, 1983). West African regional trade also flourished; between the 1st to the 16th Centuries merchants in Ghana exchanged gold for slaves, beads, cotton and cloth from their counterparts from the West African coast through a trade network from modern Senegal to Benin state in Modern Nigeria. Figure 6.1 shows the map of Ghana and its neighbours.

Figure 6.1: The map of Ghana and its neighbours



Source: The Economist Intelligence Unit Limited (2006)

The Portuguese were the first Europeans to come to the shores of Ghana in 1471 and joined the trade from the coast by supplying textiles, garments, calicoes and other items (Perbi, 2004) However, in the 16th and 17th centuries the Danes, French and

Bradenburghers also came to Ghana and emulated the Portuguese and built their forts along the Atlantic coast to facilitate trading in gold through intermediaries (Daaku, 1970). By 1872 the British had taken over control and colonised it since the Dutch, Danes and Portuguese left the territory. It could be argued that before the institution of colonialism Ghana was an equal partner in global trade

Main Issues in Pre-colonial Trade

Trade 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). This social structure still persists today. Other institutions also evolved to facilitate trading during the colonial era. At that time, Fanti merchants locally known as *Aberempon* served as the intermediaries and acted as brokers, spokesmen and representatives for the trading ships and the traders who supplied gold, ivory and slaves. The role of the intermediaries was necessary since the European traders did not go beyond modern day Assin which was located at about 60 to 80 miles from the Atlantic coast; Assin therefore served as the main trading post between the coast and the forest regions (Hymer, 1970; Kea, 1982). Notably, there were captains who served as master merchant-brokers. The captains supervised senior and junior as well as apprentice merchant-brokers. The institution of captaincy was widespread in the region and was the basis of social networking, sharing information, sustaining shared norms and values, sanctioning defaulters, mobilising collective action and facilitating the generation of social capital amongst the trading parties (Kea, 1982). To reduce uncertainty and opportunism, and facilitate long-term exchanges, trading was based on trust in networks (Cruikshank, 1853). The merchant-brokers established credit systems. For example, gold dust borrowed for trading purposes attracted an interest of 33.33% for every forty days and which must be supported by a “dash of liquor” after the first period (Bowdich, 1819:257). The traders from inland benefitted from the credit system which was based on networks and trust (Cruikshank, 1853).

Raw gold dust, or gold dust converted from gold nuggets was used for both internal and external marketing. Merchants provided consumer items such as clothes, salt and drinks which were obtained from retailers known as *adwadifo* (Arhin, 1978). Initially, gold,

timber and palm oil constituted the main export products from the hinterland to the European traders on the coast. Eventually, the Ghanaian economy which by the 17th century was noted for the export of gold and an import of slaves experienced dramatic increase in demand for slaves due to the need for slave labour for the plantations in the New World (Kea, 1982). However, regional and intercontinental trading was disrupted when the Ashantis embarked on invasions of the coastal regions in AD 1807, 1811 and 1814 sparking several wars with the British in the nineteenth century for control of trade in the region. The Ashantis were defeated in 1874 and in 1900 during the Yaa Asantewaa war after which the Ashanti kingdom was declared a British Crown Colony in 1902. Hence, between 1902 -1957 the United Kingdom had a dominant position in trade relations with Gold Coast due to its trade protectionist policies that “pumped in finished goods and pumped out raw materials” (Milhomme, 2004:153). The colonial legacy included the construction of the railways in 1898 to link the mining centres and the forest regions to facilitate the extraction of gold, timber and cocoa (Szereszewski, 1965). After the 1920s vehicles were introduced into the country and as a result motorable roads were constructed to link the railways and the major trading centres with Kumasi as the nerve centre of the road network (Gould, 1960).

Role of Entrepreneurship in Pre-Colonial Ghana

Interestingly, the role of entrepreneurship in pre-colonial and colonial Ghana still remains debatable. Bowdich (1819:167) indicates that Ashanti purposely prevented the evolution of a merchant class in an attempt to maintain the socio-political status-quo and allow the rulers to use the existing norms and values to keep hold on power. However this assertion is highly contested. The use of gold dust as a single currency, and the existence of pre-colonial non-farm enterprises dealing in blacksmithing, goldsmithing, weaving and spinning, carving, pottery, leather craft, bead-making, canoe making and small scale mining of gold and bauxite all attest to the existence of a well developed private sector similar to the current informal sector (Austin, 2005; Fyle, 2002:30). Evidence also suggests that wealthy private individuals also participated in the trade in gold and ivory. There were gold concessionaires who used paid labour in addition to other forms of labour such as pawns and slaves. Therefore a group of wealthy individuals referred to as *Aberempomma* or literally lesser nobles emerged whose wealth was based on gold

mining. These indigenous entrepreneurs reinvested their wealth in the acquisition of slaves and pawns to provide labour for the mines, kola production and trading (Arhin 1978:92-93).

During the colonial era, it is asserted that the British prevented the development of indigenous entrepreneurship and particularly industries in order to keep the colony as a protected market for their manufactured exports (Frimpong Ansah, 1991:47). This was achieved by making the acquisition of trading licences from the colonial government difficult and thereby preventing the indigenes from entering most industries, import machinery, export locally manufactured goods and in effect embark on industrialisation. Ultimately, the indigenous Africans were confined to traditional activities which were of no interest to the Europeans (Agbodeka, 1992). Nonetheless, it must be acknowledged that it was the British who embarked on the building of the infrastructure that transported the cash crops and extracted minerals from the forest belt to the coast (Kennedy, 1988). This infrastructure was arguably also used by the small scale ventures owned by the indigenes.

6.4 Current Context

The weak performance of Ghana's post-colonial economy can be attributed to a dysfunctional macroeconomic environment partly path dependent on its colonial structures. Consequently, there has not been much growth and development with regards to exports and not surprisingly a disappointing number of SMEs export their produce (Robson and Freel, 2008). This situation is best understood in the context of the political/legal, economic and socio-cultural environments that facilitate and constrain economic and business activities in the country (Davis and North, 1973).

Political/Legal

During the immediate years after independence, Dr. Kwame Nkrumah, the first president of Ghana focused on a socialist state participation and dominance for ideological reasons. The state adopted a protectionist trade regime dominated by state owned enterprises, as a result the domestic indigenous sector and the entrepreneurial class was regarded to be too small and also a threat to the political system and therefore was not encouraged (Aryeetey

et al., 1994:4; Kayanula and Quartey, 2000). It was Dr. Kofi Abrefa Busia's government in 1970 that facilitated entrepreneurship and small business development through the enactment of the Ghanaian Business Promotion Act (Act 334) (Ninsin, 1989). However, the state-led development persisted until 1983 by which time the economy had nearly collapsed (Nowak et al., 1996). In brief, the political system had constrained the growth of SMEs due to interference, bureaucracy and corruption by government officials (Ninsin, 1989).

Currently the policy environment is not conducive for private sector development. The problem is arguably attributed to the scattering of policy on SMEs around several government ministries and institutions. However, this relatively large number of institutions rarely interact and target SMEs in promoting the development of exports in the country (Aryeetey and Ahene, 2005).

Ghana's legal institutional framework is modelled upon the British Common Law. The legal system is expected to enforce regulations, laws and facilitate arms-length business transactions. However, there is a lack of proper implementation of laws and regulations enacted by the formal organisations (Acquaah, 2008). This could be understood in the context of a relatively weak formal institutional framework characterised by inadequacies in the institutional environment (Buame, 2012:110). Consequently, there is widespread bureaucracy and red tape, corruption and land litigation (Daily Graphic, 2008, July 15). Formal cross-border legal contracts and agreements cannot be enforced by the legal system (Lyon, 2003; 2005; Acquaah, 2008). The weak policy and legal/regulatory frameworks have contributed to constraining the incentives available to boost enterprise development. SMEs' compliance on licensing, investment code, location, registration/reporting, labour, standards and support services has not been supportive. Studies show that firms that comply with regulations are more likely to experience a decrease in performance when compared to those that do not comply with regulations due to the greater cost incurred by such firms (Aryeetey et al., 1994; Aryeetey and Ahene, 2005:26-36).

In Ghana, one of the key constraints to economic activity (and the private sector as a whole) is the lack of rights over land and commercial assets (GoG, 2003a: 123; GoG,

2005a). The difficulty of using assets as legal collateral means that social collateral becomes more important (i.e. the ability to access finance through social relations). Nonetheless, while many assets in the informal sector remain dead capital (De Soto, 2001) it is possible to informally use some assets; for example mortgaging cocoa farms to other community members (see Austin, 2005). Given the weaknesses of policy and legal structures entrepreneurs have historically relied mostly on socio-cultural and professional norms to build more informal personalised relationships based on trust to enhance economic activity (Lyon, 2003; 2005; Lyon and Porter, 2010).

Socio-Cultural

Socio-culturally, Ghana like most African countries was put together as a nation by the colonial authorities without recourse to ethnic affinity. As a result, Ghana is a multi-ethnic, multi-religious and multi-cultural nation. There are about ninety-two different ethnic groups which are usually classified into a few larger groups namely: Akan (49.1%), Mole Dagbani (16.5%), Ewe (12.7%), Ga Adangbe (8%), Guan, (4.4%) and Geme (Gurma) (3.9%), Grusi (2.8%), Mande Busanga (1.1%) and others (1.5%). Additionally, the population is comprised of about 69% Christians, 16% Muslims and about 15% Animists (Ghana Statistical Service, 2000).

These different ethnic and religious groups are in most instances mixed and scattered in the 10 regions in the country. With the exception of a few ethnic conflicts in the north of the country the various ethnic and religious groups coexist peacefully. However, in spite of the fact that no region of the country is ethnically homogenous, the Akans dominate the southern part of the country. Furthermore, the Akans seem to have enjoyed relative economic dominance during both the colonial and post-colonial times (Asante and Gyima Boadi, 2004). Interestingly, Islam dominates the northern regions of the country whilst Christianity is the dominant religion in the south of the country. This could be understood given that Arab (Muslim) merchants focused their activities in the north as compared to that of the European merchants (mostly Christians) who settled on the south (coast) of the country during the colonial era.

Generally, Ghana's socio-cultural context is predominantly based on kinship whereby individuals have a close network of ties through family members, extended family members, community, tribe and/or ethnicity. Networks of strong and weak ties and their attendant social norms are widely used in Ghana (Gambetta, 1988). The extended family develops the norms, values and the behaviour that society regards to be acceptable; individuals as a result, have extended rights as well as extended obligations (Barr, 1995; Acquah, 2008:14). As a result, family, extended family, community and ethnic relations are important in accessing certain trades and enterprises in the informal sector because there are certain dominant ethnic groups "inhibiting entry into certain commodity trades" (Hart, 1973:73).

Nonetheless, the role of the socio-cultural environment on entrepreneurship in Ghana like in most parts of sub Saharan Africa has been debatable (Kiggundu, 2002). Buame (1996; 2012) found mixed influences accruing from the family system. Family relationships allow less qualified family members to be hired and in the process hamper innovation but at the same time, family networks provided access to suppliers, customers and finance. It has also been found that family members provide support for apprenticeship training and also the start-up capital for entrepreneurs (Robson and Obeng, 2008; Buame, 1996; 2012). However, the role of socio-cultural context in SME exporting in the country is not known due to lack of empirical research on the subject. Therefore, this study aims to make an in-depth investigation into how institutional forms such as the family shape entrepreneurial networking decision making in exporting.

Economic Structure and Exports

Like most countries in sub Saharan Africa, Ghana's economy could be classified as formal and informal (Hart, 1970; 1973). The term informal sector interestingly was coined in Ghana by Keith Hart who in 1971 discussed his initial findings from the study in the economic activities of low income migrants in Accra during a conference on Africa at the University of Sussex.

DFID's Commission for Africa (2005) estimates that in Sub-Saharan Africa, excluding South Africa the informal economy offers over 90% of all new jobs whilst the World Bank

(2005a) corroborates that the sector offers about 85% of total employment in Sub-Saharan Africa. However, it must be stressed that the distinction between formal and informal is murky and blurred since formal sector has links and shares the characteristics of the informal sector (Palmer, 2004b).

The Ghana Statistical Service refers to the sector as composed of small unregistered enterprises and wage employment in unregulated and unprotected jobs (GSS, 2005). The origin of the informal sector in Ghana's economy can be traced back to the very beginnings of colonial capitalism in the then Gold Coast. Right from the outset, a dualistic economy with two distinct sub-economies emerged alongside each other. The key features of the colonial economy included primary commodity production for export, investments in mining, transportation and related services, infrastructure and public works, and social development. However, indigenous enterprises dealing in blacksmithing, goldsmithing, weaving and spinning, carving, pottery, leather craft, bead-making, canoe making and small scale mining of gold and bauxite operated alongside the formal (Austin, 2005; Fyle, 2002:30).

In Ghana the informal sector employs over 90% of the total workforce (GSS, 2000). And according to the World Bank (2004a:51) the sector like those of many developing nations could be classified into three distinct categories. The first category is pre-entrepreneurial self-employment, mostly part-time, seasonally operated and based on traditional technologies, local materials and markets and providing a source of income for mostly poor rural women. The second category involves micro-enterprises that employ up to 10 workers who are mostly family members or apprentices. These enterprises use different types of technologies and operate mostly in rural areas and markets. The third group comprises of semi-formalised small-scale enterprises that employ between 10-50 workers; these enterprises use some modern equipment and have some potential to grow. It could however be argued that the informal sector is heterogeneous and that the above classifications may not be able to describe the complex nature of the sector. Apparently, the sector cuts across all the major economic activities such as agriculture, manufacturing and services such as commerce, music and entertainment (GoG, 2005d: 9, Debrah, 2007). For the purpose of this study, the investigation will focus on exporting small and medium

enterprises in agriculture, manufacturing and services activities, in both the formal and informal sectors of Ghana's economy.

Ghana's post-colonial regional and intercontinental trade and markets evolved from pre-colonial trading institutions, structures and markets (North, 1990). Some commentators suggest that the main objective of the British with regards to the trade policy of the Gold Coast was to ensure that the colony remained a supplier of raw materials and at the same time a market for British goods (Arhin, 1978; Fyle, 2002).

Surprisingly after independence in 1957, Ghana continued to rely on the traditional sector characterised by exports of cocoa beans, gold and timber which are all abundant natural resources in the country. For example by 2001 gold production and exports accounted for 37% of the total national exports and an overwhelming 97% of Ghana's mineral exports (Hilson, 2002). By 2002 Ghana's economic decline had led to the country being counted among the least developed countries with 40% of its population living below the poverty line (World Bank, 2002a).

The country's over-dependence on a few primary commodities led to the decline in export trade. To reverse the declining economy and standards of living, in 1983 Ghana abandoned its 23 years of government-led development (1960-1983) and instead embarked on a private sector-led development strategy through the Structural Adjustment Programmes (SAPs) and the Economic Recovery Programme (ERP). In view of the relatively small market of Ghana, policy acknowledged that "economic growth must necessarily come through increased international trade" (Ministry of Trade and Industry, 2005:9). Therefore the country later formulated an ambitious private sector and trade development led strategy that seeks to reform the informal and export sectors (GoG, 2005a; GoG, 2005d:9). Consequently, the country has embarked on diversification of its export sector. Interestingly, the diversification of the export sector is spearheaded by Ghana Export Promotion Authority's (GEPA) campaign for Non Traditional Exports (NTEs) development, promotion and growth from SMEs (Owusu Frimpong and Mmieh, 2007). The NTEs sector focuses on agricultural products, semi-processed and processed manufactured goods and handicrafts as a result currently Ghana has a more diversified portfolio of export products and export destinations (Ministry of Trade and Industry,

2005:6). The NTEs sector has grown significantly. Between 1990 and 2002 the sector grew by about 800% (Wolf and Sarpong, 2004) and the sector has registered an average annual growth of 12.1 % from 1996-2005 and 18% between 2005 -2010. Table 6.2 presents trends in percentage share of NTE earnings by market category. Table 6.1 shows Ghana's NTEs from 2009-2010.

Table 6.1: Ten Leading Non Traditional Exports (NTEs)

No.	Product	2010 (US\$)	2009 (US\$)	% Growth	% Contribution To NTE in 2010
1	Cocoa Paste	539,099,694	285,725,061	33.68	32.39
2	Cocoa Butter	127,140,067	90,297,425	40.80	7.64
3	Canned Tuna	116,418,648	110,456,915	5.40	6.99
4	Plastic products	86,421,187	93,821,523	-7.88	5.30
5	Veneers	46,001,263	39,006,475	17.93	2.76
6	Natural Rubber Sheets	42,182,655	24,834,381	69.86	2.53
7	Plywood	32,618,272	31,505,307	3.53	1.96
8	Fresh or Chilled Tuna	37,421,012	27,667,412	35.25	2.30
9	Shea Butter	24,764,995	19,010,304	30.27	1.49
10	Cashew Nuts	24,435,354	20,154,095	21.24	1.47
	Total	1,076,503,152	742,748,898	44.99	66.07

Source: Ghana Export Promotion Authority (2011)

Table 6.2: Trends in Percentage Share of Ten Leading Non Traditional Exports (NTEs) Earnings by Market Category

Market Category	2005	2006	2007	2008	2009	2010
European Union (EU)	47.42	47.03	46.55	40.83	46.39	50.18
ECOWAS	31.37	27.36	31.36	32.45	32.72	26.42
Other African countries	2.41	2.82	2.36	2.54	2.4	2.59
Other development countries	9.52	11.07	9.36	9.5	7.14	9.26
Other countries	9.28	11.9	10.48	14.68	11.35	11.55

Source: Ghana Export Promotion Authority (2011).

After independence Ghana had 38% of its total exports and 45% of its total imports with Great Britain (Milhomme, 2004). However, even though Great Britain remains the single largest market for the NTE's, Ghana currently has a more diversified customer base.

Table 6.2 shows that the main markets for exports from Ghana are European Union (EU) and Economic Community of West African States (ECOWAS). Interestingly, there are emerging export market opportunities for Ghanaian products in non-traditional markets such as France, India, Nigeria, Burkina Faso and South Africa. Nonetheless, Ghana's earnings from export trade remains minimal.

6.5 Entrepreneurship and SMEs in Ghana

There is no single definition of SMEs in Ghana. For example Osei et al. (1993) define SMEs based on an employment cut off point of less than 6 employees as micro, 6-9 as very small and 10-30 as small. On the other hand the National Board on Small Scale Industries (NBSSI) uses both number of employees and the value of fixed assets such as plant and machinery. NBSSI regards a small scale enterprise as a firm that that employs not more than 9 people and has plant and machinery valued at not more than 10 million cedis (in 1994 exchange rate was equivalent to US\$9506). However, recently, there seems to be a trend in Ghana towards defining firms based on employee size and therefore SMEs are regarded as firms that employ less than 100 people (Teal, 2002). The Ministry of Local Government and Rural Development in Ghana defines SMEs based on the following criteria: any firm that employs 1 to 5 as micro, 6 to 29 employees as a small-scale enterprise, 30 to 100 employees as a medium-scale enterprise, and firms with above 100 employees as a large-scale enterprise. To enhance simplicity, compatibility, and practical application, this study adopts the definition of SMEs from the Ministry of local Government and therefore regards firms employing less than 100 workers as an SME.

In Ghana, SMEs play a significant role in the economy as the sector accounts for about 92 percent of businesses and contributes about 70 percent of GDP (Abor and Quartey, 2010), and contributes about 85% of employment in the manufacturing sector (Steel and Webster, 1990). According to the World Bank (2002) Ghana's economy is dominated by SMEs which provide jobs for an estimated 90% of the working population.

Until recently, the role of formal market supporting institutions in trade in Ghana has been non-existent and at best minimal (Barr, 2000). In 1985 the government of Ghana established the National Board for Small Scale Industry (NBSSI) based on Act 434 of 1981 to serve as the government institution responsible for the promotion and development of micro and small enterprises (MSE) primarily in the informal sector. The NBSSI has a Head office in Accra as well as Regional offices in all ten regions of Ghana. Also in 1990 the UNDP, Barclays Bank Ghana and the Government of Ghana established Empretec Ghana Foundation to facilitate the activities of firms that are growth oriented and internationally competitive. Apart from the services provided by NBSSI and Empretec Ghana Foundation Ghana, currently there are about 900 private consultancy companies that offer commercial technical services to SMEs. Nonetheless, there is a lack of strategic services that support growth businesses in the sector (Ministry of Trade, 2005). Consequently, there is a lack of radical innovation. Nonetheless, there is evidence that the sector predominantly adopts incremental innovation by introducing products, services and processes that may be new to the firm but not to the industry (Robson et al., 2009).

Smaller firms in Ghana are also constrained by a lack of access to both human and financial resources relative to larger firms hence SMEs have less growth and survival rates because they are less productive (Robson, et al., 2009). Not surprisingly, the sector still remains largely underdeveloped and isolated even though several attempts had been made to reform it. A number of institutional constraints have inhibited the sector's growth (African Development Bank, 2000; Daily Graphic, July 15, 2008).

In spite of the institutional constraints entrepreneurship has thrived in Ghana. Lyon (2005) examined how groups sustain cooperation in the absence of strong formal or legal institutions in Ghana. The cases were *susu* savings group, manual palm oil processing group, mechanised palm oil processing group and a transport/taxi union branches. He found that the (groups) trade associations minimised transaction costs through the provision of information on market prices, reputation, price negotiations and contract enforcement. Interestingly, Lyon (2005) observed also that individuals' decision to cooperate was based on both conscious calculation and habitual action that are built on accepted cultural norms. Through existing relationships, kinship, working relationships

and intermediaries individuals developed trust in the groups. In his study of Frafras who have migrated from the north of Ghana to the slums of Accra, Hart (2000) also shows how economic exchanges are enhanced through kinship and friendships in order to enforce contracts. He explains further that among the migrants trust is central to social life because traditional certainties and modern institutional probabilities do not hold in weak states such as Ghana and more so in the slums characterised by relative lawlessness. In another interesting study, Overa (2006) illustrates how in the midst of minimal legal protection in Ghana, traders have had to rely on cooperation through networks and trust in enhancing economic exchanges. Overa (2006) intimates further that in order to mitigate the risks associated with trusting others, traders have resorted to the use of informal unwritten moral laws of networks such as families, clans, ethnic associations, marketplaces and churches to build trust, provide security and possibilities to sanction contract breakers.

Interestingly in Twi/Akan, the most commonly spoken language in Ghana, there is no single word that defines trust. Trust is conceptualised as *'gyedie'*, *'ahotosoo'* or *'twere'*. This study explores all three elements of trust with each depending on the nature of the relationship, exchange partner's character, behaviour as well as the expectations and risks involved should the exchange partner disappoint the exporter (trustor).

Interestingly, SMEs and individual exporters constitute over 90% of exporters in the Non-Traditional sector (GEPC, 2005). However, these smaller firms usually have difficulty exporting to foreign markets due to the lack of the necessary knowledge and financing, inability to meet foreign regulatory requirements or to produce products in quantities or quality that are adequate for foreign buyers in addition to many other problems (UNIDO, 2006). SME exporters in Ghana have little access to finance and coupled with their narrow profit margins their growth and investment in product innovation and exploitation of new market opportunities are all constrained (Buatsi, 2002; Harvie, 2007). Not surprisingly, SMEs contribution to Ghana's export trade is minimal and not well documented (GEPC,

2006; Aryeetey and Ahene, 2005).

This study is therefore aimed at investigating and enhancing an understanding of how entrepreneurs may build, and use trust-based networks and relationships to boost exporting in Ghana.

6.6 Summary

This chapter has described and analysed the context for this study. The discussions show that the role of entrepreneurship and SMEs in international trade had been shaped by the country's historical, political and socio-cultural contexts.

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, mobilising collective action and facilitating the generation of social capital amongst the trading parties (Kea, 1982).

However after independence, Ghana continued to rely on the traditional export sector characterised by exports of cocoa beans, gold and timber which are all natural resources. Not surprisingly, Ghana suffered from a stagnation of the export sector due to deteriorating terms of trade, global commodity price fluctuations and other growth constraints (GEPC, 2006). This economic decline led to the implementation of the Structural Adjustment Plan (SAP) and Economic Recovery Programme (ERP) in 1983. However, critics argue that these programmes achieved mixed results (e.g. Robson et al., 2009).

Currently, SMEs contribution to Ghana's export trade still remains minimal and not well documented (Aryeetey and Ahene, 2005) in spite of several interventions aimed at export diversification. This could be understood in the context of several factors including a lack of adequate formal institutional support and a relatively weak formal institutional framework. The weak policy and legal/regulatory frameworks have contributed to

constraining the incentives available to boost enterprise development. Nonetheless entrepreneurship has thrived with entrepreneurs relying mostly on informal unwritten moral laws of networks such as families, clans, ethnic associations, marketv places and churches to provide security and possibilities to sanction contract breakers (Cruikshank, 1853; Barr, 2000; Hart, 2000; Overa).

Given that economic exchanges have historically relied on more informal personalised relationships based on trust, it seems prudent to scientifically investigate the processes relating to exporting SME use of trust based networks in order to contribute towards enhancing the sectors potential in the country's export drive and economic development.

The subsequent three chapters therefore describe and discuss the findings from the empirical study. Chapter 7 examines the nature of institutions and relationships that shape exporting SMEs inter-firm relationships. Chapter 8 investigates the nature of contracts that require elements of trust, the development, use and the outcomes of trust in SME inter-organisational relationships while Chapter 9 focuses on the processes of perceived trust violations and the repairing and rebuilding of trust in inter-organisational relationships.

CHAPTER 7: SME EXPORT RELATIONSHIPS IN THE CONTEXT OF WEAK LEGAL INSTITUTIONAL FRAMEWORKS

7.1 Introduction

This chapter reports on the outcomes of the empirical study on the types of personal and working relationships that SME owner/managers in Ghana use to ‘shrink’ what academics call the ‘Psychic Distance’ in West African regional and intercontinental markets (e.g. Johanson and Vahlne, 1977; Child et al., 2002). It also examines entrepreneurial perceptions of the legal systems in Ghana, the West African and intercontinental markets and how these perceptions shaped entrepreneurial relationships. This investigation was undertaken given that academics (e.g. Zucker, 1986; North, 1990) assert that trust in the legal systems impact on the choice of governance in inter-firm relationships.

This chapter seeks to answer the core research question of how entrepreneurs build and use networks and relationships in a context of institutional deficiency. The reporting and analysis of the findings is focused around two sub questions: *What are the personal and working relationships used in SME exporting? How do entrepreneurial perceptions of the legal system shape these relationships?*

The chapter is structured as follows: Section 7.2 examines the types of personal and working relationships that entrepreneurs use in their exporting exchanges. Section 7.3 investigates entrepreneurial perceptions of the legal systems in Ghana, the West African and intercontinental markets. Section 7.4 offers a summary of the chapter.

7.2 Personalised and Working Relationships Used in SMEs Exporting

This section examines the personalised and working relationships used in SME exporting in an attempt to answer research question one: *What are the personal and working relationships used in SME exporting?*

SME exporters in Ghana were found to rely more on different types of personalised and working relationships built on trust. These relationships were shaped by the *efiewura* (agent) system, credit relations, export facilitators and the legal systems. These relations enabled exporters to access critical resources such as market information, credit and also

facilitated contract enforcement and collective action, all of which enabled them to reduce transaction costs.

7.2.1 Working Relationships

This section examines the types of working relationships used by SME exporters in Ghana. Working relationships are defined as the relationships between exporters and their customers, suppliers and facilitators that enabled them to gain access to international markets.

Customer relations

Exporter-customer relations were found to be very important in both West African and intercontinental markets. All 24 entrepreneurs had built customer relations that allowed them to overcome the many challenges that beset cross-cultural exchanges emanating from the ‘psychic distance’ (Child et al, 2002). An exporter of maize to West African market explained the critical roles of his customers in his export business:

“Initially, customers from Niger and Burkina Faso used to come to us in this market so when I decided to start exporting I contacted them and collected their mobile phone numbers so when they went back to their countries, I called them and we discussed the price over there. Since the price was good for both parties I hired a vehicle and transported the quantities they needed to them. Since then, we have been doing business” (Case Number 6, Techiman, 2010).

To bridge the psychic distance, all the four exporters of agriculture produce to West African markets built personalised relationships with their customers known as *efiewuranom* (at times referred to as landlords, e.g. Lyon and Porter, 2009) who are basically commission agents in the neighbouring regional markets such as Nigeria, Burkina Faso, Niger and Mali. The relationship is known as the *efiewura* system. The owner/manager of Egg Company Ltd, who owns a 38,000 bird poultry farm, and exported fresh eggs to West African markets (Niger, Mali and Burkina Faso), and as a result won the Ghana National Best Poultry Farmer Award (2008) explained the importance of *efiewura*:

“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” (Case 7, Techiman, 2010).

An exporter of fresh oranges to some West African markets also explained how the system worked:

“*Efiewura* is somebody who will receive you when you send your goods to a neighbouring country. For example when I go to Mali I give the goods to him. Then we check the quantity together and he writes my name and the quantity of goods I have brought down. When he sells he writes the name, quantity and amount of my goods bought from him down. So he keeps the records while selling the goods for me. After selling the goods, he will collect my money for me and take his commission” (Case 8, Techiman, 2010).

The above excerpts show the importance of *efiewura* (customers) in West African food trade system (Lyon and Porter, 2009).

The four exporters of agricultural produce stated that *efiewuranom* (plural) offer critical services such as credit references, market information as well as accommodation. Nonetheless, the *efiewura* system was not found to be used by exporters in the manufacturing and services sectors. 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 West African 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. Exporters to intercontinental markets such as EU and other developed states also used personalised relationships built with their customers in USA, Canada and EU to facilitate exporting.

The *efiewura* system enabled the exporters of agricultural produce to overcome the liability of foreignness (Zaheer, 1995) resulting from language barriers and lack of access to market spaces. The language problem in the case of Ghanaian exporters is compounded by the fact that not all the people in the region speak the official English or French languages and therefore there is additional distance-creation from 708 languages in the West African regional market (Nettle, 1996). The proliferation of languages inevitably poses challenges to exporter-customer relationships and makes the *efiewuranom* who bridge the psychic distance in regional trade very powerful. The *efiewura* system is reinforced through shared socio-cultural norms and 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. Interestingly, prior to and after the arrival of Europeans to the West African Coast, the institution of *efiewuranom* (agents) facilitated long-distance trading between traders from the south and their exchange partners from the north in the Gulf of Guinea. This system is similar to the institution of captaincy that facilitated trading between the hinterland and the Europeans in Trans Atlantic trade (Hymer, 1970; Kea, 1982). In addition to customer relationships, exporters were found to build and use their working relationship with suppliers.

Supplier relations

All the exporters (24) stated that they relied on supplier relationships to enhance competitiveness in both West African and intercontinental markets. A fashion designer who sourced from wholesalers of sewing materials in Accra and exported to West African markets illustrated the important roles played by her suppliers thus:

“I buy from two companies here in Accra and I prefer that to going to buy the things at different places. When I run short of materials I just call them on my mobile and they arrange for me to get whatever I need; sometimes I might be short of money and they would extend credit to me. So I feel that they are very helpful and important to my business” (Case 9, Accra, 2010).

The importance of supplier relations in the case above related to the relative ease with which the exporter could source for supplies and the extension of credit from the suppliers, an issue that will be closely examined again in this section.

Exporters of agricultural produce to West African markets depended on suppliers for products such as fresh oranges, cola nuts, maize and eggs. Interestingly, most (3 out of 4) of the exporters did not own farms but rather bought their produce from the farmers directly and also from retailers in major food markets such as Kumasi and Techiman. In contrast most (3 out of 4) of the exporters of agricultural produce to intercontinental markets owned their own plantations such as pineapples, mangoes and vegetables. Nonetheless, all of them also depended on peasant farmers for supplies to supplement their own produce. In cases when exporters relied even in part on peasant farmers, the relationships were similar to those described in West African regional market context. However, the need to ensure regular and dependable sources of supplies was found to be greater in intercontinental markets due to

issues of contractual obligations and timely delivery that are more prevalent in intercontinental trade than in West African regional trade. In this way, requirements for intercontinental trade made exporters more vulnerable and therefore more dependent on farmers and this in turn called for stronger exporter-farmer relationships. An exporter of fresh vegetables who exported daily to a supermarket in UK emphasised the importance of his suppliers in this way:

“My relationship with the farmers is very important to me because it helps me to get more produce daily. As I have told you, I ship daily to the supermarket in UK and I depend on the daily supplies from farmers for fresh produce since we don’t have refrigerators in the ports” (Case 17, Accra, 2010).

Interestingly, supplies from farmers to exporters were characterised by occasional seasonal bumper harvests as well as lean harvests because most of the farming activities in Ghana are dependent on the rains. Therefore variations in the amount of rainfall and in particular insufficient rainfall in any of the seasons adversely affects the volume of harvests (Holland, 1995). This had given rise to the need for stronger relationships between exporters and farmers. These relationships were usually underpinned by credit from farmers to exporters, especially during bumper harvests whilst exporters on the other hand extended credit to farmers during lean seasons in order to secure supplies.

Credit Relations with Customers and Suppliers

Credit relations characterised both exporters’ customer and supplier relations. There were instances where exporters extended credit by supplying goods for a specified period of time such as 30 days before they were paid. Exporters also enjoyed credit from their customers through credit advancements before they supplied the goods. An exporter of cashew nuts to Switzerland and India explained how he enjoyed credit from his customers abroad:

“.....On many occasions my partners (customers) abroad transfer money to me, for at times, one month or more even before I ship the goods to them. This happens especially during the time when the demand for cashew increases in places in Europe and India.....” (Case 18, Tema, 2010).

To ascertain the amount of credit given to key partners exporters were asked: *how much credit have you given to your key partners in the last 12 months?* Table 7.1 shows how much credit entrepreneurs had given to their key partners in the last 12 months in the various

markets.

Table 7.1: How much credit have you given to your key partners in the last 12 months (by markets)?

Amount of credit given in cedis	Supplier Partners in Ghana N=24	Customers in West Africa N=12	Intercontinental Customers N=12
Less than 50,000	16	6	2
50,001-100,000	3	2	2
100,001-150,000	2	2	2
150,001-200,000	0	1	3
More than 200,000	0	0	1
None	3	1	2

Source: Interview data; One cedi was equivalent to £0.40 at time of interviews.

Table 7.1 shows that the vast majority (21 out of 24) of exporters had offered credit to their key partners in the domestic market. However, two thirds (16 of 24) of the exporters said that the total amount of credit given to key partners was below 50,000 Ghana cedis (about £20,000). In West African markets, almost all (11 of 12) exporters had offered goods on credit to their customers with half of the exporters offering goods worth less than fifty thousand cedis (about £20,000). Similarly, in intercontinental markets, the vast majority (10 of 12) of exporters had also offered goods on credit to their customers, however, the value of goods offered were relatively higher (than in West African markets) with three exporters offering between 150,000-200,000 Ghana cedis (£60,000-£100,000). Table 7.1 therefore shows that credit relations were important in the domestic, West African and intercontinental markets even the amounts involved varied slightly from market to market.

It was also found that credit relations characterised all three sectors with all (8) exporters of agriculture produce compared to 7 of 8 in manufacturing and 6 of 8 in services offering credit to their partners. This could be understood given that the agriculture sector is dominated by exports of fresh agricultural produce which has a short shelf life.

Credit relations were shaped by specific norms such as repayment timing and the offering of better prices when credit had previously been given. All the entrepreneurs who extended credit emphasised that repayment of credit was seen as the most important indicator of trustworthiness. Nonetheless, credit relations took different forms in the various markets. Domestic exporter-supplier relations were characterised by advancement of smaller amounts, credit advances for goods, cash loans or capital investments. Similar approaches were also used in West African markets. Two exporters of African beads and manufactured goods to West African markets respectively explained below:

“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” (Case 1, Accra, 2010).

“From the onset I see how you buy, how you can distribute, how you can sell. Then at times the customers will ask if you give me this I will send you the money or you come back when you're ready and I'll pay you. They may request for ten cartons, twenty, fifty cartons and I give it to them” (Case 11, Tema, 2010).

In essence credit extension to suppliers served as a competitive advantage to exporters who built credit relations. An exporter of maize to two West African countries pointed this out:

“There is competition in the maize business so it is those of us who are able to support the farmers with credit who get the suppliers” (Case 6, Techiman, 2010).

As stated by Case 6, exporters who refused to offer credit to their suppliers or customers when expected might find themselves dumped by their partners in preference to their competitors who are prepared to offer it. The length of time for repayment of credit ranged from a few weeks to several months, depending mostly on the perceived trustworthiness of the exchange partners in the various relationships.

The provision of these forms of credit was essential to exporting trade as the smaller enterprises were found to have only limited access to banking facilities and credit. The lack of access to credit from the financial institutions remains the single most important constraint to SME development in Ghana (Sowa et al., 1992; Abor and Biekpe, 2006; Abor and Quartey, 2010). The lack of access to bank finance makes personalised and working relationships the only means to access finance (Lyon, 2005). The potential to default and/or

divert the produce to another buyer, particularly when the farmers were offered higher prices than what the exporters offered them initially, gave rise to the need for trust in the exporter-supplier relationship. Hence, the extension of credit is a critical dimension of perceived trustworthiness since it signifies cooperative behaviour (Fukuyama, 1995) and goodwill trust (Tilmarr, 2006). This will be examined in chapter 8.

Export Facilitator Relations

Half of exporters (12) maintained working relationships with export facilitators. Export facilitating institutions used by the cases included state-backed bodies such as Ghana Export Promotion Council now Authority (GEPC, GEPA), Ministry of Trade and Industry (MOTI), Ghana Chamber of Commerce and Industries (GCCI), National Board on Small Scale Industries (NBSSI), Ghana Tourist Board and Empretec Ghana. The facilitating bodies also included Donor Agencies such as United States Agency for International Development (USAID), Danish International Development Agency (DANIDA), and Gesellschaft fur Technische Zusammenarbeit (GTZ). The various facilitators played diverse roles to facilitate SME exporting in Ghana by providing different services to the cases ranging from assistance in acquiring training and skills, finance, market information to networking. Picture 7.1 shows the Head of Ghana Export Promotion Authority in Accra while Table 7.2 summarises the various facilitators and the services they rendered to exporters in the study. Some exporters used the services of more than one facilitator.

Picture 7.1: The Head Office of Ghana Export Promotion Authority, Accra.



Source: Photograph taken by Author.

Table 7.2: Export Facilitators and the Services they provide to SME Exporters

Export Facilitator	Services Provided	Cases Nos	Case Names
State backed:			
Ghana Export Promotion Authority (GEPA)	<ul style="list-style-type: none"> Information on export markets, products, export training, export documentation and procedures, financing, networking and organization of trade fairs 	23 20 11 10 1	<ul style="list-style-type: none"> SheaButter Company Rapho Company Cocoa Products Ltd Alma Fashions African Beads Company
The Ministry of Trade and Industry (MOTI)	<ul style="list-style-type: none"> Finances smaller businesses participation in trade fairs throughout Africa 	10	<ul style="list-style-type: none"> Alma Fashion and Designs
Ghana Chamber of Commerce and Industries (GCCI)	<ul style="list-style-type: none"> Training, networking and market information to companies engaged in foreign trade, commerce, agriculture, industry and manufacturing in Ghana 	10	<ul style="list-style-type: none"> Alma Fashion and Designs
National Board for Small Scale Industries (NBSSI)	<ul style="list-style-type: none"> Finance and financial advise and integrates smaller firms in the informal sector into mainstream enterprise sector 	11	<ul style="list-style-type: none"> Cocoa Products Ltd
Ghana Tourist Board	<ul style="list-style-type: none"> Provides advisory services, training and general tourist information to hotels 	16 3	<ul style="list-style-type: none"> Diamond Hotel San Hotel
EMPRETEC Ghana Foundation (EGF)	<ul style="list-style-type: none"> Training, business consultancy, extension services, sourcing of credit and finance, networking and development of linkages and data services to internationally competitive entrepreneurs. 	21	<ul style="list-style-type: none"> Lantra Spices
Donor Agencies			
United States Agency for International Development (USAID)	<ul style="list-style-type: none"> Training in safe practices, field documentation for exports through United States African Development Foundation Traceability and access to regional markets through West Africa Trade Hub Project Networks to markets in USA through African Growth and Opportunities Act (AGOA) Finance to exporters through Millennium Challenge Account 	21 19 23 10 17 18	<ul style="list-style-type: none"> Lantra Spices Pinneapple Company Shea Butter Company Alma Fashions Vegetables Limited Cashew Company
Danish International Development Agency (DANIDA)	<ul style="list-style-type: none"> Management training to entrepreneurs and network links to EU markets 	21	<ul style="list-style-type: none"> Lantra Spices
Gesellschaft für Technische Zusammenarbeit (GTZ)	<ul style="list-style-type: none"> Assists farmers to achieve export certification and provides export networks in EU for SMEs 	24	<ul style="list-style-type: none"> Dried Fruits Limited

Source: Interview data.

Note: Respondents could use more than one facilitator

As Table 7.2 shows, half of exporters were relying on the services of the export facilitators, with eight exporters (Cases 20, 1, 16, 3, 19, 17, 18 and 24) relying on the services of only one facilitator whilst four exporters (cases 10, 21, 23 and 11) relied on the services of more than one facilitator. Overall 10 exporters had collaborations with state-backed facilitators as compared to nine with non-governmental facilitators (some cases are counted more than once). Nonetheless the purposive sampling approach used in this study could have increased the likelihood that some agencies were more used by exporters than others. Particularly since some of the exporters were found during meetings and export forums organised by GEPA and GCCI.

Among the many public institutions, the GEPA is the foremost institution charged with the non-traditional exports (NTE), a sector dominated by SMEs. Nonetheless, in all, less than a quarter (5 of 24) of the cases stated that they depended on GEPA for services such as information on export markets, products, export training, export documentation and procedures, financing, networking and organisation of trade fairs. GEPA communicated with exporting SMEs based on their databases which had the names, addresses, telephone numbers and the production sectors of SMEs mostly from the formal sector. Additionally, GEPA provided the platform for the building of export associations by encouraging some of the trade associations based in Accra to use its facilities at Ghana Export Trade Information Centre (GETIC) in Accra for their monthly meetings. Hence, GEPA liaised regularly with some exporting SMEs albeit a limited number.

Table 7.2 shows further that international donors such as USAID, DANIDA and GTZ play diverse roles to facilitate SME exporting in Ghana. These bodies facilitated the provision of services such as finance, managerial training, networking and information on international market opportunities to slightly more than a quarter (8) of cases with USAID offering services to the vast majority (6) of those relying on the donor agencies.

However, the services of the donor agencies appeared to be enjoyed by the relatively highly educated since of the seven entrepreneurs who had been trained by the donor agencies and NGOs none had only primary education, two had secondary education, two

had postsecondary qualification one was a graduate while two were postgraduates. A postgraduate and retired banker who also exported pineapples and spices to EU and Asian markets acknowledged the role of these agencies.

“Occasionally some NGOs like USAID give us training and information, so we get some form of assistance from them but none of us so ever has received support from the government agencies” (Case 19, Kasoa, 2010).

The scope of the services provided by all the state-backed facilitators however, raised issues of concern due to the limited nature of support available and the target beneficiaries. This may originate from the limited resource allocation from government and also the attitude of government officials toward the unregistered firms which dominate the West African export sector. Among exporters to West African regional market only three cases claimed that they received some form of support from state facilitators. Two exporters of oranges and maize respectively expressed their disappointments in this way:

“We don’t receive any support from the government, NGOs or even the private sector in this business. We only depend on our own resources, which of course is not enough” (Case 6, Techiman, 2010).

“This business is good because there are no oranges in some countries like Mali and Niger. However, we don’t have enough money to buy in larger quantities or even the facilities for refrigeration so most of these oranges get rotten. Sadly, we don’t get any form of support from the government or anyone” (Case 8, Techiman, 2010).

Upon further investigation of the claims that there was little support from government sources to exporters who were not registered, it was found that the lack of support could be attributed to the fact that officials of the state-backed bodies did not seem to recognise or even know how to mobilise the unregistered exporters. This attitude was reflected by the remarks of two top officials of GEPA:

“We don’t know exactly how many exporters in the informal sector are out there. The problem is that even if you invite them they do not come, and if you ask them to fill any forms they don’t so there is very little we can do” (XXXXXX- Ashanti and Brong-Ahafo Regional Officer of GEPA, Kumasi, 21, September, 2010).

“We don’t know them because they have not registered with us...and once we don’t know who they are we cannot deal with them. So we require them to be traceable. There is this case of Sudan 4 which is a dye some producers of palm oil in Ghana used to colour their products and so by default when the palm oil was exported to the UK they saw that it was poisonous and as a result all palm oil exports to the UK has been banned and the unfortunate thing is that when the

experts came from UK, we could not trace the source so the ban is still intact” (Principal Export Officer, GEPA in Accra, 2011).

It was also found that some of the exporters were not interested to register or not aware of these services. The reluctance of entrepreneurs in the informal sector to be registered with the Registrar General’s Department and the export authorities could be understood in the context of government’s previous approach to the sector. On previous occasions attempts at registration of firms by both local and central government agents had been associated with the collection of taxes. Invariably, in the processes of start-up, registration and tax collection there had often been harassment of entrepreneurs (Palmer, 2004b). Given these suspicions it was not surprising that there was a lack of mutual trust between entrepreneurs particularly in the informal sector and the public agencies appointed for their welfare.

The wide gap thus created by the weak public institutional set-up has given rise to many industry-based associations that attempt to provide some of the support services needed for exporting. Many exporters to both West African and intercontinental markets were found to rely to some extent on these trader associations. The unique role played by the associations in building trust and facilitating exporting relationships will be discussed in detail in chapter 8.

7.2.2 Family/Kinship

This research explored the extent of strong ties to actual family members for supporting export enterprises. Prior research has suggested that family relations are important in enterprise development. For example, family members may contribute in cash and kind to businesses in the start-up stage particularly through inheritance, apprenticeships or start-up capital (Clark, 1994; Burns 2011).

Specifically exporters were asked, “*do family/kinship members support or constrain your export business?*” The interviews showed that it was in only one case, Cola Enterprise utilised a network of trust built over several generations originally between Hausa emigrants in Ghana and their kinsmen in northern Nigeria. The three other exporters of agriculture products had built their export relationships with *efiewuranom* (agents) in neighbouring countries through contacts in the open markets whilst all eight

manufacturing firms had established their relationships with key customers themselves with two cases stating that they contacted their key customers during trade fairs in Burkina Faso and Nigeria.

In intercontinental trade, three exporters had utilised family links as their main sources of market information. However, in spite of the enabling influences of family/kinship, an overwhelming majority (20) of the cases reported that they had negative experiences from working with family members and as a result three quarters (18) of the entrepreneurs vouched that they actively avoid working with their family members. This pattern was evident across the various ethnic groups to which the exporters belong to.

A majority of entrepreneurs (18 of 24) from different ethnic backgrounds indicated that they did not work with family members. This could be understood given the experiences of the entrepreneurs in their interactions with family members in their export activities. Almost half of cases (11) indicated that they had experiences of family members causing financial loss to their companies. Eight cases indicated that family members had defaulted on credit while three cases reported examples of embezzlement by family members. Two exporters in the manufacturing and agriculture sectors explained why they did not want to work closely with their family members in business respectively:

“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” (Case 9, Tema, 2010).

“I don't normally work with my family and friends because I had experiences. There was a time I travelled outside the country and when I came back the company had nothing, to the extent that the company even owed because I left my firm with a brother and when I came back everything was gone. So I decided not to work with a family member; never again. Also I don't work with people from my region because they are all out to destroy the business even though you may want to help them” (Case 18, Tema, 2010).

Additionally, nearly 1 in 5 (5 of 24) of interviewees explained that when extended family members were employed or were apprentices in their companies, productivity was curtailed. This was caused by the lack of discipline from extended family members who most often refused to take instructions from managers and as a result adversely

influenced the other employees. Interestingly, problems relating to extended family members were cited by entrepreneurs from eight regions who were from seven ethnic groups in Ghana.

The experiences of the cases with regards to the enabling and constraining roles of family/kinship typically suggest that in Ghana strong ties may constrain the development of enterprise and the SME sector in what I have referred to as “the paradox of the family/kinship”. The apparent contradictions with regards to entrepreneurs’ use of family members as apprentices while at the same time vouching not to work with other members of their families could be understood in the context of power relations. As apprentices, family members tended to be younger and found themselves as employees who were learning the trade and as a result were less powerful. In such situations they were less likely to pose serious problems since they may regard the acquisition of the skills to be more important for their long-term well-being. Entrepreneurs may also regard them as cheaper sources of labour and therefore keep them so far as they remain apprentices (Palmer, 2004b). This scenario may be in contrast to situations where family members might be matured and skilled and might have little to lose if they were sacked in case of disagreements or violations of trust. This research suggests that the role of family in entrepreneurship is more complex since the extended family system also endowed individuals with extended obligations.

This section also identified a range of less formalised and culturally specific institutional structures allowing networks and relationships to be built. The working relationships in the case studies were found to rely on norms of *efiewura* system and credit to build trust in their working relationships. The *efiewura* system draws on historical precedent (North, 1990) that can be traced back to the pre-colonial period and before trade with Europe started.

7.3 Legal Institutions that Shape Exporting SME Networks and Relationships

This section draws on and compares the cases in an attempt to answer the second research question: *How do entrepreneurial perceptions of the legal system shape these relationships?* This investigation was undertaken given that academics declare that trust in

the legal systems impact on the choice of governance in interfirm relationships and ultimately promotes economic growth (e.g. Zucker, 1986; North, 1990).

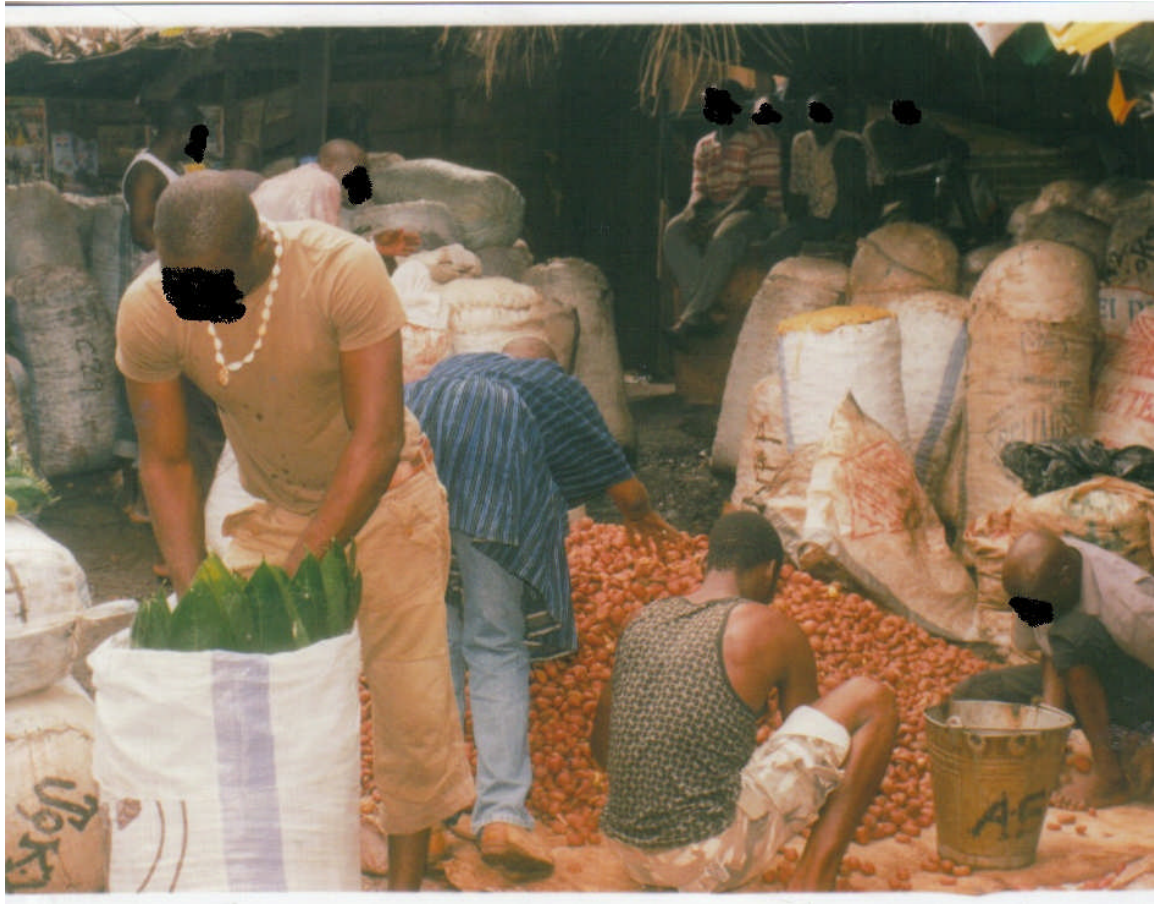
7.3.1 Entrepreneurial Perceptions of Legal Systems in Ghana, West Africa and International Markets

State-backed institutions that influenced SME export relationships included the legal system, particularly the courts. In the context of the use of the legal systems in West African markets, the Owner/manager of Cola Nut Enterprise, an exporter of cola nut (local stimulant) to Nigeria summed up the predicament of the entrepreneurs in their market destinations:

“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” (Case 5, Kumasi, 2010).

The quote from Case 5 enumerated some of the perceived deficiencies associated with the legal system. Similarly, perceptions of delays due to long processes and corruption as well as lack of security deterred entrepreneurs from using the legal system in West African markets. Entrepreneurs exporting to intercontinental markets also perceived the legal systems to be inaccessible and unaffordable. Picture 7.2 shows exporters of cola nuts in a Ghanaian open market preparing cola nuts for export to West African Markets.

Picture 7.2: Owner/manager of Cola Nut Enterprise and his employees preparing Cola Nuts for Export at Asawasi Cola Market.



Source: Photograph taken by Author

To investigate how entrepreneurs' perceptions of the legal systems shaped their exporting relationships, interviewees were asked: *Have you used the legal Systems in Ghana or in West African/intercontinental markets in your export business before, if yes/no can you explain why?* Tables 7.3 and 7.4 summarise their responses.

Table 7.3: Have you used the legal Systems in Ghana or in West African markets in your export business before, if yes/no can you explain why?

	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”	“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 and 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”	“We do not use the courts because of 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 be 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..... 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”	“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”	“It will be difficult to go to a Nigerian court to recover moneythe cost of hiring a lawyer and staying in a hotel and leaving my company, it is a waste of time”
Alma Fashion and Designs	“I haven’t used the courts because it takes too much time andI am not sure 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 countries it can be dangerous because I can easily be targeted and harmed”
Jewelry Company	“No its the worst thing to do because if you send someone to court, [they] see the judge or authorities secretly the case will be subjected to a number of adjournments”	“Going to court in Senegal or Togo to recover money will be worse than going to court in Ghana...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”.

Table 7.4 Have you used the legal Systems in Ghana or in intercontinental markets in your export business before, if yes/no can you explain why?

Case	Legal System in Ghana	Legal Systems in Intercontinental Markets
Saart Hotel	“No because there has not been any major problems that demands that we spend time and money to go to court”	“It all depends on the amount involved, if the amount is not huge considering the cost of visa, air ticket and legal expenditures involved one may forego it ”
San Hotel	“No our courts are not reliable. if you don’t give them money they will keep on postponing and even judge the case in favour of the one who pays them money”	“I don’t know the court processes and might need legal advice and all that will take time and may not be worth it”
Kente Company	“No we don’t normally use the courts in our business because it is a waste of time”	“Currently someone owes me £2000 in UK. However, considering the processes, applying for a visa, air ticket these problems dont encourage me to go to court”
Diamond Hotel	“No its time wasting at times, you wouldn’t get your money back”	“The customer amounts involved may not make it economical to go to court abroad knowing that it will be very expensive”
Vegetable Ltd	“No I haven’t gone to court and I will never go to court because if I go to court I will waste my time and spend more than the amount owed me”	“It depends on the nature of the agreement, if it allows that I can go to court in my partner’s country why not? However I will also consider other costs and time involved”.
Cashew Company	“No, not yet even though some are owing for a year over twenty-thousand Ghana cedis (£8000)... I am prepared to go to court to get the money; yes I know it will take time but finally I’ll get it”.	“I have not gone to court because I don’t know the court processes, here it takes two to three years, so it will be very inconvenient abroad”
Pineapple Company	“I try as much as possible to avoid the legal systems..... because the court system is time wasting and they may ask for money before they settle it”	“If the amount is huge that will be the best thing to do. I don’t know the court processes too, so I will have to get a lawyer and in the end it will be too expensive”
Rapho Company	“No because the court process is so cumbersome; the time you waste and the energy, it’s better to write it off”	“It will all amount to cost, leaving my work and chasing this amount or engaging a legal company will all be very expensive”
Lanta Spices	“No we did not use the courts because going to court to retrieve money depends on the money involved, if the money is small we use alternative methods”	“no we did not use the courts because the agreement is saying that if there is any problems we have to resolve it in Ghana”
African Beads Ltd	“No I didn’t because the court process is too expensive”	“We don’t go to court due to the cost involved... to buy an air ticket and go to court and if the court adjourns then in the end it is not worth it”
Shea Butter Company	“Yes I have been in court six years over a land case and it is still pending, so if I start dealing with you and I realize that you end the relationship in court I stop”.	“It is expensive in terms of time that will be wasted and legal fees involved”
Dried Fruits Ltd	“No I ignored because of lack of time”	“The need for a visa, living in the foreign country at your own expense and cost of hiring a lawyer all put together makes it unprofitable”

Source: Interview Data

Table 7.3 shows a summary of the exporters' perceptions on the legal system in Ghana and West Africa while Table 7.4 shows the perceptions of exporters on the legal systems in Ghana and intercontinental markets. With regards to the domestic market, more than half (seven) of the exporters to West African markets cited waste of time due partly to the long processes involved whilst another half (six) expressed that the court system was corrupt with another two cases indicating that the court system was expensive. Similarly, exporters' perceptions of the legal system in their West African export markets were not in any way different from that of the domestic market. The multiple responses showed that six were of the view that it was a waste of time, five indicated that the legal system was corrupt, three expressed security concerns and two indicated that it was too expensive.

Similarly, Table 7.4 shows that (seven) exporters to intercontinental markets perceived the domestic court system to be a waste of time with an exporter of shea butter to USA (Case 23) summing it up thus:

“Yes I have been in court six years over a land case and it is still pending, so if I start dealing with you and I realise that you end the relationship in court I stop”
(Case, 23, Damongo, 2010).

Two exporters to intercontinental markets also cited that the domestic court system was characterised with corruption while another two stated that the court process was expensive. Majority of exporters (eight) also perceived going to court in intercontinental markets to be expensive due to visa fees and cost of air tickets, staying in hotels and legal fees. Others (four) cited that they didn't know the court processes whilst two exporters specifically mentioned that the nature of the agreements restricted them to seeking redress only in Ghana and therefore prevented them from going to court abroad.

Interestingly, all (12) exporters to intercontinental markets admitted that the lack of affordable legal system constrained big business transactions since they had to minimise the amount of credit they offered their customers. These constraints have shaped entrepreneurs' strategies with regards to coordinating their relationships with their intercontinental partners. An exporter of shea butter to the USA outlined her strategy with these words:

“I also try to minimise risk, by making sure that I minimise the amount of credit given to my foreign partners. I ask them to pay at least 50% deposit for any goods advanced to them on credit and I also take insurance for loss or damage in transit. As a result, in instances where there had been credit default most often the customer amounts involved may not be economical to go to court abroad. So it is better to come into personalised arrangements to get the money” (Case 23, Damongo, 2011).

The extent to which the current legal systems impacted adversely on exporting SME networks and relationships depended on its (in)ability in enforcing agreements between exchange partners in the domestic, West African and intercontinental markets.

During the interviews in 2010 an exporter of Cashew nuts (Case 18) expressed confidence in the legal system and vouched to go to court to recover money from defaulters. Therefore in the follow-up study in 2011 I sought to find out whether he was able to go to court and if he did what was the outcome.

Box 7.1: Trends in perceptions of legal system in Ghana (Case 18)

Case 18 established Cashew Company in 2002 and exports Cashew nuts to India and Switzerland. The company advances cash credit to suppliers and also goods on credit to customers.

Researcher: Last year you said some of your partners were not paying and so you would take them to court, have you been to court and if yes what happened?

Interviewee: Yes, some even refused to pay and so I took three companies to the court this year. But now the court, the judiciary, I don't trust them. That is the problem I am facing, I went to the court and they said the court will sit from 12:00 to 4:00 p.m. Yea, I was there exactly 8:00 a.m and waited till 12:00 when the court began, around 3:30 my case was not called so I went to the registrar to find out what was happening but they said the case has been called already. So I asked the registrar how did they call it? And they said oh, it has been called and I wasn't around and it was only the plaintiff who was around. But I know that the defaulter did not even turn up because I was there alone with one of my workers from morning till evening and so I told them that I had been in this court room since morning and had not stepped out; I was here even before the magistrate entered the court room.

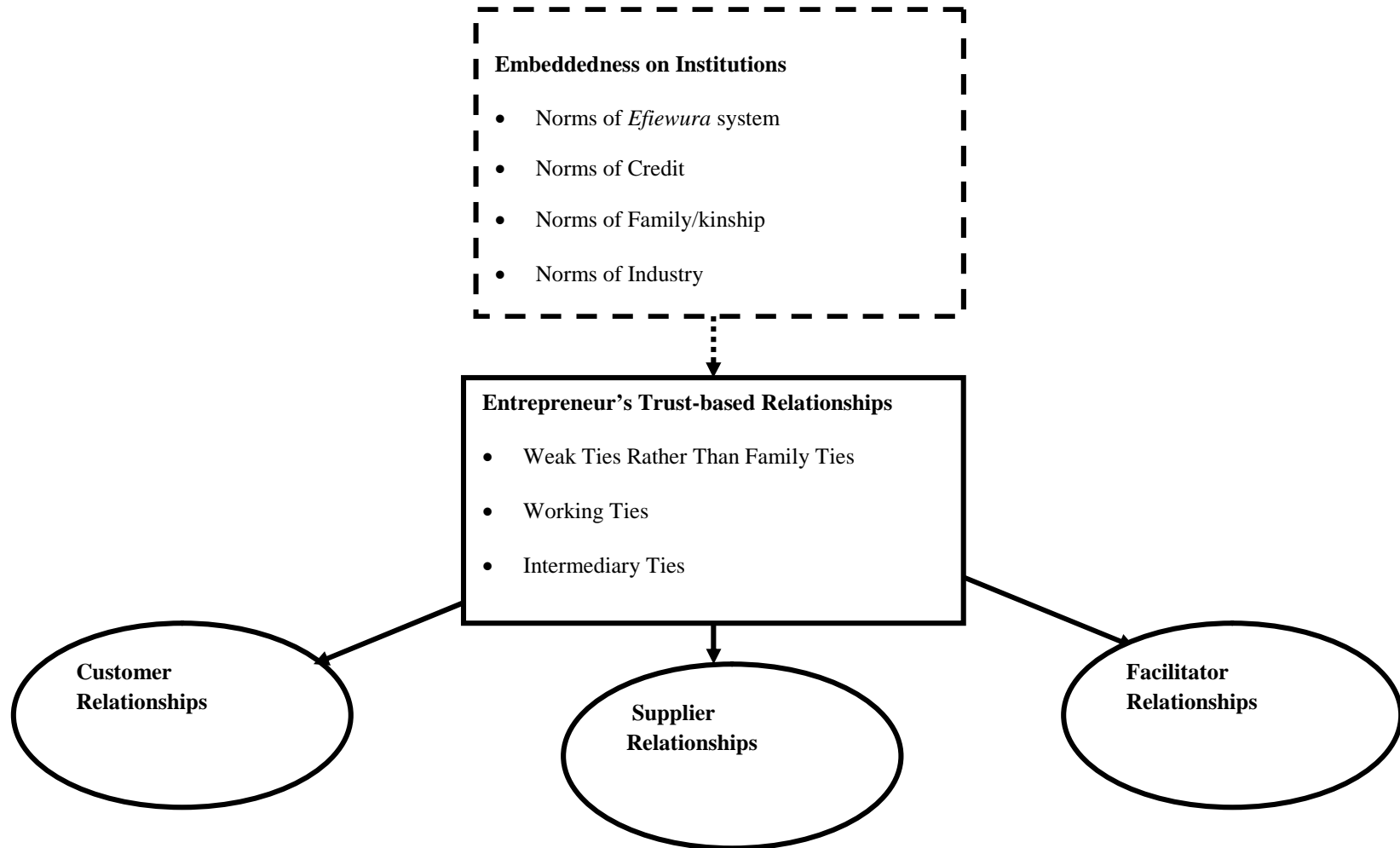
Researcher: So what do you think happened?

Interviewee: I learnt that the defaulter passed through the back door, he went and see the magistrate, paid money and then they ruled the case as if it has been called and I wasn't around. So it was a waste of time, so I decided not to go to the judiciary again because I cannot trust them anymore.

Box 7.1 illustrates how the interviewee's (Case 18, an exporter of cashew nuts) experiences with the legal system changed his perceived trustworthiness of the legal system over a period of 1 year. After sending defaulters to court, he felt that the court system was corrupt and so vouched not to trust the courts anymore.

This section shows that entrepreneurial experiences and perceptions with regards to resolution of commercial disputes by the legal systems were negative in the domestic, West African and intercontinental markets. Perceptions of delays due to long processes and corruption in the legal system as well as lack of security and lack of access to affordable legal systems in intercontinental markets were cited as deterring entrepreneurs from using the legal systems in export markets. Figure 7.1 summarises the findings in this chapter.

Figure 7.1: A Model of Exporting SME Trust-based Relationships



7.4 Summary

This chapter set out to examine how entrepreneurs used relationships in order to build trust to enhance exporting exchanges in a weak legal environment. It had also examined the impact of institutional deficiencies on entrepreneurial networks and relationships in Ghana. The findings are summarised in Figure 4.1.

In answering the first research question: *What are the personal and working relationships used in SME exporting?* The findings graphically represented in Figure 4.1 suggest that entrepreneurs had relied on networks and relationships to facilitate internationalisation (Ellis, 2000; Child et al, 2002; Lyon and Porter, 2010, Rodrigues and Child, 2012). They (entrepreneurs) had also drawn on their embeddedness on norms of *efiewura* (agent) system, norms of advancing and accepting credit and norms based on family/kinship to build trust in personalised and working relationships with customers, suppliers and facilitators in order to bridge the psychic distance in West African and intercontinental markets. Thus confirming existing literature that suggests that in contexts of weak institutional frameworks entrepreneurs draw on socio-cultural norms to build relationships (Hyden, 1980; Lyon, 2005; Welter and Smallbone, 2006; Tillmar and Lindkvist, 2007). These working relationships were shaped by culturally specific norms. The trading system for agricultural produce involving agents (or *efiewuranom*) who also bridged the structural holes in distant markets in other West African countries were mostly personalised and even though these agreements cannot be enforced by the legal system, personalised trust based relationships reduced opportunism and enhanced economic exchanges (Granovetter, 1985; Berry, 1997; Johannisson et al, 2002).

This chapter shows that entrepreneurs had not relied on strong ties of family/kinship in their internationalisation exchanges. This was found to be attributed to entrepreneurial experiences and perceptions that family/kinship members may default, constrain decision making and discipline in organisations and consequently hamper productivity. Even though prior studies suggest that strong ties emanating from kinship/family play a significant role in exporting through provision of information and bridging the psychic distance through ethnic networks (Oviatt and McDougall, 2005; Child et al., 2002), this study shows that strong ties also constrain the development of enterprise and SME

exporting in several ways in Ghana. It must be acknowledged that existing literature in Ghana suggests that family members may contribute in cash and kind to businesses in the start-up stage particularly through inheritance, apprenticeships or start-up capital (Clark, 1994; Buatse, 2012), nonetheless, the extended family system in Ghana also endowed individuals with extended obligations (Barr, 1995; Acquaaah, 2008:14), leading to a paradox in the context of entrepreneurship with entrepreneurs avoiding the social capital inherent in strong ties. The paradoxical role of the extended family in business shown in this study may be understood given that family members have expectations for socially altruistic models of stewardship such as caring and sharing in business (Drakopolou-Dodd and Gotsis 2009) whilst the owner/managers who had established these small businesses mostly by themselves, drew on agentic norms of pursuit of wealth, rejecting their obligations to extended family members. These findings reinforce the debates on the contradictions and conflicts between family cultures and business cultures (Burns, 2011). However, by so doing most entrepreneurs in this study rejected the social capital inherent in family and kinship (Granovetter, 1985; Coleman, 1988).

In answering the second research question: *How do entrepreneurial perceptions of the legal system shape these (personal and working) relationships?* Figure 4.1 shows that entrepreneurs in Ghana had not relied on legal systems in enhancing their firms' export-related networking and relationships building

The findings showed that perceptions of corruption in the legal system are widespread in the domestic as well as in the West African regional markets and as a result, entrepreneurs were deterred from using the legal system in export exchanges. Similarly perceptions of higher costs of commercial litigation and lack of understanding of legal processes and access to visa and legal advice all prevented smaller businesses from using legal systems in intercontinental export markets.

This finding does not support existing assumptions about the role of legal systems in fostering institutional trust which in turn enhances inter-organisational relationship building (Zucker, 1986; North, 1990).

Even though it can be argued that perceptions could lead to attributions on flimsy and potentially irrelevant evidence, human, organisational and entrepreneurial behaviours have all been found to be influenced by how actors perceive their worlds (Ajzen, 1991; Buchanan and Huczynski, 2004). Furthermore, most of the intentions towards entrepreneurship had been found to originate from perceptions (Krueger and Carsrud, 1993). Therefore entrepreneurial perceptions on the legal systems seem to have shaped their personal and working relationships. Even though these are not predominantly facts, these perceptions cannot be ignored. This is more so given that assessing absolute levels of corruption and other forms of illegal activities on the basis of hard empirical evidence has always been challenging. Hence one reliable method that has been used has been the capturing of the perceptions of those in a position to assess corruption in public sector in a given country (Transparency International, 2011). In this way it was not surprising that entrepreneurs in Ghana had shunned the courts. An alternative explanation for entrepreneurs shunning the courts and instead relying on personalised and working relationships could be that given the embedded trading traditions based on ethnic networks and historical institutions such as the *efiewura* system, entrepreneurs did not need to use the courts. However, a closer look at word Tables 7.4 and 7.5 shows that the entrepreneurs had emphasised perceived corruption as their main reasons for abstaining from the courts. SME exporters were therefore observed to rely more on different types of networks and personalised relationships built on trust (Child et al., 2002; Tang, 2011). In cases of breaches of contractual obligations, the entrepreneurs also relied on trade associations for conflict resolution and this will be discussed in detail in chapter 8.

The findings of this chapter are important for understanding the role of context in entrepreneurship research since in the context of Ghana, given the uncertainty over the formal legal system, there is a need for personalised networks and relationships underpinned by a range of less formal forms of trust building (Child and Mollering, 2003). The analysis also shows that in the Ghanaian context social capital inherent in strong ties are avoided by entrepreneurs due to the obligations to family members and the difficulty in enforcing agreements. I refer to this as paradox of family/kinships. It was shown that where there were obligations to the extended family there was a tendency for family members to default, and not conform to regulations when employed in smaller businesses.

To understand how SME exporters drew on the “mix of institutions” to build and sustain their networks and relationships demanded a comprehensive investigation into how the exporters used trust in these relationships. The findings and discussions in Chapter 8 will enhance an understanding of the culture-specific norms identified in this chapter that underpin the processes of building trust in SME internationalisation in a developing economy and in an African context.

CHAPTER 8: TRUST IN EXPORTING SMES RELATIONSHIPS

8.1 Introduction`

Exporting SMEs in Ghana provide particularly interesting avenues for exploring the role of trust in internationalisation due to entrepreneurs' reliance on relationships. Evidence in Chapter 7 has shown that exporters built personalised and working relationships in order to bridge and compress the psychic distance in the internationalisation process. These relationships are found to be governed by trust (Child et al., 2002; Child and Rodrigues, 2007). Consequently, the investigation into the micro processes of trust in the internationalisation process is relevant since the study of trust is a relatively recent phenomenon of academic inquiry and "its role in the internationalisation of SMEs deserves further investigation" (Child and Rodrigues, 2007:52).

It is important to note that Twi/Akan which is the most widely spoken language in Ghana defines trust as '*gyedie*', '*ahotosoo*' or '*twere*'. The word *gyedie* means 'belief or faith' whilst *ahotosoo* means 'reliability and dependability'. '*Twere*' is a verb and literally means to lean on. To lean on in the context of this study suggests depend or rely on the exchange partner for support. Hence, 'leanability' means the ability and willingness to be leaned upon - to support and be depended on by the trustor. 'Leanability' connotes the importance of the exchange partner's character, behaviour and actions as well as the risks involved should the exchange partner disappoint the exporter (trustor). This element of trust seems to relate to the traditional family system that obliges members to remain loyal to and support each other. In this sense, trust in Ghana may have a stronger element of obligation to exchange partners than in other countries where the family system demands lesser obligations such as in Western cultures. This study explores all three elements of trust with each depending on the nature of the relationship, exchange partner's character, behaviour as well as the expectations and risks involved should the exchange partner disappoint the exporter (trustor). Not surprisingly, the findings show that in Ghana the terms trust and trustworthiness are culturally specific.

This chapter therefore seeks to explore the different forms of trust (*gyedie*, *ahotosoo* and *twere*) and the processes through which trust is developed and used in exporting relationships. Furthermore I investigate how shared norms facilitate the building of trust in

exporting relationships. Specifically, this chapter aims at answering the following research question(s): *What are the types of trust that facilitate exporting SME relationships and how are they developed and used? And how do exporting SME owner/managers perceive trustworthiness in inter-organisational relationships?*

The chapter is divided into three main sections. Section 8.2 and 8.3 focus on personal and institutional trust respectively, their development and use. Section 8.4 is concerned with how owner/managers perceived trustworthiness (*ahotosoo*) in their exchange partners while Section 8.5 offers the summary of the chapter.

8.2 Types of Trust

This section investigates the types of trust that facilitate exporting SME inter-organisational relationships and the processes through which they are developed and used. The literature emphasises that trust exists in two main forms: personalised trust and institutionalised trust (e.g. Welter and Smallbone, 2006; Zucker 1986). In this thesis I draw on Møllering's (2006), Rousseau et al.'s (1998) definitions of trust which emphasise uncertainty, risks and vulnerability and the meaning of trust in Twi/Akan (*gyedie, ahotosoo and twere*) which emphasises the trustors faith or belief, and the trustee's dependability and ability to be leaned on. I therefore adopt a working definition of trust as: 'a belief (*gyedie*) that an actor places in another agent's characteristics, ability to be leaned on, and behave or act as expected in an exchange in spite of the possibility of being let down by that partner'. This is in contrast to institutionalised trust such as written contracts. By institutional trust I refer to trust that entrepreneurs have in the political, economic and socio-cultural institutions that influence SME inter-organisational relationships. I define a written contract as a written agreement between exchange partners prepared by a lawyer with clauses that ensure that exchange partners are accountable and liable in case of non compliance. I also build on North's (1990) definition of norms as informal institutions involving expectations and enforcement mechanisms that are built around relationships, industry and cultural traditions, customs, moral values, religious beliefs, social conventions and generally accepted ways of doing things. The literature suggests that in contexts where enforcement and sanctioning mechanisms by legal systems

may be generally weak there may be the need to compensate for relationship development by relying on personalised trust (e.g Welter and Smallbone, 2006).

Given that written contracts are the most common form of institutionalised trust in Western economies (Lyon and Porter, 2010), it may be expected that the more entrepreneurs rely on written contracts the lesser their reliance on personalised trust and vice versa (Welter and Smallbone, 2006; Welter et al., 2005). Therefore, to answer the first part of the third research question: *What are the types of trust that facilitate exporting SME inter-organisational relationships?*, entrepreneurs were asked whether they had written contracts (prepared by a lawyer) drawn up with any of their key customers. The follow-up question related to how they worked with their partners with or without a written contract.

8.2.1 Personalised Trust

This sub-section sets out to investigate the empirical data on the types of trust used by exporting SMEs in Ghana. Tables 8.1 and 8.2 provide the answers given by exporters to West African and intercontinental markets respectively on their use of written contracts.

Table 8.1: Use of Trust in Exporting SMEs Relationships in West African Markets

Case Nos	Case	Nature of Business	Main Export Market (s)	Do you have legal contracts prepared by a lawyer drawn up with any of your key partners?	If yes/no how do you work together?
1	Beads Co	African beads	Senegal Togo	No	"I haven't signed any agreement with her because she has trust in me. So she calls and places the order on phone and I do the supplying"
2	Master Engineering Services	Engineering	Cote D'Ivoire	No	" We talk about the problems with the trucks and when I finish the Job I just give them the invoice and at the right time they pay me"
3	Ember Inn	Hospitality	Burkina Faso, Mali	No	"When the traders come they ask us to prepare the invoice with the date, time, and room number and the days they spent and they send the money to us"
4	Fuel Ltd	Retail (petroleum products)	Mali, Niger	No	"We have a memorandum of understanding (MOU) with the haulage company and they call to let us know when they will be here"
5	Cola Enterprise	Cola nuts	Nigeria	No	"If I go to Nigeria, I talk to our <i>efiewura</i> and he will write my name and the quantity of goods I have given him"
6	Maize Ltd	Dried maize	Niger, Mali	No	"I talk to them, at times I call them to inquire and if they need supplies we agree on the prices and I send the goods to him"
7	Egg Company Ltd	Fresh eggs	Niger	No	"I only talk to my <i>efiewura</i> (agent) on phone and we agree on the price and quantity because we trust each other, we don't use written contracts"
8	Oranges Enterprise	Fresh oranges	Niger	No	"We talk on the phone and find out about the prices and if it is good for us we send the goods"
9	Jolly Fashions	Fashion and textiles	Burkina Faso	No	" We call each other, even yesterday I talked with the boss and I am going place an order for him"
10	Alma Fashion and Designs	Fashion, textiles and	Nigeria	No	"We visited and we talked about the goods. since then she sends emails to tells me I need these items and I send them to her"
11	Cocoa Products Ltd	Cocoa Powder	Nigeria	No	"What I do is I call my partner two or three days and then send an email to tell him that next week I will send the products and that's all"
12	Jewelry Company	Jewellery	Senegal	No	-

Source: Interview data

Table 8.2: Use of Trust in Exporting SMEs Relationships in Intercontinental Markets

Case Nos	Case	Products /Services	Main Export Market	Do you have legal contracts prepared by a lawyer drawn up with any of your key partners?	If yes/no how do you work together?
13	Saart Hotel	Hospitality	UK	No	"Its an memorandum of understanding (MOU) signed with them"
14	San Hotel	Hospitality	USA, EU	No	"They just notify us by phone and at times by email"
15	Kente Company	Retail	USA	No	"We haven't signed any documents if he needs goods he sends an email and then call me on the phone to discuss it "
16	Diamond Hotel	Hospitality	USA	No	"We didn't sign a contract we discussed what they wanted so before they guests arrive he sends an email"
17	Vegetable Ltd	Fresh vegetables	UK	No	"We depend on verbal agreements and then he may send emails as well"
18	Cashew Company	Cashew nuts	India	No	"It is a memorandum of understanding (MOU) and then he sends emails stating the quantity"
19	Pineapple Company	Pineapples	EU	No	"We haven't got a written contract, after talking on the phone he places order through emails and I do supplying. It could be termed as a loose contract. It's a question of working together, pulling and missing together, trusting people- believe in yourself and the partners you work with- that keeps the work going".
20	Rapho Company	Shea butter	EU	No	"We do not have any written contract they send emails after discussions on phone"
21	Lanta Spices	Spices	USA	Yes	" We do have a written contract...But on building and sustaining the relationships I do that through e-mails, telephone calls, personal visits, face to face meetings and we have been doing dialogue a lot"
22	African Beads Ltd	African beads	Canada	No	"Its all based on a memorandum of understanding (MOU)"
23	Shea Butter Company	Processed shea butter	USA	No	"All they do is to inform me on phone and send an email order of what they need and we supply them"
24	Dried Fruits Ltd	Dried fruits	Switzerland	Yes	"Yes I do have a contract with (my customer). The contract ensures that the terms of the agreement are observed. However in the day to day activities we depend a lot on cordial personal relationships. For instance, if there are any issues, we sit down and thrash it out amicably"

Source: Interview data

Tables 8.1 and 8.2 show that the overwhelming majority of exporters in Ghana did not rely on written contracts (prepared by lawyers) in their export activities. The data in Table 8.1 shows that only one exporter to West African markets had a memorandum of understanding (MOU) with the others (11) indicating that they relied on non-written flexible arrangements mostly oral contracts. In this thesis I regard flexible arrangements as contracts that are not prepared by a lawyer but allowed exchange partners to closely work together.

Interestingly, these flexible arrangements (contracts) were used by entrepreneurs in intercontinental markets as well. However, in contrast to their colleagues exporting to West African markets, two exporters to intercontinental markets relied on written contracts, while three had memorandum of understandings (MOU) with the remaining seven exporters stating that they relied on oral contracts.

It can be seen from both tables Tables 8.1 and 8.2 that only a small minority of exporters (2 of 24) have used legal contracts (prepared by a lawyer), the most common form of institutional trust found in developed countries in their transactions with their customers. In contrast, the overwhelming majority of respondents (22 of 24) stated that their exporting relations were governed by flexible arrangements that were not prepared by a lawyer.

A retired banker who exported pineapples and spices to the EU and an exporter of beads to West African markets explained how they worked with their customers without legal contracts respectively:

“We haven’t got a written contract, after talking on the phone he places order through emails and I do supplying. It could be termed as a loose contract. It's a question of working together, pulling and missing together, trusting people - believe in yourself and the partners you work with- that keeps the work going” (Case 19, Kasoa, 2010).

“I haven’t signed any agreement with her because she has trust in me. So, she calls and places the order on phone and I do the supplying” (Case 1, Accra, 2010).

In West African markets exporters built personalised trust with their key customers through relationships mostly based on face-to-face oral agreements which were also consummated occasionally in the presence of other people who may be summoned as

witnesses. Witnesses may be requested to append their signatures to notes written on pieces of paper (not prepared by lawyers).

Interestingly, the forms of contracts showed little variations between the sectors. Table 8.3 shows the different forms of contracts by sector.

Table 8.3 Forms of Contracts by Sectors.

Form of Contracts	Sector			Total
	Manufacturing	Agriculture	Services	
Legal contracts (prepared by a lawyer)	2	0	0	2
Memorandum of Understanding	1	1	2	4
Solely oral contracts	5	7	6	18
Total	8	8	8	24

Source: Qualitative data

It can be seen from Table 8.3 that the forms of contracts did not differ significantly between the three sectors. Table 8.3 also shows that oral contracts were used across all the three sectors. The data revealed further that oral contracts were used by both male and female entrepreneurs. There was also evidence that the two cases who had been using legal contracts as modes of coordination too relied on flexible arrangements shaped by social mechanisms in sustaining their export relationships. The two exporters to intercontinental markets who had been using written contracts commented thus:

“Yes I do have a contract with (my customer). The contract ensures that the terms of the agreement are observed. However in the day to day activities we depend a lot on cordial personal relationships. For instance, if there are any issues, we sit down and thrash it out amicably” (Case 24, Accra, 2010).

“On building and sustaining the relationships I do that through e-mails, telephone calls, personal visits, face to face meetings and we have been doing dialogue a lot” (Case 21, Tema, 2010).

However, these flexible arrangements (contracts) were not enforceable within the legal system in Ghana but the entrepreneurs indicated that in most cases exchange partners honoured their obligations. Entrepreneurs’ reliance on mostly flexible non-written contracts suggests that personalised trust was used more than institutionalised trust even though the two forms of trust might be supplementing each other. Personalised trust also thrived on the ability of exporters to enforce contracts and sanction defaulters. Exporters

relied on their personalised relations reinforced through visits to farms, business places, homes and villages to meet family members as well as association and community leaders of their exchange partners as forms of control. This may explain why in West African markets all four exporters of agricultural produce indicated that they knew the working places, homes and family members of their *efiewuranom* (agents). Nonetheless, three exporters in the manufacturing sector also knew the houses and working places of their key customers. An exporter of manufactured cocoa products to West African markets shared her views on how she drew on visits to build personalised trust to work with her foreign customers:

“Most of them even invite me to their houses to let me know where they are in case they default. So before I advance goods on credit I’ll go to their business place and house; that is the access that I have if something happens. So I ask some few people around you, if they say you’re trustworthy then I will give the goods to you on credit” (Case 11, 2010, Tema).

During such visits exporters interacted with family members, association and community leaders and might even offer gifts to them. In this way, family members, association and community leaders in turn could exert pressure on their relatives or members who defaulted on credit payments in their relationships with the exporter. In this regard exporters in West African markets relied on their social relations as enforcement mechanisms in cases of non-payment of credit offered to their exchange partners. In contrast, only one individual exporter of agricultural produce to intercontinental markets said that he had visited his customers abroad and therefore knew them. However, he said that the visits were more expensive in intercontinental markets due to the need to apply for visas, pay for air tickets and hotel bills. He also considered them less effective as contract enforcement in intercontinental trade depended more on institutionalised mechanisms such as written contracts.

Use of Personalised Trust

The cases showed that the use of personalised trust was underpinned by either calculation or gut feeling or both depending on the nature of the relationship. Box 8.1 shows how Case 15, an exporter of kente (colourful traditional cloth) to the USA and the UK initiated a long-term beneficial relationship with his foreign partner in USA based on both calculation and

gut feeling. Box 8.1 further illustrates how Case 15 had used personalised trust to build relationships with strangers without recourse to any information in what may be regarded as “Stranger Trust”. This is evident in his response to how he decided to offer goods on credit to his customer the first time they transacted business. In such cases actors exercised “a leap of faith” by trusting strangers without recourse to prior information (Mollering, 2006). This is particularly interesting since the exporter had not the slightest guarantees that the foreign customer could be trusted. The exporter decided to offer credit based on both calculation and gut feeling at the same time. Calculation in Twi is *sese*, which can be translated ‘checked’, ‘assessed’ or ‘evaluated’. This case shows how trust use in economic exchanges may combine both economic calculative approaches as well as gut feeling approaches.

Box 8.1: Processes of Trust Use (Owner/manager of Kente Company, Case 15)

Case 15 established Kente Company in 1996 and exports kente (colourful traditional cloth) to USA and UK. The company advances cash credit to suppliers and also goods on credit to customers.

Researcher: How did you arrive at your decisions to offer credit to your key foreign partner?

Interviewee: These tourists were passing by and when they came to my store, they stopped and wanted to buy some items so we negotiated about the prices and agreed on the total sum. However, their leader who was a lady said they don't have enough cedis (Ghana's currency) with her at that time; they have dollars but wanted to travel with the dollars. They said they had only 120 Ghana cedis, and if I would accept that they would pay the rest to my bank accounts when they get to Accra. They gave me the addresses of their hotel in Accra. So I trusted them and gave the items to them; when I checked my accounts 2 days later they had paid the money back to me. So I called them and they said they wanted to help me sell the kente to many tourists so that is where the story started.

Researcher: How did you trust them without knowing them before?

Interviewee: I did not know them but I do trust people because, I know how I am, I'm a very trustworthy person and I don't want to cheat people so I just looked at them, did some calculation (*sese*) in my mind and thought that they won't be bad people. You know in business as you keep on interacting with people, you will be able to know that the particular person you are dealing with may be trustworthy or not. Maybe how the persons talks and how she/he looks that will help you. I must add that I took a risk but it has been profitable since that woman continues to be a very reliable export partner.

The evidence in this section shows how the overwhelming majority of entrepreneurs had not used the commonest form of institutionalised trust -written contracts- but had instead relied on flexible arrangements and personalised relationships in working with their customers. This suggests the use of personalised trust to facilitate export exchanges. This section contributes to the literature by showing that in the context of Ghana, given the informal nature of business and perceptions of uncertainty over the formal legal system (see chapter 7), there is a need for personalised trust building and the use of social mechanisms that enhance a range of less formal forms of trust building.

8.3 Institutional Trust

Turning now to the evidence on the use of institutional trust in export relationships, this section investigates how exporters coordinated their export activities in distant markets based on other forms of institutional trust given exporters limited use of written contracts.

Interestingly, the two SMEs using written contracts stated that they had encountered problems due to lack of understanding of the legal complexities and implementation:

“I have problems with my current contract, so many things need to be changed and in future contract has to be signed and signed well.... They were dictating the pricing and I have learnt these lessons and realised that there were so many mistakes that I made” (Case 24, Accra, 2010).

Both firms that had written contracts were manufacturers who were highly educated. One had postgraduate degree while the other had a postsecondary qualification. Both entrepreneurs were also females who had stayed in the EU with their spouses and therefore been exposed to the relevance of written-contracts in business relationships. This observation may suggest that the use of written contracts may be mostly found among the highly educated who may be exposed to Western business cultures and therefore may understand the importance of written contracts when dealing with foreign partners from intercontinental markets. However, it must be emphasised that this thesis cannot generalise these findings based on only 2 of 24 entrepreneurs.

Now we will turn our focus on how cultural norms and trade associations provided “parallel institutionalised trust” and therefore enhanced the confidence of exporters in cross border trade without prior personal relations.

8.3.1 Norms of Family/Kinship and Religion

The previous sub-section has shown that only two entrepreneurs had relied on written contracts while another smaller proportion (4 of 24) had used MOUs in their exporting relationships. The next two sub-sections show that entrepreneurs had drawn on norms in building personalised trust.

Exporters relied more on cultural norms of kinship/family and religion to build personalised trust with customers, suppliers and facilitators. More than half of the entrepreneurs (13 of 24) referred to close working 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. The owner/manager of Maize Ltd (Case 6), who exported maize to West African markets explained his use of the concept of family when describing his relationship with his *efiewura* in Niger:

“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* and so now we are like a family” (Case 6, 2010, Techiman).

As shown in the quote above the exporter described his relationship with his *efiewura* as a family. This is particularly relevant since as ‘family members’, exporters and their exchange partners were obliged to draw on norms of reciprocity and obligations in order to be “leaned on” by each other to offer and to get access to credit as well as allegiance in bilateral exchanges. Picture 8.1 shows exporters of maize hauling maize into a truck prior to exporting to a West African market.

Picture 8.1: Owner/manager of Maize Ltd and his employees packing maize for export in a Ghanaian market



Source: Photograph taken by Author

Other exporters also expressed how they have built personalised trust and institutionalised trust by drawing on the norms of the family that allowed them to lean (*twere*) on each other. Case 19 who exports pineapples to the EU explained his relationship with his supplier below:

“What I mean is I’ve very cordial relationship with them; we talk friendly about the job. If he has difficulty he explains to me why he is unable to, we talk and work as a family, we lean on each other because he needs me and I need him. We get some face to face contact, I visit him on his farm, he visits me here, we talk on phone, he invites me and I also invite him to social functions like funerals and weddings and any family event” (Case 19, 2010, Kasoa)

Nevertheless, family/kinship norms, though promoting trust building, were also found to constrain exporting competitiveness, since based on the Akan family system, norms of the family may render it morally wrong to abandon a partner even though the relationship may not be very beneficial. Norms of the family also constrained female entrepreneurs in inter-organisational relationship building since they had to get the consent of their male partners before being able to embark on business trips, conferences, trade fairs and exhibitions and in building relationships particularly with male business partners. Case 24 who is a female entrepreneur exporting dried fruits to Europe explained how norms of family/kinship constrained inter-organisational trust building:

“Because it is culturally not accepted for women to sit with men alone during non-working hours, when there is the necessity for me to spend time with my business partners, for example when my foreign partners paid me a visit, I had to explain it to my husband. Imagine my husband is not interested in what I was doing you can imagine the kind of problems I would go through” (Case 24, Accra, 2010).

Religious norms were also influential in West African trade. Approximately half (5 of 12) of the exporters mentioned that shared norms of religion promoted relationships building due to shared beliefs, values and faith. Evidence of the role of religious beliefs came from references to the norms of fairness and reciprocity. Examples of religious sayings quoted by three interviewees who were Christians included “do unto others what you want others to do unto you” and “all men are brothers” by two Muslims. An exporter of cola nuts (local stimulant) explained how Islamic values cemented relationships between him and his *efiewura* in neighbouring countries.

“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” (Case 5, Kumasi, 2010).

The cases revealed that religious norms also shaped control of exchange partners in economic relationships. Six exporters (four from West African market and two from intercontinental markets) had relied on religious leaders (pastors, *Imams and Akomfoo*) instead of the courts in mediating disputes and to enforce agreements between exchange partners particularly in West African markets and the domestic markets. Specifically, four of these exporters drew on their religious beliefs and that of their exchange partners to invoke the Supreme God, Allah and/or the smaller traditional gods to sanction (curse) their suppliers who refused to fulfil their obligations in contracts in Ghana. Case 21 who is an exporter of processed spices and also a World Bank Consultant explained how she used religious norms to sanction a supplier who defaulted on credit payment:

“We use alternative conflict resolutions methods such as talking to the pastor or the *Imam* of the debtor or take an egg and tell the person that we are going to invoke a curse from the gods such as “*Antoa Nyamaa*”, some people believe in those things. One of my suppliers who had wanted to reduce the amount of credit I have advanced to him, only admitted after I had threatened her with a curse from the gods (Case 21, 2010, Tema).

This shows how religion provides multiple avenues for control based on reliance on religious leaders and deities who act as intermediaries and arbiters respectively in exporting relationships. However, these forms of sanctions were found to be less effective in intercontinental relationships. Interestingly, a third of respondents in both markets (8 of 24) also expressed that they did not consider religious affiliations in choosing whom to work with and their relationships spanned religions. A retailer who sold petroleum products to trailer drivers from Mali and Niger explained it thus:

“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” (Case 4, Ofoase Kokoben, September, 2010).

This apparent contradiction in the role of religion could be understood given that even though exporters prioritised business relationships with exchange partners irrespective of their religious backgrounds. The role of religion could be understood given that shared religion such as Islam has been found to persuade creditors that debtors have a higher moral sense (Fafchamps, 1996) and also to promote entrepreneurial networking

(Drakopoulou Dodd and Gotsis, 2007; Dana, 2010). There was also no evidence of intra-religious animosity between exporters and their exchange partners of other religions. Interestingly family/kinship and religious norms were also drawn on by the trade associations that promoted export exchanges in Ghana.

8.3.2 Trade Associations as Parallel Institutions

Trade associations dominate all the export sectors in Ghana and thus serve as an important source of “parallel institutionalised trust”. I define parallel institutionalised trust as trust that originates from socio-cultural and industry institutions other than the legal systems. In facilitating internationalisation, the trade associations drew on industry-specific norms to build trust between exporting SMEs and their customers. Industry specific norms define the expectations of exchange partners industry and therefore the perceived trustworthiness in relationships. These norms stipulated what constituted acceptable behaviour in an industry. In these ways the associations and their leaderships functioned as bridges between the exporters and their foreign partners by building trust.

Table 8.4 shows the trade associations, cases that belonged to them and the services they offered to the cases while Table 8.5 explains in detail the nature of the services offered and how these services enhanced parallel institutional trust building.

Table 8.4: Trade Associations and the Services they provide to Exporters

Name of Trade Association	Services Provided	Case Nos	Cases
Accra Branch of Ghana National Tailors and Dressmakers Association (GNTDA)	<ul style="list-style-type: none"> ▪ 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 	<p>Case 9</p> <p>Case 10</p>	<ul style="list-style-type: none"> • Jolly Fashions • Alma Fashion and Designs
Ghana Hotels Association	<ul style="list-style-type: none"> ▪ Information on tourism and members' traceability ▪ Mediates in disputes and sanctions members ▪ Promotes networking ▪ Welfare payments to members who are ill or bereaved 	<p>Case 3</p> <p>Case 13</p> <p>Case 14</p> <p>Case 16</p>	<ul style="list-style-type: none"> • Ember Inn • Spart Hotel • San Hotel • Diamond Hotel
Asawasi Branch of Ghana National Cola Sellers Association	<ul style="list-style-type: none"> ▪ 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 	<p>Case 17</p>	<ul style="list-style-type: none"> • Cola Nut Enterprise
Assorted Food Stuff Exporters Association	<ul style="list-style-type: none"> ▪ Advocacy 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 	<p>Case 11</p>	<ul style="list-style-type: none"> • Cocoa Products Ltd
Suame Branch of National Garages Owners Association	<ul style="list-style-type: none"> ▪ Organises training programmes in engineering and management ▪ Mediates in disputes and sanctions members ▪ Promotes networking ▪ Welfare payments to members who are ill or bereaved 	<p>Case 2</p>	<ul style="list-style-type: none"> • Master Engineering Services
Techiman Orange and Fruits Sellers Association	<ul style="list-style-type: none"> ▪ Daily price setting of commodity ▪ Information on markets, members' traceability ▪ Advocacy to local government and traditional rulers ▪ Mediates in disputes and sanctions members ▪ Promotes networking ▪ Welfare payments to members who are ill or bereaved 	<p>Case 8</p>	<ul style="list-style-type: none"> • Oranges Enterprise
Techiman Maize Sellers Association	<ul style="list-style-type: none"> ▪ Daily price setting of commodity ▪ Information on markets and members' traceability ▪ Advocacy to local government and traditional rulers ▪ Mediates in disputes and sanctions members 	<p>Case 6</p>	<ul style="list-style-type: none"> • Maize Ltd

Name of Trade Association	Services Provided	Case Nos	Cases
Aid to Artisans Ghana (AIDTAG)	<ul style="list-style-type: none"> ▪ Welfare payments to members who are ill or bereaved ▪ Information on markets, members' traceability ▪ Organises training programmes in export specifications ▪ Mediates in disputes and sanctions members ▪ Promotes networking 	Case 1 Case 22	<ul style="list-style-type: none"> • Beads Company • African Beads Company
Association of Ghana Industries (AGI)	<ul style="list-style-type: none"> ▪ Provides information on markets and members' traceability ▪ Advocacy to national government and external bodies ▪ Organises trade fairs and training programmes in management ▪ Mediates in disputes between members ▪ Sanctions members who may abuse norms of the association ▪ Promotes networking 	Case 21 Case 24	<ul style="list-style-type: none"> • Lanta Spices • Dried Fruits Limited
Sea-freight Pineapple Exporters of Ghana (SPEG)	<ul style="list-style-type: none"> ▪ Information on markets, members' traceability ▪ Organises training programmes in export specifications ▪ Mediates in disputes and sanctions members ▪ Promotes networking 	Case 19	<ul style="list-style-type: none"> • Pineapple Company
Cashew Processors and Exporters Association (CASPEA)	<ul style="list-style-type: none"> ▪ Provides information on markets, members' traceability ▪ Advocacy to national government and external bodies ▪ Organises training programmes in management ▪ Sanctions members who may abuse norms of association ▪ Promotes networking 	Case 18	<ul style="list-style-type: none"> • Cashew Company
Vegetable Growers and Exporters Association of Ghana (VEGEG)	<ul style="list-style-type: none"> ▪ Provides information on markets, members' traceability ▪ Advocacy to national government and external bodies ▪ Organises training programmes in management ▪ Mediates in disputes ▪ Sanctions members who may abuse norms of the association ▪ Promotes networking 	Case 17	<ul style="list-style-type: none"> • Vegetables Limited

Source: Interview and documentation data

The data in Table 8.4 shows that three quarters of exporters (18 of 24) belonged to 12 different trade associations. The number of exporters and the associations they belonged to were as follows: Ghana Hotels Association (4), Association of Ghana Industries (AGI, 2), Accra Branch of Ghana National Tailors and Dress-makers Association (GNTDA, 2), Cashew Processors and Export Association (CAPIA, 1), Asawasi Branch of Ghana National Cola Sellers Association (1), Ghana Assorted Foodstuff Exporters Association (1), Vegetable Growers and Exporters Association of Ghana (VEGEG, 1), Sea Freight Pineapple Exporters of Ghana (SPEG, 1), Suame Branch of Ghana National Garages Owners Association (1), Techiman Orange and Fruit Sellers Association (1), Techiman Maize Sellers Association (1) and Aid to Artisans Ghana (AITAG, 2). Table 8.4 also shows that the associations were involved in regulation of markets, building reputation of members, promoting networking among members and their trading partners, developing the skills of members, advocacy for members to ensuring the welfare of members. Table 8.5 summarises the activities of trade associations in detail and describes how they promoted trust building among exporting SMEs.

Table 8.5 Trade Associations and Parallel-Institutional Trust

Trust Arena	Description
Regulation	<ul style="list-style-type: none"> ▪ Controlling access to market spaces ▪ Price setting and controlling supplies ▪ Mediation in disputes between members and also members and their trading partners helps to reduce conflicts ▪ Sanctioning members who may blatantly abuse an exchange partner and the general norms of the association
Reputation	<ul style="list-style-type: none"> ▪ Members and leaders provide information on their colleagues' traceability and creditworthiness to potential customers in domestic and international markets
Networking	<ul style="list-style-type: none"> ▪ Members interactions during meetings promote friendships, cooperation and learning
Skills development	<ul style="list-style-type: none"> ▪ Building the skills of members through training programmes in management and export specifications
Legitimacy and advocacy	<ul style="list-style-type: none"> ▪ Acts as representations to traditional rulers, national and local governments and external bodies such as other associations and NGOs on matters bordering on taxes, market spaces, training and support programmes
Welfare	<ul style="list-style-type: none"> ▪ Donations during ill health and funerals help to sustain the working capital of members and in extreme cases offers members a form of insurance.

Source: Qualitative interviews and observation data.

Interestingly, Tables 8.4 and 8.5 show that the services offered to exporters by associations also involved mediating in disputes between members and also between members and their exchange partners. Furthermore, the associations also sanctioned members who might abuse the norms of the association. These activities of trade associations promoted networking and therefore trust building among the exporters. Through the provision of these services the trade associations operated as parallel institutions to state-backed institutions and therefore provided what I have termed “parallel institutional trust”.

The uniqueness of trade associations in Ghana and West Africa relates to their roles in contract enforcement between their members and other exchange partners. Their unique role is highlighted by an exporter of fresh oranges, the *anaka hemma* of Techiman Orange and Fruit Sellers Association whose *efiewura* (agent) in Mali belonged 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” (Case 8, Techiman, 2010).

A poultry farmer who exported fresh eggs to West African markets and as a result won the Ghana National Best Poultry Farmer Award also explained how he resolved a dispute bordering on unduly delayed payments of goods exported to his *efiewura* in Mali through the trade association.

“I reported him (*efiewura*) to the leaders of the trade association. We preferred to rely on the trade association than any external agency. They summoned my *efiewura* and we gave our version of the disagreement and he also explained why he had not paid me for three months. At the end of the hearing, the leaders told him to pay my money within two weeks which he did” (Case 7, Techiman, 2010).

Trust in the *efiewura* (agent) system is partly due to the ability of trade associations to enforce contracts as explained by Case 8 and also to mediate in disputes between the host, *efiewuranom* (agents) and their trading partners from neighbouring countries as shown by Case 7. The associations exercised their regulatory powers by sanctioning members if they were found to have grossly abused the norms that governed their activities. Through these legal functions the associations conferred trust on their members

in cross-border trade. In this way the trade associations served as important parallel institutions to the courts.

To understand the ability of some of the trade associations to mediate in disputes between entrepreneurs, it is important to examine their structures and roles. The structures of some trade associations, particularly the local ones, were found to be a hybridisation 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 is usually referred to as *ohemma* - which is the traditional chieftaincy title for the queen. They are specifically called by the name of their particular commodity such as the *ankaa hemma* (literally orange queen) reported by cases. For example, the *ankaa hemma* of Techiman Orange and Fruit Sellers Association exercised the powers of leadership and administered the affairs of the association relating to price negotiating, settling disputes, and sanctioning members. Like other associations in the open markets in Ghana, Techiman Orange and Fruit Sellers Association also offered welfare payments to members who would be ill or bereaved hence offering a form of insurance to members. In this way the trade associations promoted shared values and enhanced trust and relationship building among members. The *ohemma* is supported by a “secretary” who plays a role in deciding who has access to the *ohemma* and speaks on her behalf. This spokesperson role mirrors the role of *okyeame* or linguists in traditional chieftaincy. Interestingly, the English word ‘secretary’ relating to corporate or cooperatives is now adopted as part of the Twi language. For other commodities which have a predominance of Hausa ethnic group (men), for example the Asawasi Cola Nut Sellers Association, the leader is referred to as *Sarkin* which in Hausa also means chief.

Picture 8.2 shows fresh oranges being prepared for domestic and export markets at in a at Techiman Market in Ghana.

Picture 8.2: Fresh Oranges being prepared for export and domestic markets at Techiman Market.



Source: Photograph taken by Author

However, there are limitations of trade associations. In spite of their ability to foster networking and relationship building, some of the exporters expressed concerns about corruption and selfish use of resources by the leadership of some of the associations. An exporter of fashion products to West African markets shared her experience of corruption related to funding to attend an international fair:

“I belong to the Ghana Dress-makers and Tailors Association (GNTDA) and we attended the Burkina Faso’s bi-annual programme which is their international fair after the sales everybody was given his/her money but we realized that some fraudulent accounting was used in the course of the sharing of the money. Consequently, there was shortage-one person’s money so each member who attended the program was supposed to pay 15 Ghana cedis to be given to that person. If it continues like that I will leave the association” (Case 9, 2010, Accra).

Table 8.6 shows the norms of cultural forms that facilitated exporting relationships in this study.

Table 8.6 Norms of Cultural Forms that Facilitate Exporting Relationships

Elements of Culture	Description of Norms and Their Impact on Trust
Family/Kinship and ethnicity	<ul style="list-style-type: none"> ▪ Norms of reciprocity and mutual obligations enable exporters to build trust. ▪ Shared language promotes understanding and brotherliness ▪ Norms of gender influences the sectors where women can operate and constrain women from embarking on their own businesses and also build relationships with male business partners
Religion	<ul style="list-style-type: none"> ▪ Norms of brotherliness and morality facilitate trust building and collaboration ▪ Norms on divine sanctions influence exporters' decisions to refrain from opportunism. Animists cultural beliefs on superstition, witchcraft and black magic all deter entrepreneurs from building close working relationships
Chieftaincy	<ul style="list-style-type: none"> ▪ Norms of leadership and law enforcement specific to ethnic groups enhanced the ability of association leadership to mediate in disputes and sanction members.
<i>Efiewura</i> (agent) System	<ul style="list-style-type: none"> ▪ Norms of professional cultures such as the sharing of accommodation and market information bridges ethnic groups and enhance cross-cultural collaboration and access to foreign markets.
Trade associations	<ul style="list-style-type: none"> ▪ Norms of chieftaincy are combined with professional and industry cultures of business to create hybrid organisations that served as alternatives to the legal systems.

Source: Interview data

Table 8.6 shows that culture norms of family/kinship, religion, chieftaincy, *efiewura* agent system and industry and trade associations promoted parallel institutional trust that allowed arms-length trade transactions in both domestic and cross-border exchanges. The data in Table 8.6 reveal that while cultural norms facilitated entrepreneurship, some of the norms constrained enterprise development. For example, norms of gender with regards influenced the sectors where women can operate. These norms also constrain women from building relationships with male business partners without the consent of their spouses.

Section 8.3 shows that only a small minority (2 of 24) of entrepreneurs had relied on written contracts while a sixth (4 of 24) had used MOUs in their exporting relationships. The vast majority (18 of 24) had utilised non written flexible arrangements to coordinate their exchange relationships. This suggests that entrepreneurs had mostly relied more on personalised trust which was found to be underpinned by norms of family/kinship and religion. These show the importance of understanding the the role of the “mix of institutions” that enhance SME internationalisation particularly when organisations cannot rely on legal institutions and state-backed support alone.

8.4 Perceived Trustworthiness in Exporting SME Inter-organisational Relationships

This section presents and analyses the findings on how entrepreneurs perceived trustworthiness in exporting relationships. A number of characteristics, actions and behaviour were repeatedly identified by the entrepreneurs as underpinning their decisions to trust. The most commonly cited ones being: honesty, timely payments, offering of quality products/service, the two way flow of credit, punctuality, and reciprocal sharing of information.

8.4.1 Honesty

Among the 24 cases two thirds of exporters (16) vouched that the most important dimension of exchange partners that shaped perceived trustworthiness in their relationships with their customers, suppliers and facilitators was honesty. Box 8.2 illustrates an exporter’s understanding of honesty.

Box 8.2: Entrepreneurial Interpretations of Honesty (Case 23)

Case 23 processed and exported shea butter to the USA. She offered credit to her customers and this illustration shows how she defined her understanding of honesty and why she decided to work with her key partner.

Researcher: What characteristics, actions and behaviour did you consider before deciding to work with the owner/manager of your partnering company?

Interviewee: I deal mainly with the founder, and she is very down to earth. She is honest, she is straight forward and when you are dealing with her you know where exactly you stand. I have a problem with people who are wishy washy, you know one day they blow with the wind and the next day they are here, I can't deal with these kind of people. They must be honest, they must be straight forward, they must be able to abide by their word. You know much as you must have the contract there must be that trust like when you say A, it's A. if I cannot trust [belief] you and I have to go through a contract with fine lines and what have you... just to make you do what you said you will do, then I don't like to work with you.

Researcher: It's very interesting in speaking about trust what do mean by trust anyway?

Interviewee: Trust means, somebody I can rely on their word, somebody, who is honest, somebody who will say A is A, somebody who will not work within the shades of colour. People will tell you black and white but then they start to... you know they are trying to move in the gray areas, I don't have time for that. Your word must be all that is necessary. If you can do it, fine, let me know, if you can't do it, tell me you can't do it and we're done.

Interestingly, honesty means many things as illustrated by the interviewee in Box 8.2. The case illustrates how exporting SME owner/managers equated honesty to an exchange partner 'being straightforward', 'not blowing with the wind', 'not being wishy washy', 'abiding by your word', 'not working within the shades of colours', 'not moving in the gray areas'; in a nutshell it refers to an exchange partner abiding by his/her word.

Similar assertions on honesty were equally claimed by exporters in both West African and intercontinental markets (8 in each case). Similarly the importance of honesty was found to cut across sectors with entrepreneurs in manufacturing (5), agriculture (6) and services (5) all emphasising that they paid particular attention to honesty in deciding whom to work closely with. Furthermore, the proportion of entrepreneurs was similar among male entrepreneurs (10 of 14) and female entrepreneurs (6 of 10).

Interestingly, all 16 cases suggested that honesty refers to adherence to moral and normative actions that they deemed acceptable. In this regard honesty is similar to what Mayer et al. (1995:719) refer to as internalised norms. This is similar to good-will trust and it is based on the expectation that the exchange partner will perform their role in the agreement (Tillmar, 2006; Nooteboom, 1996; Fukuyama, 1995).

8.4.2 Payments

More than half (13 of 24) of the respondents indicated that another important dimension of perceived trustworthiness in their export activities was (timely) payments. An exporter of cashew nuts to India and Switzerland shared his views on the importance of timely payments in formation of exporter-customer trust.

“Basically it is about payments; after trying the owner/manager of my key partner company and having observed how he kept their promises with regards to payments I became impressed. Particularly, most often he pays on cash basis and this is important because locally our people don't normally pay on cash basis and as a result they have been locking my capital. So I decided to closely work with my foreign partners so that I can get my money in bulk” (Case 18, Tema, 2010).

Interestingly, two thirds (8 of 12) of the exporters to the West African region emphasised that (timely) payments is an important factor whilst almost half (5 of 12) of their colleagues in intercontinental market made a similar statement. Nonetheless, the importance of timely payments differed from sector to sector with three quarters of entrepreneurs in agriculture (6 of 8), slightly more than half in manufacturing (5 out of 8) compared to only a quarter (2 of 8) of entrepreneurs in the services sector emphasising that they paid attention to timely payments in determining who to work closely with. The differences in the sectors could be understood given that the volume of goods given to customers on credit differed slightly from sector to sector. Chapter 7 shows that all eight entrepreneurs in agriculture sector had given credit compared to only three quarters (6 of 8) in the services sector. However, there were no significant differences in how male (8 of 14) and female (5 of 10) entrepreneurs perceived trustworthiness based on timely payments.

Payments took different forms such as full cash payments, part cash payments and credit payments. For example in West African agriculture trade, payments were

received after the *efiewura* (agent) had finished selling and taken their commission, a process which could last for weeks; this may explain why exporters to the West African region were particular about the importance of payments. However, intercontinental trade also utilised cash payments, part payments as well as credit payments. In Ghana payments from customers are very significant due to the lack of financing from the banks (Sowa et al., 1992; Abor and Biekpe, 2006, 2007; Abor and Quartey, 2010). The ability to fulfil payment obligations relates closely to competence trust (Nooteboom, 1996; Sako, 1998).

8.4.3 Quality Products/Service

More than a third (9 of 24) cases indicated that another key factor in determining the trustworthiness of exchange partners is quality products/service. A manufacturer and exporter of processed cocoa products to West African markets explained the importance of quality products in this way:

“I chose Cocoa Processing Company (CPC) because their quality is the best. I realised their product is better than that of the other factory in Takoradi. That is why I depend on them” (Case 11, Tema, 2010).

The quest for high quality products and services from exchange partners cuts across both West African (4 of 12) and intercontinental markets (5 of 12) cases. The demand for quality products also characterised both exporter-supplier and exporter-customer relations. As part of international supplier-buyer value chains, exporters indicated that their customers demanded total quality enshrined in product specifications. This was more evident in the agricultural food sector where more than half (5 of 8) entrepreneurs emphasised quality as important compared to only a quarter (2 of 8) in the manufacturing and services sectors each.

These findings were not surprising given that due to globalisation, exporters of agricultural products, most especially food, are compelled to meet stricter regulations due to health and environmental concerns. In particular, exporters to intercontinental markets intimated that international customers' product quality demands were tied to penalties and rewards. To meet the strict specifications and evade these penalties, exporters had formed trust based relations with farmers. In these relationships exporters often offered assistance in training as well as technical support to the farmers

to enable them meet the specifications of their customers. In this way, the exporters leaned on the farmers to meet the high specifications because exporting poor quality products could lead to disastrous consequences such as rejection of products by the customer, reducing the price already agreed and in extreme cases the termination of supply contracts. The competitive nature of global market demands therefore gave rise to interdependence, cooperation and mutual trust between exporters and their suppliers who were mostly farmers. This form of trust is similar to what Sako (1998) terms as competence trust.

8.4.4 Credit

A detailed discourse on credit relations has been given in chapter 7. Nonetheless, in this section the emphasis is on credit as a dimension of perceived trustworthiness. As seen in chapter 7 the vast majority (21 of 24) of exporters stated that they had offered credit to their key partners in domestic, West African and intercontinental markets within the past year. Culturally specific norms regarding the provision of credit were also observed among entrepreneurs and their partners with the offering of goods on credit and the lending and repaying of money seen as a means to mutually leaning on and supporting each other. Credit serves as an indicator of ‘leanability’ and therefore it is more of an obligation in export relations. This dimension of trustworthiness relates closely to the obligations and provision of support by the traditional family system.

8.4.5 Punctuality

One other factor cited by exporters as a requirement for forming inter-organisational trust is punctuality, in other words meeting delivery deadlines. One third of cases (8 of 24) shared this sentiment; three from the West African market and five from the intercontinental markets. A filling station manager who sold petroleum products to customers (haulage trucks) from Mali and Niger in West Africa shared his views on punctuality thus:

“He is very honest and trustworthy because he is punctual. When he says that we will come next week for sure they will be here on that day and if because of some reasons they won’t be here he will call to let me know about when they can come” (Case 4, 2010, Ofoase Kokobin).

The need to be punctual also works in two ways. Exporters were themselves expected

to meet supply deadlines and therefore expected their suppliers to meet delivery deadlines as part of the demands of their supply chains built. Nonetheless, there were variations in the relevance of punctuality across the sectors. Half of cases (4 of 8) of agriculture produce were keen for their suppliers to meet supply deadlines as compared to services (3 of 8) and manufacturing (1 of 8). The need to be punctual was equally emphasised by about a third of both male (5 of 14) and female (3 of 10) entrepreneurs.

Interestingly, the need to meet supply deadlines posed immense challenges to exporting SMEs in Ghana because of the culturally specific norms which some of the cases termed as “African Punctuality”. An exporter of agricultural products shared his experience on the meaning and impact of African punctuality in export relations in Box 8.3. In this example he explains the meaning and impact of the concept of African Punctuality.

Box 8.3: Interpretations and Impact of African Punctuality (Case 20)

Case 20 is an exporter of raw shea butter to the EU and US. He explained how his trust in his customer was destroyed by the customer’s neglect of punctuality due to norms of African Punctuality.

Interviewee: There is this problem of African punctuality.

Researcher: What do you mean by African punctuality?

Interviewee: African punctuality means adding up one or two hours or a few days to the time or date agreed for the transaction and therefore missing the appointment or the deadline. For example I told my supplier to send the goods to me on Tuesday morning so that I could send it to the airport by midday for export. Regrettably, they did not take the time seriously and did not deliver the product on schedule and it made me lose my customers. So I decided not to work together with that supplier again.

As illustrated by Case 20, “African punctuality” refers to an attitude of lower regard for meeting deadlines and times for an appointment irrespective of how urgent it might be. The norms of African punctuality implies that to a typical Ghanaian missing out on a supply deadline by a day or two did not mean very much even though this could

mean missing out on immense opportunities in international trade. In contrast exporters operating within the norms of international trade were more sensitive to the issue of missing out on future opportunities and therefore needed to meet timely deliveries.

The concept of ‘African punctuality’ was found to be culturally specific with differences observed between those operating in a domestic sphere and those drawing on cultural norms of an international export market. This suggests that cross cultural relationships in exporting had to develop or learn new norms to meet the expectations of partners. To meet these stringent deadlines exporting owner/managers relied on trust to form closer collaborations with their suppliers in an attempt to coordinate and manage their supplies year-round. Punctuality could also be related to competence trust since it is an expectation that allows the exchange partner to fulfil their roles in export transactions (Nooteboom, 1996; Lui and Ngo, 2004).

8.4.6 Sharing Market Information

Another dimension of perceived trustworthiness identified in this study is the reciprocal sharing of market information. Four (4 of 24) of the interviewees stressed that the sharing of information promotes trust building. A hotel manager who provided accommodation to tourists from the US and the EU explained why the sharing of information was critical to him:

“We share information regularly by talking friendly about the job, current demand, changes in prices and so on. Also if he has difficulty and cannot meet payment deadlines he explains to me as we talk; yea by the net, the phone, emails; we have good communication and so he trusts me and I trust him” (Case 14, 2010, Kumasi).

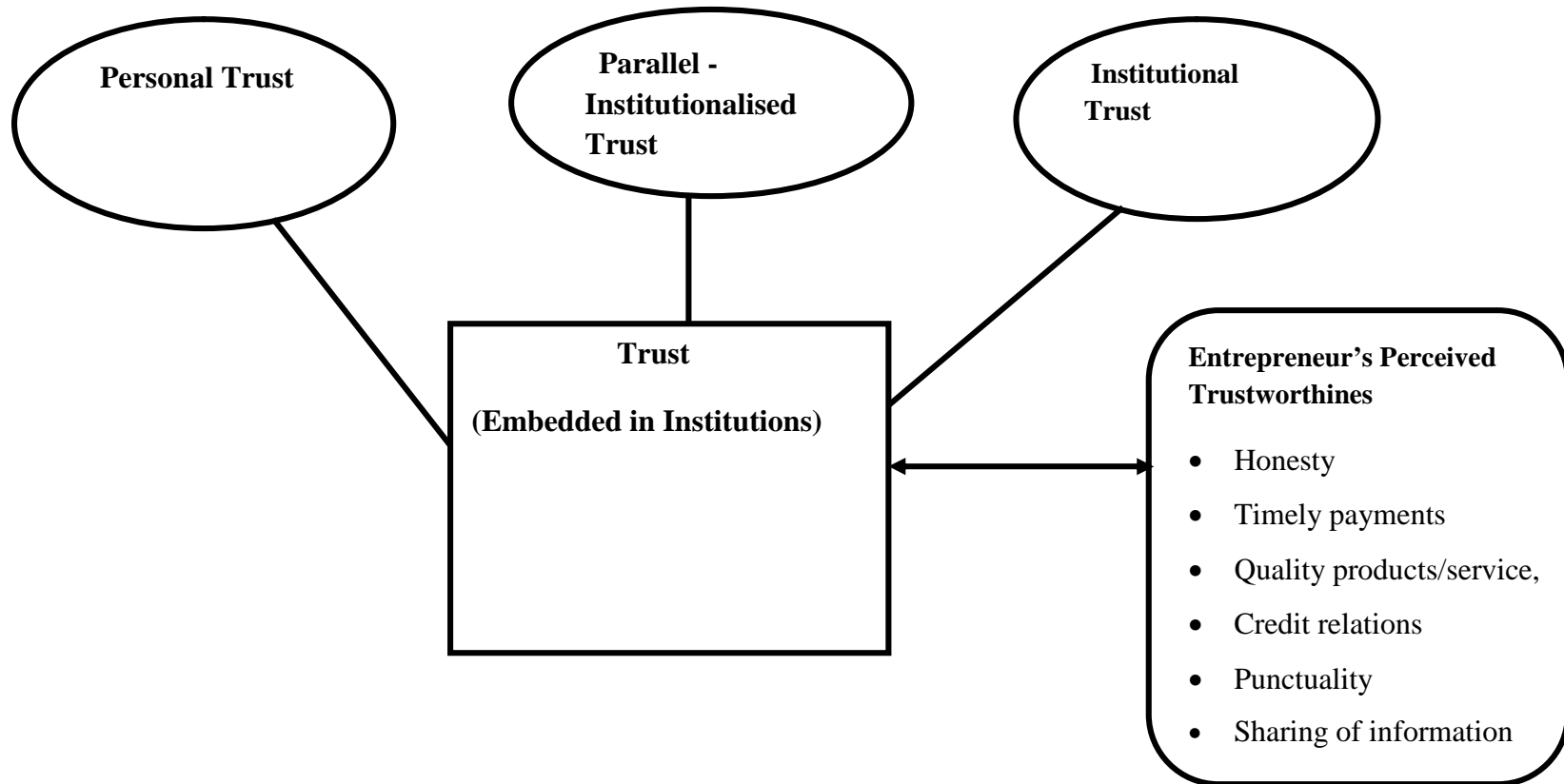
The sharing of information was cited by exporters in all three sectors: manufacturing (1 of 8), agriculture (2 of 8) and services (1 of 8). Interestingly, three of the entrepreneurs who regarded sharing of information to be critical were men as compared to only one woman. This may be understood due to cultural norms that constrain women from entering into regular discourses with men who may not be their husbands. Nonetheless, this issue requires further investigation in a future research.

The sharing of information offered exporters and their suppliers and customers the flexibility and quick response to the needs of the West African and intercontinental

markets. Exporters shared information with these partners through the use of ICTs such as the internet, mobile telephones and email. For example, the seasonality of most agricultural products in West Africa implied that those exporters who shared information frequently with their partners were able to make better decisions with regards to export volumes and ability to get to the market at the right time. In this way exporters avoided losses and enjoyed optimum profits. This observation is in line with Chu's (2006) observation that communication among partners had direct positive impact on supply chain partnerships. Sako (1998) labels trust promoted by information and communication as goodwill trust and confirms that high trust is promoted by higher rates of communication and information exchange. The information exchange also allows exporters to acquire enough information to anticipate the behaviour of the exchange partner and this also promotes knowledge bases trust (Lewicki and Bunker, 1996).

This section contributes to understanding the nature of perceived trustworthiness in inter-organisational relationships. Perceived trustworthiness is shaped by entrepreneurs' character, actions and behaviour (e.g. Good, 1988; Ring and Van de Ven, 1992; Mayer et al, 1995). The contribution to knowledge is that dimensions of perceived trustworthiness in the context of SMEs included culturally specific dimensions of offering and giving of credit and punctuality. Perceived trustworthiness also dependent on the character, actions and behaviour of owner/managers perceived to be trustworthy determine the building of trust based relationships. Figure 8.1 summarises the findings in this chapter.

Figure 8.1 Types of Trust in Exporting SME Networks and Relationships



8.5 Summary

This chapter has reported on the empirical findings, analysis and discussions on the types of trust that are used in exporting SME inter-organisational relationships in Ghana. Figure 8.1 illustrates that entrepreneurs had built personalised, parallel-institutional and institutional trust in networks and relationships to enhance internationalisation. It also shows that entrepreneurs perceived trustworthiness in their economic exchanges. These trust processes were embedded on culturally specific norms in Ghana. Figure 8.1 presents a summary of the findings.

The findings showed that there are three different meanings of trust in *Twɔ-gyedi*, *ahotosoo* or *twere* thus representing three forms of trust in Ghana: Interestingly, these forms of trust may relate to the norms (privileges and obligations) in the extended family system. Whist *gyedi* (faith or belief) describes the psychological state of the actor (trustor), *ahotosoo* (reliability or dependability) arguably can be equated to both ability and integrity of exchange partners (Mayer et al, 1995). On the other hand *twere* (to lean on) suggests that exchange partners were able to lean on and be supported by their partners in economic exchanges. The study suggests that entrepreneurs had particularly perceived trustworthiness based on the 'leanability' of exchange partners through, for example, provision of credit. This element of trust suggests that trust in Ghana may have stronger elements of obligation between exchange partners.

Figure 8.1 suggests that entrepreneurs had relied on personalised trust. The use of personalised trust in export relationships was found in all sectors and used by both male and female entrepreneurs. Personalised trust manifested in export relationships through the use of flexible non-written (mostly oral) contracts between the parties, at times consummated face-to-face in the presence of witnesses, or through telephone calls. Entrepreneurs also used notes written on pieces of paper and emails, therefore relying more on flexible arrangements with customers, suppliers and facilitators to cross cultural boundaries in the domestic, West African and intercontinental markets. Even though these agreements cannot be enforced by the legal system, social mechanisms such as visits to partners' places of business and homes facilitated trust building, contract enforcement and reduced opportunism while enhancing economic exchanges (Nooteboom et al., 1997; Lyon, 2003; 2005). This study has therefore

shown that entrepreneurs rarely relied on trust based on legal institutions such as courts and written contracts. The stronger elements of obligation in economic relationships (drawn from norms of the family system and religion) coupled with perceptions of corruption, long delays and unaffordable legal systems in domestic and international markets (discussed in chapter 7) may explain why the overwhelming majority of exporters (18 of 24) relied on personalised trust.

Figure 8.1 additionally illustrates that entrepreneurs also relied on ‘parallel-institutional trust’ derived from cultural norms and industry based trade associations. By developing their own codes of conduct and norms based on their industry, association members’ shared beliefs facilitated trust building. In this way the trade associations played a key role in compressing the psychic distance in West African and intercontinental trade. The uniqueness of trade associations in Ghana related to their exercise of regulatory powers to enforce contracts and arbitrate in disputes among members and between members and their trading partners from neighbouring countries. These parallel legal functions enabled exporters and their partners to build the confidence required to facilitate doing business in foreign markets. In this way, the associations and their leaderships functioned as bridges between the exporters and their foreign partners by conferring legitimacy and trust on their members. In essence trade associations as parallel institutional forms allowed one party to take action against another if an agreement was honoured (Lyon, 2005; Lyon and Porter, 2009)

The framework suggests that entrepreneurs perceived trustworthiness by drawing on their embeddedness. A number of dimensions were cited by the entrepreneurs as underpinning their decisions to trust. Those commonly cited were: honesty, timely payments, offering offering of quality products/service, the two way flow of credit, punctuality, and reciprocal sharing of information. In this thesis I argue that honesty is a universal measure identified in prior studies (e.g. Blau, 1964; Rotter, 1967; Schurr and Ozanne, 1985; Geyskens et al, 1998) that also reflects the integrity and ability of the trustee (Mayer et al, 1995). I argue further that entrepreneurs expectations with regards to timely payments and provision of quality products/service are closely associated with the ability of exchange partners (Anderson and Narus, 1990; Dwyer et al, 1987), a dimension that has been identified in prior studies (e.g. Schurr and Ozanne,

1985; Morgan and Hunt, 1994; Mayer et al, 1995). The sharing of information on the other hand has been identified by prior studies as relating to the benevolence of partners (e.g. Kumar et al, 1995b; Mayer et al, 1995; Zaheer et al, 1998). Therefore, in terms of understanding how entrepreneurs perceived trustworthiness, this research has shown that even though there are a range of trust dimensions that are universally applicable such as honesty, payments and supplying of quality products/services as well sharing of information, actors also drew on culturally specific norms of offering and receiving credit and punctuality to perceive trustworthiness in export relations in Ghana.

The findings in this chapter contribute to the literature in three ways. Firstly, they show that in the context of Ghana and developing economies given the informal nature of business and the uncertainty over the formal legal system due to perceptions of corruption and inefficiency, there is a need for other forms of trust building (Child and Mollering, 2003; Welter and Smallbone, 2006). Consequently, more informal personalised trust-based relationships are important in enhancing economic activity (Lyon and Porter, 2009).

Secondly, these findings suggest that in the absence of state-backed support, which is taken-for-granted in developed countries, exporters use parallel institutions to develop and build “parallel-institutional trust” in order to compress and bridge the “Psychic Distance” (Child et al., 2002). Hence this thesis emphasises the role of the “mix of institutions” ranging from written contracts, MOUs, norms of family and kinship, religion, professional norms of *efiewura* system to norms of trade associations that facilitated SME exporting and entrepreneurship in general in Ghana.

In this way the role of cultural norms and norms of trade associations as parallel institutions raises the prospects that “parallel-institutional trust” may be equally effective in promoting economic exchanges particularly in developing countries where the formal institutional environment are relatively weak. Trade associations were found to play a significant role in small business exporting in Ghana but yet it had not been given much attention in entrepreneurship research. Elsewhere export and trade associations have been found to be playing important roles in many developing

countries such as Peru (Visser, 1996) and developed countries such as Italy (Pyke, 1995; Klein, 1995).

Thirdly, this study draws attention to the fact that where there are cultural differences, there is a need for exchange partners to understand the bases for trust building (Dietz, et al., 2010). It therefore contributes an Africanist perspective on the impact of culture on trust and perceived trustworthiness in interorganisational contexts. Implicitly, it also shows that in the context of SMEs, organisational trust mostly resides in owner/managers who are perceived to be trustworthy since they serve as the key boundary spanners for their organisations (e.g. Good, 1988; Ring and Van de Ven, 1992; Mayer et al., 1995).

In spite of the immense benefits that accrue from trust based inter-firm relationships, many SME owner/managers in this study recounted instances where some of their exchange partners violated the trust reposed in them. Invariably, these violations greatly damaged relationships and therefore future exchanges between parties (Dirks et al., 2009). Therefore there is the need to carefully examine trust violation and repair in exporting SME networks and relationships (Child et al., 2002) and this will be examined in the next chapter (Chapter 9).

CHAPTER 9: TRUST VIOLATIONS AND REPAIRS IN EXPORTING SME RELATIONSHIPS

9.1 Introduction

Chapters 7 and 8 have shown how exporting owner/managers heavily relied on trust as a coordination mechanism in their relationships with exchange partners from different markets and cultures. It was found that trust allowed SME owner/managers to “bridge the psychic distance” in the internationalisation process (Child et al., 2002). Nevertheless, exporters also recounted that they experienced violations of trust in their cross-cultural relationships. In this study I define trust violation as actions and behaviours of partners that do not conform to expectations in export exchanges. These violations had the potential to greatly damage relationships and therefore future exchanges between parties (Dirks et al., 2009).

The findings suggest that primarily, the definition of what constitutes trust violation in exporting SME inter-organisational relationships remains unclear. It differed depending on a range of factors including markets, sectors and associations and also on socio-cultural norms, industry norms, power relations and nature of the product/service. The study suggests further that trust repair could originate from the exporter (trustor) but not necessarily from the “other party” (trustee) hence the need to adopt two different approaches to trust repair namely, victim-led and perpetrator-led approaches.

This chapter examines processes of violation, repair and rebuilding of trust in owner/managers’ domestic, West African and intercontinental trade relationships. The specific research questions investigated are as follows: *How do exporting SME owner/managers perceive trust to be violated in relationships and what are the outcomes? And what are the processes used for repairing and rebuilding trust in exporting SMEs inter-organisational relationships?*

The chapter is structured as follows: section 9.2 evaluates the different forms, processes and outcomes of trust violations. Section 9.3 considers the differences in perceptions of trust violations. Section 9.4 looks at approaches to trust repairs and

rebuilding while section. Section 9.5 analyses the trust repair tactics used by entrepreneurs in repairing and rebuilding trust and section 9.6 offers the summary of the chapter.

9.2 Forms, Processes and Outcomes of Inter-organisational Trust Violations

For the purpose of this study entrepreneurs were asked to discuss the single most important incident of trust violation that they could remember. The analysis showed that in all, the overwhelming majority of entrepreneurs (21 of 24) recounted instances where some customers, suppliers and also facilitators (such as state-backed bodies and association leaders) violated the trust reposed in them. They cited 17 different types of incidents of violations and the various forms of trust violations reported by the interviewees have been categorised as customer-related, supplier-related, and facilitator-related. These findings are summarised in Table 9.1. Hence, sections 9.2.1 to 9.2.4 draw on Table 9.1 to analyse the various forms of trust violations, incidents of violations and the cases that reported the violations.

Table 9.1: Incidents and forms of trust violations

Forms of Violation	Incidents of Violations	Case Nos	Case
Customer-related	▪ Disappearing after receiving goods on credit from exporter.	▪ Case 12	▪ Jewellery Company
	▪ Reducing the agreed price of goods already supplied.	▪ Case 8	▪ Oranges Enterprise
	▪ Not paying for goods supplied on credit on time.	▪ Case 16 ▪ Case 10	▪ Diamond Hotel ▪ Alma Fashions and Designs
	▪ Not paying for goods offered on credit at all.	▪ Case 1 ▪ Case 5 ▪ Case 4 ▪ Case 3	▪ Beads Company ▪ Cola Enterprise ▪ Fuel Limited ▪ Ember Inn
	▪ Telling lies about time of depositing money at the bank for exporter.	▪ Case 11	▪ Cocoa Products Ltd
	▪ Going behind the back of exporter to establish a warehouse and competing directly.	▪ Case 24	▪ Dried Fruits Ltd
	▪ Exploiting loopholes in contract to take advantage of exporter.	▪ Case 23	▪ Shea Butter Company
Supplier-related	▪ Disappearing after receiving credit to supply goods.	▪ Case 18	▪ Cashew Company
	▪ Diverting money advanced for the supply of goods to other uses	▪ Case 7	▪ Egg Company
	▪ Not supplying goods already paid for on time.	▪ Case 20	▪ Rapho Company
	▪ Supplying poor quality products.	▪ Case 14 ▪ Case 2	▪ San Hotel ▪ Master Engineering Services
	▪ Supplying lesser quantity of the goods already paid for	▪ Case 6 ▪ Case 13	▪ Maize Ltd ▪ Saart Hotel
Facilitator-related	▪ Perceptions of state backed bodies involved in nepotism and corruption	▪ Case 19	▪ Pineapple Company
	▪ Leadership of export associations exploiting export opportunities for themselves.	▪ Case 9 ▪ Case 17	▪ Jolly Fashions ▪ Vegetable Limited
(Court-related)	<ul style="list-style-type: none"> ▪ Court in Ghana allegedly brought forward the time of the case without telling the exporter ▪ Not able to pursue customer in Germany due to legal reasons ▪ Land dispute sent to court in Ghana six years ago still pending. 	<ul style="list-style-type: none"> ▪ Case 18 ▪ Case 21 ▪ Case 23 	<ul style="list-style-type: none"> ▪ Cashew ▪ Lantra ▪ Shea Butter

Source: Qualitative interviews

9.2.1 Customer-Related Violations

The empirical findings in Table 9.1 showed that nearly half of cases (11 of 24) cited incidents of customer-related cross-border trust violations. However, customer-related violations reported by exporters in West African market (8 of 11) were more than twice the number reported by their colleagues exporting to intercontinental markets (3 of 11) with female entrepreneurs reporting more (7 of 11) customer-related violations compared to male exporters (4 of 11). Interestingly, even though customer-related violations are found in all sectors, exporters of manufactured products cited the highest instances (5 of 11) of violations from their customers abroad compared to exporters of agriculture (2 of 11) and exporters of services (4 of 11).

Trust violations in West African regional market ranged from *efiewuranom* (plural) and other customers who were mostly agents: a) disappearing after receiving goods on credit from exporter, b) reducing the agreed price of goods already supplied, c) agents not paying the money for goods on time at all based on claims that customers who bought the goods had defaulted, d) telling blatant lies about the quality of products already supplied in order not to pay the agreed full price of the goods to e) telling lies about time of depositing money at the bank for exporter. The case of an exporter of textiles to Nigeria, Burkina Faso, Mali and Senegal all in the West African market recounted her experiences in Nigeria thus:

“I felt very bad and stopped with my customer at Calabar. The first time I supplied him on credit the payment was not good; even though I was there. He delayed me and the time I should have left there passed by. Even it was somebody who intervened otherwise maybe he wouldn't have given me all the money” (Case 10, Accra, 2010).

In contrast, in intercontinental markets trust violations from customers ranged from not paying for goods/services supplied on credit on time, breaching the terms of legal contracts by going behind the back of the exporter to establish a warehouse and thereby competing directly with exporter, exploiting loopholes in contracts and inclusion of non-enforceable clauses to covertly seeking changes in contract terms in order to take advantage of SME exporters. Case 23, an exporter of processed shea butter to the USA narrated her experience related to these forms of trust violations.

“I had a problem with a previous distributor called XXX and I didn't feel comfortable... I had to terminate the relationship because they were trying to make more money than we are making, they were trying to take advantage of us with regards to the terms of the contract. Just before the initial contract expired, and we

were going to renew it, they wanted to increase their commission, they wanted to do this, they wanted to....then I thought the rates were ridiculous” (Case 23, 2010, Accra).

The high proportion of customer-related trust violations observed in relation to West African markets may be due to the lack of paperwork, lack of strict specifications of export goods and the tendency for foreign clients to reject goods after delivery and insist on discounts (Fafchamps, 1996:437). This particularly applies to the manufacturing sector in Ghana since it is not well developed due to the lack of the necessary knowledge and financing, inability to meet foreign regulatory requirements or to produce products in quantities or quality that are adequate for foreign buyers in addition to many other problems (Aryeetey and Ahene, 2005).

9.2.2 Supplier-Related Violations of Trust

Additionally, Table 9.1 shows that almost a third of cases (7 of 24) cited instances of supplier-related violations. These problems were cited by nearly an equal number of cases in West Africa (3 of 7) and intercontinental markets (4 of 7) and also by nearly an equal number of exporters in agriculture (4 of 7) and services (3 of 7) while no such violations were reported in the manufacturing sector. This suggests that exporters in both markets and sectors respectively were vulnerable to some extent in their supplier relationships. However there were significant differences in supplier-related violations reported by male entrepreneurs (5 of 7) compared to those cited by female entrepreneurs (2 of 7).

Exporters’ experiences of trust violations in supplier relationships ranged from, a) suppliers disappearing after receiving credit advanced for supplies, b) diverting money advanced for the supply of goods to other uses, c) not supplying goods already paid for on time, to d) supplying poor quality products and services. The experiences of an exporter of fresh vegetables to UK and a mechanic who serviced diesel engines for customers from Cote D’Ivoire, Burkina Faso and Mali tell how trust is violated by suppliers in the domestic market respectively:

“I’ve sponsored somebody who was a farmer working on a vegetable farm and I advanced the money to him but after sometime this man changed telephone numbers and locations and therefore disappeared. I had to chase this man to Tema to try to get the goods or my money back and as he did not supply the goods, next time I would not advance money to another supplier” (Case 17, Weija near Accra, 2010).

“I found out that some of my suppliers of spare parts, were not actually honest; they were not speaking the truth to me especially concerning monetary matters, and, because things are not documented, this allows some of them to cheat me so I ditched them” (Case 2, Kumasi, September, 2010).

The significant differences in the number of supplier-related violations reported by male entrepreneurs (5 of 7) compared to those cited by female entrepreneurs (2 of 7) appear to contradict the findings in customer-related violations reported in both markets. Female entrepreneurs reported (7 of 11) customer-related violations compared to male exporters (4 of 11). Nonetheless it may reflect the relative ease with which female entrepreneurs in Ghana do business in the domestic market compared to West African and intercontinental markets. This may be understood given that women in Ghana dominate many sectors in the domestic market (Clark, 1994; Lyon, 2003, 2005).

9.2.3 Facilitator-Related Trust Violations

One in eight cases (3 of 24) perceived violations of trust by export facilitators. Two cited violations by trade associations, one complained about violations by state-backed export facilitators whilst none reported violations from donor agencies and NGOs. However, the number of cases reporting facilitator-related violations differed slightly between West Africa (1 of 3) and intercontinental (2 of 3) markets. Two of the cases that cited these forms of violations were in the agriculture sector with the remaining one case was in the manufacturing sector. These victims of perceived trust violations comprised of two male (2) and a female entrepreneurs.

Facilitator-related trust violations mostly revolved round a) suspicions that the leaderships of export associations were exploiting export opportunities for themselves and b) perceived nepotism and corruption from state-backed bodies. An exporter of fresh vegetables to the UK expressed his disappointment in state-backed facilitators in this way:

“As for support from government agencies, exporters like us expect that any government help to exporters should reach us but we see that it normally goes to people we don't even know to be exporters. The money goes to the hands of those people who don't know anything about farming or exporting and we the people who are doing the farming and exporting are not getting anything. Also I belong to VEGEG, which in full refers to Vegetable Growers and Exporters Association of Ghana. But as for the benefits it's like one of the top people is enjoying, so we have to be looking at them” (Case 17, Weija near Accra, 2010).

The above quote shows that some of the cases perceived the legal system to be incapable to resolve disputes while other cited instances of widespread nepotism, corruption and selfish use of leadership positions among state-backed bodies and trade associations. These negative perceptions had led to exporters refraining from using the courts, adopting a “wait and see” attitude towards export facilitators, withholding the payment of their dues or withdrawing their membership from the state-backed export bodies and trade associations altogether. However the study could not cover the subject in detail.

Perceptions of corruption and nepotism among exporters to intercontinental markets and mostly in the agriculture sector might be attributed to the little recognition given to the large number of exporters of agriculture produce in Ghana by government. On the other hand, the lack of perceived facilitator-related violations in the services sector does not mean that all is well but rather could be explained by the lack of involvement and neglect of the sector in governments export strategy (GEPC, 2006; 2010).

9.2.4 Court-related

Three cases recounted instances where the legal system disappointed them. Disappointments from the courts ranged from a) court in Ghana allegedly brought forward the time of the case without telling the exporter b) not able to pursue customer in Germany due to legal reasons to c) land dispute sent to court in Ghana six years ago still pending. An exporter of processed shea butter to USA explained how the legal system in Ghana disappointed her in relation to a dispute bordering on a piece of land she acquired for a plant in Ghana:

“Yes I have been in court six years over a land case and it is still pending, so if I start dealing with you and I realise that you will end the relationship in court I stop”
(Case 21, Damongo, 2010).

Interestingly, all three cases reporting violations from courts were exporting to intercontinental markets. This may not be surprising given that intercontinental trade relatively relied more on institutionalised trust based on contracts and MOUs.

9.2.5 Outcomes of Trust Violations

The empirical study unravelled that trust violations led to various outcomes such as loss of: time, capital, sales and customers. It could also lead to the loss of interest in future

collaborations by the victim and also other exporters who heard about the negative experiences of the victims, furthermore it led to termination of relationships. Below are the experiences of outcomes of trust violations by one of the two exporters using contracts. The entrepreneur was a former Vice President of Association of Ghana Industries, and currently a World Bank Consultant and an exporter of spices. She recounted how she lost considerable amount of time and money due to violations of trust by her partner in the EU.

“I am a living example of another serious consequence of breaches in collaborations. I negotiated for about 4 years and signed an agreement with my partners in [EU country] yet these partners abroad sent in junk machinery worth US\$100,000. Afterwards, we tried several methods, as you may know this involved a lot of time and money apart from what we had already lost” (Case 21, Tema, July 2010).

Trust violations also led to loss of sales due to the exporters’ inability to meet export deadlines and or export volumes. In some cases the disappointments and misunderstandings associated with trust violations led to termination of the relationship. An exporter of handicrafts to the USA and the EU shared his experience:

“I recall that when I was dealing in handicraft I had a problem with a supplier and as you may be aware export orders are time bound and the supplier could not meet the demand even though I had paid him in advance and it made me lose my customers. So I decided to stop working with that supplier” (Case 20, Aburi, 2010).

Interestingly, the cases also revealed that experiences of trust violations impacted negatively on the perceptions of other actors who witnessed or even heard of the ‘ordeal’ of the victims of violations. These negative experiences were shared and disseminated among entrepreneurs mostly by word-of-mouth among family members, friends and colleagues and this is shown by the excerpt below:

“Yes, I came to meet three masters working closely together to service the different types of vehicles of foreigners since each of them was a specialist on certain particular vehicles, but after some few years, confusion came in and they split due to misunderstandings about money and other things. I mean, they are not very honest with themselves so they didn’t speak the truth to themselves especially concerning monetary matters. Because things are not documented so I don’t want to work closely with anybody; I don’t want trouble” (Case 2, 2010, Kumasi).

The excerpt above shows that the entrepreneur’s decision not to engage in inter-firm collaborations fundamentally stemmed from the negative experiences of others which he had witnessed as an apprentice. Such experiences were also transmitted as second hand information by word-of-mouth and served as a deterrent to others.

The follow-up interviews revealed that the fallouts from trust violations may become more evident with time. Box 9.1 illustrates the experience of Case 24 an exporter of dried fruits and also one of the two SME exporters who had a written contract with their customers in the EU. The follow-up interview sought to find out how time had impacted on the relationship. The case in Box 9.1 shows that the exporter's trust in and over dependence on her partner had led to a collapse of her export business. Interestingly, she blamed herself for sharing too much information with partners and eventually being a loser. At the time of the follow-up interview she had managed to export less than 2% of her capacity for the previous year. As a result of the trust violation she had incurred sunk costs and most importantly lost trust in current and potential partners and collaborations.

Box 9.1: Time and Trust Violations (Case 24)

Case 24 is a manufacturer and exporter of dried fruits to Switzerland and China. She is one of the two cases that had written contracts with her customer. In 2010 she declared that her customer violated trust between them by going behind her back to construct a warehouse in Ghana and thereby started competing with her.

Researcher: Last year you told me that your key foreign customer went behind your back to establish a company here to compete with you so how has that affected your relationship?

Interviewee: I am a loser in everything, they came in and I opened up to them and when they decided to go, the way they left wasn't the right way. Yes he has built up his own company and so now I am a loser in everything.

I knew that this year for example we were going to increase our organic fruits to them. So out of my last year's profit, I sunk about 6000 Euro, getting this place ready in order to increase my production, improve the place, change so many things here. Removing the place, put in new tables, new everything, then all of a sudden and they just quit. So the money had been sunk in and I haven't used it and then worst of all I don't have the market, so I am really, this year hasn't been a good export year for me at all.

Last year we exported about 45,000 tonnes, this year we've done only 1000 tonnes. The worst thing is that we were exporting and the capacity was small we weren't able to supply anybody else, we left the local market. So when they also left, we had nobody else. But I am preparing, it's a lesson, its a good lesson. I am preparing myself, getting ready so I learnt a lot from what has happened. So that when I get unto the market next time round, I know how I am going to deal with people.

Researcher: How are you going to deal with your partners?

Interviewee: I will not trust anybody.

This section has shown that exporters experienced different forms of trust violations from key partners in inter-firm collaborations. It also illustrates that when trust is violated, SMEs may suddenly find themselves in a situation that threaten their very existence (Bachmann, 2001). Particularly, it revealed how entrepreneurs spent a lot of time in dealing with the aftermath of trust violations. It has also been shown that trust violations may lead to actors (who may know or even hear about incidents of trust violations of their friends and acquaintances) being deterred from engaging in future collaborations. These findings deserve more attention in the emerging literature.

The study also showed that entrepreneurs had perceived trust violations differently based on the context and the next section discusses the contextual variables in detail.

9.3 Perceptions of Trust Violations

This section reports on the findings and analysis of the different perceptions of trust violations reported by the cases. The analysis of the interviews revealed that perceptions of trust violation could be subjective, especially between actors of different cultures and industries due to influences of norms on interpretations of what constituted violations. Hence the definition of trust violation in inter-organisational relationships remained unclear as it differed from markets, sectors and associations. Perceptions of trust violations were particularly found to be shaped by family/kinship, religious and industry norms, power relations and nature of product/service.

9.3.1 Norms of Family/Kinship

As stated in chapter 7 a third of exporters (8 of 24) stated that family members had defaulted on paying credit advanced to them while 3 cases stated that family members had embezzled money in their firms. The overwhelming majority (5) of default on credit payment were by family members who were suppliers and had received credit advances for goods, whilst the remaining (3 of 8) were family members who were customers. These incidents of violations were experienced by both male and female entrepreneurs in all three sectors.

The quote below describes the experience of Case 12, a jeweller who exported to West African markets and advanced credit to a family member for supplies:

“For now and from experience, I would have gone in for somebody who is not a close relative. We still have a family member that I know alright who took our money for supplies and then disappeared, oh he just went away, you see because he knows at last it is a family issue” (Case 12, Kumasi, 2010).

In cases of violations by a family member or relative, entrepreneurs had to draw on family norms in accepting these violations and therefore ignored it or dealt with it amicably. Interestingly, a violation of trust by a working partner referred to as a mother, a brother, sister or father was also more likely to go unnoticed or if noticed, not to be taken seriously than a similar act of violation by a partner who did not enjoy that same level of personalised relationship. An exporter of African beads to Canada, the USA and the EU explained how he perceived trust violations by a working partner whom he referred to as mother in this way:

“Mama is as I told you my mother, not real mother but she is my mother due to the cordial relationships and also her advice that has pushed me to where I am, you get me, so such people when they default, I take it like money I have given to my mother and so in that case I will take off my mind. The only thing is that if Mama comes here to ask for more credit, instead of 10,000 cedis (£4500), I will decide let me give her 5,000 cedis (£2250) and if she thinks it's ok, that's it; maybe she will pay some part later and then the rest which she can't pay I will forget” (Case 22, Accra, 2010).

The impact of norms of kinship and family on exporters' perceptions of trust violation could be understood due to the obligations inherent in the family structure. Family members and the community may interpret violations such as defaulting on credit payment by a family member as a 'family issue'; and family issues are normally handled by the family and in most cases glossed over and forgotten. Consequently, violations of trust by family members are interpreted based on the norms and values that demands that the entrepreneur does not abandon family members (Acquaah, 2008:14). This is the norm and so society expects the entrepreneur to behave in acceptable ways in the face of blatant violations such as in case of default.

9.3.2 Power Relations and Trust Violations

The analysis of the data suggested that exporters' perceptions of trust violation were influenced by the balance of power in exporter-partner relationships. More than a quarter (7 of 24) cases cited incidents that suggested that power shaped how they perceived trust

violations in their relationships with their more powerful partners in domestic, West African and intercontinental markets. For example, in intercontinental trade more powerful partners such as multi-nationals were able to coerce the less powerful exporting SME into ignoring their breaches of contract terms as shown by case 24 who is an exporter of dried fruits. She illustrated why she decided to work again with her more powerful EU based customer after the customer had blatantly violated the contract between them:

“I did not stop working with my key foreign customer even though I realised that they have gone behind my back to establish a warehouse in order to compete with me, and also lied to me. I could have sent them to court, this I ignored because of lack of time. More importantly, they buy all my products for me, they helped me with training, they also helped me with how to achieve international standards, packaging and all issues pertaining to shipments and also introduced me to the fair trade brands. In view of these benefits, we talked about these breaches and the problem was dealt with amicably” (Case 24, July, 2010).

Similarly, in the domestic market as shown by Case 12 (a jeweller), small scale miners who supplied raw gold were powerful due to the restrictions on gold mining, consequently when the miner defaulted on credit payments, Case 12 was unable to withdraw credit. Similarly, the dominance of the institution of *efiewura* in West African food trade has empowered the *efiewuranom* to dictate the terms of trade. The examples cited show that when the exporters perceived that benefits derived from a relationship were substantial the exporter was more likely to carefully interpret what constitutes acceptable levels of violations. These incidents of violations were found in all three sectors and also experienced by both male and female entrepreneurs.

This could be understood due to the power of some of the suppliers and customers and the switching costs that might be involved in these relationships (Porter, 1980; 1985). For example Case 12 had made credit advancements to the small scale miner. In this case the high switching costs influenced the exporter’s decision to continue working with his more powerful partner even when he defaulted on credit payment. These cases therefore suggest that there may be greater vulnerability on the part of one exchange partner in a relationship due to power and resource dependence (Pfeffer and Salancik 1978; Zaheer and Harris, 2006).

9.3.3 Religion

The data revealed that exporters' perceptions of trust violations were also impacted by religious beliefs in Ghana. Almost one in five (5 of 24) cases made references to fatalistic religious beliefs and thereby interpreted violations by attributing them to God or Allah. A cola nut (local stimulant) exporter who was a Muslim drew on his beliefs in sharing his thoughts on trust violations by his *efiewura* (agent) in Nigeria as follows:

“You know this kola business is very, very tough. So far as you have worked with the fellow for a very long time, you can't run away and leave him because he cannot pay your money. You know in our religion sometimes we say God have brought this thing. So you just accept the situation and you forgive because you think that Allah has caused it” (Case 5, Kumasi, 2010).

The statement from Case 5 also shows that in the cola industry it is the norm not to leave your long-term customer when he defaults on payments, in fact to do otherwise suggested that the exporter has ‘run away’ which indicated abandonment.

9.3.4 Nature of Industry Shaping Perceptions of Violations

Interpretations of trust violations were also found to be shaped by the nature of the industry, product or service. Overall five exporters (5 of 24) all of whom exported agricultural products were observed to interpret trust violations by referring to the nature of their products. The Ghana National Best Poultry Farmer (2008) who exported fresh eggs to Niger, Burkina Faso and Mali explained how he perceived trust violations in this way:

“As you may know, it is not easy to keep eggs in this country. So we don't sack our customers when they default but we try to encourage them to pay us in instalments as we continue to supply them” (Case 7, Techiman, 2010).

Case 7 explained how he interpreted trust violations by referring to the short shelf life of fresh eggs. Likewise, exporters of fresh fruits and fresh vegetables also made repeated references to the lack of refrigeration facilities in Ghana at the time of the interviews.

It was observed that different sectors, industries, products/services had different production factors which influenced their operations. Primarily, industry norms determined by trade associations were cited by all 18 cases that belonged to different trade associations as key determinants that shaped their interpretations of what constituted trust violations in their respective industries. Industry/trade associations therefore defined the norms which

regulated the different sectors (Lyon, 2003; 2005). Consequently exporters of fresh agriculture produce could not perceive violations in the same way as exporters of manufactured goods who could hold on to their goods for a relatively longer period of time.

9.4 Trust Repair Approaches

This section reports on the findings and analysis on the processes used by owner/managers to repair and rebuild trust after violations. The case studies unveiled that following trust violations such as defaulting with regards to credit payments, an overwhelming majority (20 of 24) of exporting owners/managers were able to repair trust. Interestingly, there were no significant variations in the markets with almost all (11 of 12) exporters to West African regional market repairing trust in their relationships as compared to three quarters (9 of 12) of their colleagues in intercontinental markets. However, three of the four firms that did not repair trust with their key partners were in the manufacturing sector while only one exporter of agriculture produce (Case 20 who deals in shea butter which has a long shelf life) did not repair trust with his key partner. Hence exporters of fresh agriculture produce like their colleagues in the services sector repaired trust more, most probably because they could not hold on to their goods/services for a longer period of time.

Of four exporters who did not repair trust, three were females. Nonetheless given the smaller samples involved further research may be required to help establish whether female entrepreneurs were more likely not to repair trust than their male counterparts. Ethnicity did not seem to influence trust repair; as all four entrepreneurs who did not repair trust had different ethnic backgrounds (Dagomba, Ga, Ewe and Akan).

The cross-case analysis showed that out of the 24 exporters (N=24), 20 exporters had repaired trust between themselves and their key partners who had violated the trust reposed in them. Recalling that owner/managers' main objective in entering into inter-firm relationships was to gain access to resources (Burns, 2011) trust violations therefore led to considerable consequences. The next sections examine in detail the two different approaches to trust repair.

9.4.1 Victim-Led Approach

The cross-case analysis showed that the majority of trust repair had been initiated by the victims (16 of 24) of the violations. Notably, there were differences between the markets with almost all (10 of 12) exporters to West African market compared to half (6 of 12) of their colleagues in intercontinental markets who had fallen victim to trust violations initiating trust repair after violations in their relationships. In agriculture and services sectors this approach was used by the vast majority of entrepreneurs: agriculture (6 of 8) and services (7 of 8), while a minority of entrepreneurs in the manufacturing sector (3 of 8) utilised this approach. Another interesting finding relates to gender differences in the use of the two trust repair approaches. It was found that almost all the male entrepreneurs (12 of 13) who had been victims of trust violations had initiated and repaired trust as compared to about half of females (4 of 7) entrepreneurs.

The initiation of trust repair by exporters who had been victims of trust violations could be explained based on two main reasons. The first reason may stem from the existence of unequal power relations. In such cases the benefits received by the exporter and switching costs might have compelled the exporter to initiate the repair process (as shown by Case 24), the exporter of dried fruits who initiated trust repair after being lied to by her customers.

Secondly, exporters proactively repaired trust due to the long term or short term benefits. An exporter of pineapples explained the rationale for proactively repairing trust with a key customer in the EU.

“...Occasionally I get a problem with delayed remittances but, I contact them on such occasions. It's business, you can take the initiative to solve these problems and sometimes you give in, other times you insist, it's mutual. So for one negative event you don't terminate a relationship that is useful, you have to look beyond that and more importantly look at the overall interest of the business and then go forward” (Case 19, Kasoa, August 2010).

As explained by the above case, some exporters who proactively repaired trust seemed to recognise that trust repair was an integral part of their overall business interests and hence they did not wait for perpetrators to initiate the repair process, they did it themselves.

The primary motive at this stage was to get explanations as to why the violation occurred and find out how to get a solution to the breaches that had happened. In this study for example, Case 22 explained that he missed out on supply deadline due to logistical problems originating from a dysfunctional supply chain.

Interestingly, other exporters had utilised proactive methods in order to conceal their real intentions, for example in cases of default on credit payments entrepreneurs had initiated trust repair to lure the violators to pay their monies back to them. The exporters afterwards reviewed the terms of the relationship or even terminated the relationships altogether; the extract from an exporter of textiles below depicted one such case.

“Yes, this customer owed me 1200 Ghana cedis (£550) and was reluctant to pay the money, she was not picking my calls so I sent her a text message asking her not to treat me in that way. The next day when I checked my account she had paid me the money after receiving the message. My text message has retrieved my money for me. However, the next time she ordered I did not give her goods on credit again because such customers are making my business difficult (Case 9, Accra, 2010).

9.4.2 Perpetrator-Led Approach

In contrast to victim-led approach a smaller number of exporters (4 of 24) used perpetrator-led approach to trust repair. In perpetrator-led approach, exporters had waited till they were contacted by the perpetrators in order to repair the violations. This reactive approach was illustrated by an exporter of processed shea butter to the USA:

“They missed out on the date for supply and they sent me an e-mail afterwards explaining why, they also wanted to know what to do but I did not get back to them until after sometime, but now we are working together again” (Interview number 23, 2010).

Surprisingly, analysis of the data showed that only one of four exporters who embarked on perpetrator-led approach was operating in West African market as compared to three in intercontinental markets. Nonetheless, there were little differences between the sectors: two of them were in the manufacturing (2 of 8), agriculture (1 of 8) and services (1 of 8).

Nevertheless both the victims and perpetrators had initiated repair processes through phone calls, emails, text messages, personal visits and meetings and through intermediaries.

Contrary to existing literature the evidence in this section (9.4) has shown that trust repair could originate from the victim (trustor) but not necessarily from the perpetrator (trustee). This observation led to the adoption of two different approaches to trust repair (in this study) dubbed victim-led and perpetrator-led approaches. Nonetheless, these two approaches could both be used by the entrepreneur depending on the context. These processes and differences in trust repair approaches deserve more attention in the literature. Hence this section contributes to knowledge by highlighting the two different approaches and the processes involved.

The next section investigates the roles played by both the victim and the perpetrator of trust violations and the mechanisms deployed to repair and rebuild trust in exporting relationships.

9.5 Trust Repair Tactics

This section reports on the findings and uses in-case and cross-case analysis to identify and discuss the tactics used by entrepreneurs to repair and rebuild trust. The data showed that these mechanisms were applicable to both victim-led and perpetrator-led approaches. The cases further revealed that trust repair efforts were also influenced by norms of family/kinship, religion, trade associations, power relations, and the nature of product/service. This could be explained given that exporters' perceptions of trust violation to a greater extent determined the repair mechanisms they deployed. Hence the process is reflexive (Mollering, 2006).

To identify the tactics used in repairing trust, entrepreneurs were asked three subquestions: a) Can you recall doing business again with a partner company after there had been a problem between you, if yes could you tell me what happened?, b) Can you think of an example where you started doing business again with a partner that defaulted on credit payments and as a result caused problems to you? and c) If yes what did you and/or your partner do that enabled you to cooperate again?

For the purpose of this study entrepreneurs were asked to discuss the single most important incident of trust repair and rebuilding that they could remember. The analysis showed that in all, 20 entrepreneurs who had repaired trust had deployed the different tactics 58 times. It

must be emphasised that respondents indicated that they used several different tactics in each case that they repaired trust as shown in Box 9.2. to illustrate the approaches adopted by Case 22 (an exporter of African beads to Canada, the USA and the EU) in repairing and rebuilding trust after violation. In this case, the exporter conceded that he defaulted on the time for delivery to his customer in Canada and therefore initiated the process of trust repair.

Box 9.2: Approaches and tactics used in repairing and rebuilding trust (Case 22)

African Beads Ltd (Case 22) is a manufacturer and exporter of African beads to Canada, USA and UK. In this illustration the owner/manager explains how he repaired trust with a customer in Canada.

Researcher: Can you recall doing business again with a partner company after there had been a problem between you, if yes could you tell me what happened?

Interviewee: Yes, some people are owing meon the other hand I had also caused problems though not deliberate to my partners XXXXX- who placed an order and the time passed. However before the date passed I called them and explained that due to firewood problem the order would be delayed for 3 days and they said this would cause problems to them because they had already told their customers that the items are coming on such a date. Unfortunately, my agent at the port also delayed the goods for another 3 days due to packaging. So in all we spent about a week before the items got to them. So they suggested that next time I have to tell them when the order comes that I would finish this order in a month or two so that they would know what to tell their clients and I agreed.

Researcher: Have you done business again with them and if yes what did you and/or your partner do that enabled you to cooperate again?

Interviewee: I acknowledged that I made a mistake and apologised to them for the inconveniences and they accepted so we agreed to change the memorandum of understanding between us to include sanctions and penalties for defaulting on time schedules in future orders.

As shown in the above case, the exporter used several repair tactics which were not necessarily sequential or even linear at a time. Four tactics were utilised in this particular repair incident: 1) the violator of trust acknowledging violation, 2) explaining what caused it by giving reasons, 3) feeling regret and apologising and 4) accepting changes in terms of contract. However, the cross-case analysis showed that one more tactic could also be used and that is 5) the use of intermediaries. Picture 9.2 shows the owner/manager of African Beads Ltd (Case 22, a manufacturer and exporter of to the USA, Canada and the UK) and his wife in the company's showroom.

Picture 9.1: Owner/manager of African Beads Ltd and his wife in the company's showroom near Accra.



Source: Photograph taken by Author

Tables 9.2, 9.3 and show the number of tactics used by entrepreneurs by markets and sector respectively.

Table 9.2: Trust repair tactics used by entrepreneurs by markets

Repair tactics	Market		Total no. of tactics used
	No. of tactics used by entrepreneurs in West African markets	No. of tactics used by entrepreneurs in intercontinental markets	
Explaining causes	11	9	20
Acknowledging the violation	9	5	14
Feeling regret and apologising	7	3	10
Using intermediaries	5	3	8
Agreeing to reviewing of contract	2	4	6
Total no. of tactics used	34	24	58

Note: Entrepreneurs could use several tactics

Source: Interview data

Tables 9.3: Trust repair tactics used by entrepreneurs by sector

Repair tactics	Sector			Total no. of tactics
	No. of tactics used by entrepreneurs in agriculture	No. of tactics used by entrepreneurs in manufacturing	No. of tactics used by entrepreneurs in services	
Explaining causes	7	5	8	20
Acknowledging violation	6	2	6	14
Feeling regret and apologising	6	2	2	10
Using intermediaries	4	3	1	8
Agreeing to reviewing of contract	1	3	2	6
Total no. of tactics used	24	15	19	58

Note: Respondents could use several tactics

Source: Interview data

Table 9.2 and Table 9.3 offer a summary of the use of different trust repair tactics in West African and intercontinental markets and also in the sectors (agriculture, manufacturing and services) respectively. The subsequent sections highlight in detail the various tactics, who used them, how they were used and why they were used. The tactics are arranged based on the frequency of use but not on which one was used first as the processes were not necessarily sequential.

9.5.1 Explaining the Causes of Trust Violations

This study identified the first common tactic used in repairing and rebuilding trust in West African and intercontinental markets to be explaining the causes of the violation. This repair tactic was the most commonly used as all twenty cases that had repaired trust indicated that they had asked for explanations or been offered explanations in the processes of repairing trust. This tactic was used by entrepreneurs in both markets (West Africa 11; intercontinental 9) and also in all three sectors: agriculture (7), manufacturing (5) and services (8) and by both genders; males (13) and females (7).

The analysis of the different cases indicated that explanations of the causes of the violation involved either denying or accepting culpability. In both West African and intercontinental markets trust violators who denied culpability offered “tangible” reasons as to why the violations occurred. However, the nature of explanations, though similar in some cases, differed significantly in others. For example, two cases in each market explained that their partners attributed trust violations to delays by the banks in transferring payments to them. However, in West African markets violations could be attributed to issues such as non-payment by the customers of the *efiewura* as in Case 5 or to cultural norms such as the loss of a family member as in Case 9, reasons which might not be tenable in intercontinental relationships. An exporter of textiles explained why she cooperated again with a partner who violated trust due to the norms of bereavement:

“Unfortunately the woman has just been widowed and has not been working for the past 3 months so I don’t want to bother her and that is why I continue to work with her and even give her credit ” (Case 9, Accra, 2010).

In the case cited above socio-cultural norms are shown to impact on economic activity as reasons relating to bereavement are generally accepted to be tangible in Ghana. This is

because bereaved partners might abstain from working for a long period ranging between 40 days and one year depending on the relationship to the person who died. Nevertheless, most of the entrepreneurs indicated that they would ignore the norms of bereavement and only abandon their businesses for a few weeks after bereavement. Another tactic used in repairing trust after violation is acknowledging the violation.

9.5.2 Acknowledging the Violation

Within the markets it was found that three quarters of entrepreneurs in West Africa (9 of 12) had used acknowledgment of violation to repair trust as compared to less than half (5 of 12) in intercontinental market. Similarly there were variations in the number of entrepreneurs who had used acknowledgement of violation in their attempt to repair and rebuild trust in the sectors: agriculture (6 of 8), manufacturing (2 of 8) and service (6 of 8). There were also differences between the genders with about two thirds of male entrepreneurs (10 of 14) compared to less than half of female entrepreneurs (4 of 10) who had repaired trust using this tactic, (see tables 9.2 and 9.3). In both victim-led and perpetrator-led approaches the violations might be acknowledged by the perpetrators and these were mostly verbal. Notably, acknowledgements of trust violations were found to facilitate the repair process since they presupposed that the violators were empathetic towards the victims. More importantly, acknowledgements opened windows of opportunities for explanations of what caused the violations.

9.5.3 Feeling Regret and Apologising

The cross-case analysis further shows that the expression of regret and an apology served as a repair tactic. Respondents who had repaired trust claimed that they had been offered apologies by their key partners or offered apologies themselves. Over all, this tactic had been used by half (10 of 20) of cases that have repaired trust in the markets (West Africa 7; intercontinental 3). This tactic also transcended all three sectors with respondents in agriculture (6 of 8), services (2 of 8) and manufacturing (2 of 8) indicating that they had used it. The findings however suggests that male entrepreneurs (8 of 14) are more likely to feel regret and apologise compared to female entrepreneurs (2 of 8). In expressing regret and an apology the perpetrators of violations in West African markets mostly used telephone calls and personal visits. In contrast, in intercontinental markets, expression of regret and apologies were found to be often through telephone calls and emails. Generally, in all the

markets, the expression of regret and an apology was found to open the doors for negotiations by enhancing the victim's willingness to participate in trust repair and if successful to cooperate again (Kim et al., 2004). Invariably trust repair involved the use of intermediaries.

9.5.4 Using Intermediaries

A third (8 of 24) of exporters in all three sectors stated that they used intermediaries in repairing trust with their key partners. Interestingly, half of cases exporting agriculture products (4 of 8), about a third exporting manufacturing products (3 of 8) and only one exporter of services (1 of 8) had used intermediaries in trust repair. Furthermore, this practice was found to be more commonly used in West African markets (5 of 12) than in intercontinental markets (3 of 12). Additionally, less than half of male (5 of 14) and female (3 of 10) respondents had repaired trust had relied on intermediaries, (see tables 9.2 and 9.3). An exporter of textiles to the West African market explained the rationale for using intermediaries in repairing trust with her partner during a trade fair:

“I didn't go to court because as a stranger in that country it would not be worth it. I solved it through the man who was in charge of the fair; I went and reported the case to the man and he intervened, the man stood in, told him that he has to pay us and he did” (Case 10, Accra, 2010).

Case 10's experiences highlights the challenges associated with contract enforcement in cross-cultural trade. Interestingly, she resorted to the use of alternative avenues to resolve disputes with her partners in foreign markets instead of relying on the courts. In West African markets three cases used trade associations, one used embassy staff and the remaining one case used the organisers of trade fairs in their attempt at repairing trust with export partners. In intercontinental markets the three respondents who had repaired trust had relied on embassy staff (1) and organisers of trade fairs (2) respectively to resolve disputes and repair trust with the perpetrators of the violation.

In the domestic market exporters regarded the use of intermediaries as more cost effective than going to court. An exporter of maize puts it thus:

“I preferred to sit down with the person and sort it out, I chose to exhaust other avenues because going to court is expensive and also a waste of time because of the go and come. So I invited other people - the leaders of the association- to help resolve the issue. It is always good to bring in such people because they will bear witness that I had wanted to resolve the issue peacefully” (Case 6, Techiman, 2010).

In the domestic market, mostly leaders from socio-cultural institutions such as family, religious bodies and community who knew either the perpetrator or the victim were implored by the victim (exporter) or the perpetrator to sit on the case and resolve the violation amicably. These intermediaries could influence either party to give in to the demands of the other. Trade associations also served as intermediaries and resolved disputes through association leaders who convened hearings during which the norms of the associations were used to settle the dispute. Association leaders also served as witnesses in case the parties did not agree to the settlement and the victim decided to escalate his/her demand for redress in the courts since going to court was regarded as an approach adopted by litigants due to perceptions of long delays, high costs and corruption. The frequent use of intermediaries by entrepreneurs in Ghana could be explained given the culturally specific role of *dwanetoafo* (literally meaning intercessor) who features regularly in traditional dispute resolution mechanisms in Ghana and the West African region. The last repair tactic identified by this study was agreeing to a review to the contract terms.

9.5.5 Agreeing to Reviewing Contract Terms

The empirical evidence shows that victims and perpetrators may be able to repair trust through agreeing to reviewing the terms of the contract. This tactic was used by a quarter (6) of the cases with two cases in West Africa (2 of 12) and intercontinental (4 of 12) markets. One entrepreneur in the agriculture sector, three in manufacturing and two in services sector had used this tactic respectively. An equal number of male entrepreneurs (3 of 14) and female entrepreneurs (3 of 10) had also deployed this tactic. In West African market exporters reduced or withdrew credit and in some instances also insisted on cash payments. Nonetheless, in the case of exporters of agriculture produce who relied on *efiewuranom*, exporters could not insist on cash payments but instead had the option to swap to another *efiewura* since credit is an integral part of the *efiewura* system. The reduction or withdrawal of credit facilities was also found to be common in intercontinental markets. However, due to the relative use of more legal contracts and memoranda of understanding in intercontinental export relationships, review of terms of contracts included inserting clauses on sanctions such as monetary charges for breaches of contracts such as imposing a fee for each day missed after supply deadlines (as reported by Case 22 in Box 9.2). In the domestic market such reviews at times penalised the perpetrator by either reducing the level of credit

or withdrawing the credit facility altogether and instead exporters insisted on suppliers to be paid after they had supplied the goods.

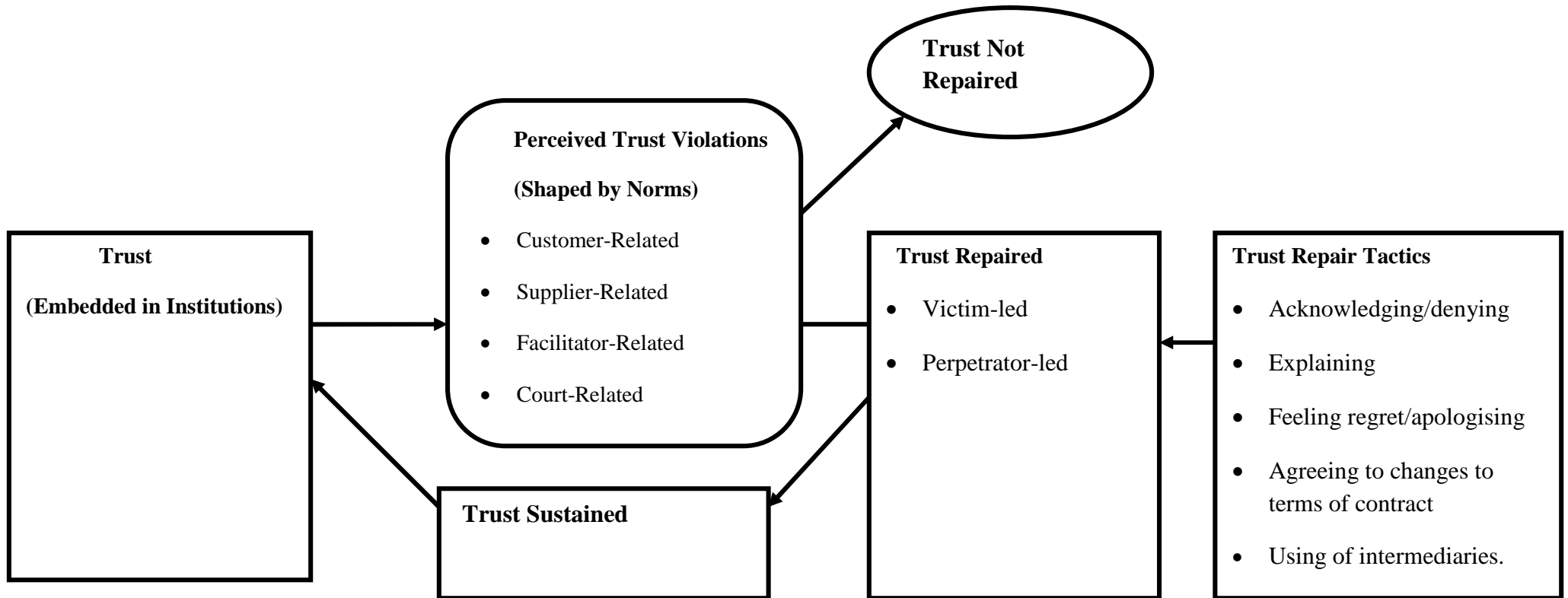
Threat of Violence

It was also observed from the interviews that in cases where trust repair had failed, four entrepreneurs had resorted to threats of violence in an attempt to enforce contracts. The use of coercion could be physical or verbal. Since the threat of force carried with it a risk of reprisals it was mostly used with suppliers in Ghana but seldom abroad in either the West African or intercontinental markets as explained by an exporter of beads who offered goods on credit to a customer in Ghana:

“I gave credit to [XXXXXX] and for two years she never turned up so I had just given up, this happened because I did not know her shop initially. Then one day I was sitting down and I saw her passing and so I just went to her and followed her to her shop and then asked her to tell me what happened. I forcefully removed a quantity of goods which was equal to the debt. If she had resisted, I would have gone to the association and reported the case to them” (Case 1, 2010, Accra).

Physical violence usually involved forcefully seizing goods or property of defaulters whilst verbal violence involved insults and insinuations. This approach was found to be more effective in cases where exporters were observed to be more powerful than their partners. Coercion could also be used by threatening to invoke curses on the defaulter particularly if the victim realises that the loss involved is substantial and the defaulter is deliberately trying to evade accepting responsibility. The Supreme God or smaller traditional gods could all be invoked. Interestingly, the follow-up interviews showed that out of the four cases that had resorted to coercion to enforce contracts only one case indicated that the relationship had persisted after one year. This could be understood due to fact that the threat of violence destroyed mutual trust and the exporters were no more interested in selling to the defaulters on credit again. Figure 9.1 presents a summary of the findings in this chapter.

Figure 9.1 A Model of Trust Violations and Repair in Exporting SME Relationships



9.6 Summary

Figure 9.1 offers a visual representation of the findings of this chapter. It suggests that trust was perceived to be violated and also repaired in entrepreneurial relationships. Figure 9.1 also shows the different forms of perceived trust violations categorised as customer-related, supplier-related, facilitator-related and court-related. Additionally, it shows that trust repair processes were in two forms: victim-led and perpetrator-led approaches.

The findings in this chapter showed that the overwhelming majority of exporters recounted incidents of trust violations in their relationships with their partners. Suppliers and customers changed their telephone numbers, moved house and therefore disappeared after receiving credit for supplying goods or goods on credit respectively. Some perpetrators of trust violations gave excuses to justify not repaying credit, did not repay credit on time as agreed and didn't supply quality products while others did not meet supply deadlines. Trust violations also included breaching the terms of contracts, supplying junk machinery, lying about the quality of products already supplied, reducing already agreed prices, refusing to pay for goods already supplied and not honouring orders after they had been already placed. Facilitators were perceived to be corrupt and nepotistic with association leaders also perceived to be using leadership positions for personal gains. The courts were also found to have violated trust by violating expected ways of working. For example case 18 claimed that the court was bribed and the case dismissed on claims that the victim had missed the hearing.

This chapter also shows that the outcomes of trust violations could have varying degrees of negative impact on smaller businesses ranging from loss of resources to near collapse of the businesses (Bachmann, 2001). The analysis revealed that in instances when trust was violated owner/managers were compelled to spend time to deal with the aftermath of the violations. Time was spent in an attempt to repair the relationship, and if unsuccessful, to build new networks in order to gain access to the vital resources which might have been lost as a result of the violation. The evidence also showed that the outcomes of trust violations could be far-reaching since it deterred the victims as well as their friends and acquaintances who might learn of the experiences of the victims from engaging in future collaborations. This may again be explained by the role of second hand information about the behaviour of perpetrators and experiences of friends and acquaintances who had fallen victim to trust

violations (Ajzen, 1991). It can be seen that the outcomes of trust violations may also impact on other entrepreneurs. In these ways, the evidence in this study shows that the picture of the consequences of trust violations painted by the literature is incomplete.

Interestingly, the findings of this chapter suggest that the concept of trust violation is a social construct and culturally specific. Particularly, the definition of trust violation in inter-organisational relationships varied in relation to markets, sectors, genders and associations as well as to norms. Figure 9.1 illustrates that perceptions of trust violations were particularly found to be shaped by norms of family and kinship, religion and industry, power relations (Ren and Gray, 2009) and nature of product/service. Given these influences I showed how apparent blatant trust violations were ignored by entrepreneurs based on the context.

These findings are important for understanding trust across cultures and understanding “Psychic Distance” (Zaheers, 1995). There is a need to understand the acceptable levels of trust violation in a relationship and this may vary between cultures and over time. It will also be shaped by the power relations within each relationship which in turn are shaped by the market context and the culturally specific values. In this way there can be a degree of acceptance of breaking integrity without violating perceived trust. However, these contextual factors are yet to be given attention in the emerging literature (Welter, 2011).

The chapter also provides a valuable understanding of trust repair in relation to inter-organisational relationships for smaller businesses in Ghana. Trust repair, contrary to existing literature, could originate from the exporter (trustor) but not necessarily from the perpetrator (trustee). Entrepreneurs had been found to utilise five tactics in repairing and rebuilding trust namely: 1) the violator of trust acknowledging or denying the violation, 2) explaining what caused it by giving excuses, 3) feeling regret and apologising, 4) agreeing to changes to terms of contract and 5) using of intermediaries. While the first four tactics are similar to existing models (e.g. Lewicki and Bunker, 1996; Kim et al., 2009), the using of intermediaries has not been given much attention in the literature.

In order to understand why victims of trust violations proactively repair trust, it is important to note that, in general, exporters perceived recourse to legal redress in commercial disputes

to be a waste of time and expensive due to perceptions and experiences of corruption among judges and court officials in Ghana and West Africa. Entrepreneurs' trust repair efforts have therefore tended to avoid the courts and instead rely more on personalised relationships and parallel institutionalised trust built on social institutions and trade associations. In each case the ultimate objective was to keep trustworthy partners by maintaining the relationship due to perceived benefits. Hence decisions to repair trust often originated from the victim who had suffered breaches in trust. However, recent models proposed for trust repair (e.g. Kim et al., 2009) argue that both the victim and the perpetrator play active roles in trust repair. However, this study emphasises that trust repair initiatives often originated from the victim of the violation, a proposition that has not as yet been emphasised in the literature.

Furthermore, entrepreneurial deployment of various tactics to repair and rebuild trust underpinned the importance of trust repair in inter-organisational relationships. Trust repair called for an understanding of socio-cultural and industry norms that helped to defuse tensions in relationships thus partly confirming existing literature (e.g Ren and Gray, 2009) Particularly the use of intermediaries and trade associations were found to be culturally specific and therefore very interesting. This highlights the importance of understanding trust violation and repair in inter-organisational relationships within different cultural contexts especially within contexts with less formalised institutional environments.

CHAPTER 10: CONCLUSION AND RESEARCH IMPLICATIONS

10.1 Introduction

This chapter concludes the study by summarising the key research findings, revising the conceptual framework and discussing the implications for theory, practice and policy. Trust is important for organisations, particularly in fostering cooperation and building alliances. However few prior studies have given attention to the role of trust in internationalisation particularly for SMEs in developing economies (Child et al., 2002; Child and Rodrigues, 2007). This research addressed this gap by examining the role of trust in exporting SME relationships in Ghana. In order to achieve the objective of this study, this thesis sought to answer the following six research questions:

1. *What are the personal and working relationships used in SME exporting?*
2. *How do entrepreneurial perceptions of the legal system shape these relationships?*
3. *What are the types of trust that facilitate exporting SME relationships and how are they developed and used?*
4. *How do exporting SME owner/managers perceive trustworthiness in inter-organisational relationships?*
5. *How do exporting SME owner/managers perceive trust to be violated in relationships and what are the outcomes?*
6. *What are the processes used for repairing and rebuilding trust in exporting SMEs inter-organisational relationships?*

To answer these questions, both theoretical (conceptual) and empirical (practical) studies were undertaken. At the theoretical level, the conceptual framework was underpinned by Institutional Theory (embeddedness) (Granovetter, 1985; Zucker, 1986; Scott, 1995; North, 1990; 2005), Internationalisation Theory (psychic distance) (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne, 1977; Child et al, 2002) and Entrepreneurial Theory (Schumpeter, 1934; 1942; Kirzner, 1979). The resulting conceptual framework recognised that entrepreneurs perceive profit opportunities in international markets through alertness, boldness and risk taking (Schumpeter, 1934; 1942; Kirzner, 1997). Entrepreneurs utilise their embedded ties to overcome the psychic distance which refers to the dissimilarities in business environments between the home country and the host country, particularly in relation to culture and language differences as distance-creating factors (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne, 1977; Child et al, 2002). These ties

comprise social, business and extra-firm networks within and across national borders (Granovetter, 1985; Berry, 1997; Ellis, 2000; Child et al, 2002; Oviatt and McDougall, 2005). These networks are in turn built on trust (Ellis, 2000; Child et al., 2002; Rodrigues and Child, 2012). Hence, the entrepreneurial creation or discovery of international markets is dependent on entrepreneurial networks and trust which, in turn, are shaped by the institutional context (Smallbone and Welter, 2001; Welter, 2011).

The empirical study involved a case study research of twenty four exporting SMEs in Ghana. The cases were purposefully selected (Marshall and Rossman, 1999) to ensure maximum variation (Guest et al., 2006; Saunders et al, 2007) and therefore help to explore and understand the role of trust in the internationalisation process, particularly within West African and intercontinental markets, and agriculture, manufacturing and services sectors. The selected cases were investigated through documentation, observation and semi-structured interviews (Yin, 2009). Semi-structured interviews, aimed at investigating critical incidents (Flanagan, 1954), were conducted with owner/managers and other key informants over a period of two years (2010-2011). For the analysis, within-case and cross-case analysis (Yin, 2009) of types of personal and working relationships, entrepreneurial perceptions of the legal systems in domestic, West African and intercontinental markets were examined. Furthermore, the types of trust used by owner/managers and how they perceived trustworthiness and violations of trust were examined. Finally, how entrepreneurs repaired and rebuilt trust in their exporting relationships was also investigated. The study utilised triangulation of theories, methods and data in order to enhance validity and reliability (Robson, 1993). Ethical issues were also considered in designing the project.

10.2 Main Findings

In this section I summarise the main findings of the study in relation to the six research questions.

Personal and working relationships used in SME exporting

This first research question sought to examine the types of personal and working relationships used by entrepreneurs with their key partners. The findings showed that exporters had relied on their social and business networks and relationships to get access to

West African and intercontinental markets (Berry, 1997; Ellis, 2000; Johannisson et al., 2002; Child et al, 2002; Oviatt and McDougall, 2005; Rodrigues and Child, 2012).

Exporters had relied on their personalised and working relationships with customers and suppliers. These relationships were shaped by culturally specific norms. Particularly norms: of religion, of advancing and accepting credit, of *efiewura* (agent) system and of family/kinship.

Religion is an element that was identified to be important with the case study businesses for example referring to 'brotherly' relationships with fellow Muslims hence showing religion to be a cultural element that facilitates entrepreneurial networking. Co-religionists had been found to depend on fellow believers for credit and information (Dana, 2006; Dana and Dana, 2008; Galbraith, 2007) and to build strong personal ties, friendships and trust with their fellow worshippers (Drakopoulou Dodd and Gotsis, 2007; Dana, 2010).

Another example included the trading system for agricultural produce involving agents (or *efiewuranom*) who served as brokers (Burt, 2005) in distant markets in other West African countries. These relationships were mostly personalised and even though these agreements could not be enforced by the legal system, personalised trust based relationships reduced opportunism and enhanced economic exchanges (Welter and Smallbone, 2006; Granovetter, 1985). In both markets the need to ensure regular and dependable sources of supplies between exporters and their customers and suppliers called for stronger exporter-partner relationships in which the extension of credit was crucial for sustenance due to lack of access to credit in the formal financial and banking sectors in Ghana (Sowa et al., 1992; Abor and Biekpe, 2006; Abor and Quartey, 2010). These findings are similar to earlier findings that suggest that currently traders in sub-Saharan African countries rely on networks of intermediaries, suppliers and customers based on long-term relationships; (Ghuri et al, 2003; McDade and Spring, 2005; Overa, 2006; Lyon, 2005).

Half of exporters in the formal sector were found to also rely on state-backed export facilitating bodies and donor agencies. State-backed bodies such as Ghana Export Promotion Authority (GEPA), National Board on Small Scale Industries (NBSSI), and Ghana Chamber of Commerce and Industries (GCCI) provided services to some of the

exporters and therefore show the important roles that state backed bodies can offer to entrepreneurs (e.g. Rabelloti, 1995; Berry, 1997). Donor agencies such as United States Agency for International Development (USAID), Danish Development Agency (DANIDA) and Gesellschaft fur Technische Zusammenarbeit (GTZ) were also found to facilitate exporting in Ghana thus confirming the role of donor agencies in export facilitation (OECD, 2000). However, this studies show that the activities of export facilitators were confined to the formal sector with enterprises in the less formal sector not being assisted.

With regards to support from strong ties of family and kinship in internationalisation, even though family members (strong ties) have been identified to contribute in cash and kind to businesses in the start-up stage in Ghana particularly through inheritance, apprenticeships or start-up capital (Clark, 1994; Buame, 2012), this study found that the extended family system in Ghana mostly impacted negatively on enterprise development and SME internationalisation leading to a paradox in the context of entrepreneurship. This paradox further shows that even though strong ties from kinship/family may play a role in SME exporting through provision of information and bridging the psychic distance through ethnic networks (e.g Oviatt and McDougall, 2005; Child et al., 2002), in Ghana, family members may default, constrain decision making and discipline in organisations and consequently may hamper productivity. Hence the majority of the entrepreneurs in this study vouched not to work closely with family members, however, by so doing most entrepreneurs in this study rejected the social capital inherent in family and kinship (Granovetter, 1985; Coleman, 1988) due to the obligations to family members (Barr, 1995; Acquah, 2008:14), and the difficulty in enforcing agreements. These findings reinforces the contradictions and conflicts between family cultures and business cultures (Drakopoulou Dodd and Gotsis 2009; Burns, 2011). Elsewhere in Uganda and Kenya and also among African immigrants in UK the ‘burden of social relations’ encourages entrepreneurs to seek enterprise opportunities away from their extended family members and also from their home countries (Khavul et al, 2009; Whitehouse, 2011).

Perceptions of the legal systems and entrepreneurial relationships

In answering the second research question this research shows that entrepreneurs perceived the legal system to be characterised by corruption and delays in the domestic market. They also perceived the legal systems to be associated with corruption and lack of security in

West African markets while in intercontinental markets they perceived higher costs of commercial litigation and access to visa and legal advice. This finding reinforces existing studies that suggest that most Ghanaians (79%) perceive the judiciary to be corrupt and characterised by very weak accountability (Afro Barometer, 2008; Global Integrity, 2009). Even though it can be argued that perceptions has limitations such as accepting stereotyping uncritically and basing attributions on flimsy and potentially irrelevant evidence, human, organisational and entrepreneurial behaviours have all been found to be influenced by how actors perceive their worlds (Ajzen, 1991; Buchanan and Huczynski, 2004; Krueger and Carsrud 1993). This explains why recently, researchers have argued that entrepreneurship is a social construct (e.g. Chell, 2007; Welter, 2011). It is therefore not surprising that entrepreneurs in Ghana had shunned the courts and instead relied more on different types of personalised relationships built on trust to bridge the psychic distance and access resources for internationalisation (Child et al., 2002; Tang, 2011). This research therefore suggests, that given the perceived uncertainty over the formal legal system in Ghana and West Africa, entrepreneurs had to rely on personalised networks and relationships underpinned by a range of less formal forms of trust building (Lyon and Porter, 2010; Child and Mollering, 2003); thus showing that economic action is embedded in institutional contexts (Granovetter, 1985; Hodgson, 2007). These findings are important for understanding the role of context in entrepreneurship research (Drakopoulou-Dodd and Anderson, 2007; Chell, 2007; Welter, 2011).

Personal trust and parallel-institutional trust

In answering the third research question the findings of this study shows that entrepreneurs relied more on personalised and parallel-institutional trust than on institutional trust to enhance SME internationalisation. Hence this study shows that the importance of formal institutions on networking and relationship building may be minimal in contexts of weak institutions such as in Ghana contrary to existing studies (e.g. Zucker, 1986; North, 1990).

It is important to note that Twi which is the most commonly spoken language in Ghana defines trust as '*gyedie*', '*ahotosoo*' or '*twere*'. The word *gyedie* means 'belief or faith' whilst *ahotosoo* means 'reliability and dependability'; '*twere*' is a verb and literally means to lean on. Hence in this thesis I conceptualised trust as:

‘a belief (gyedie) that an actor places in another agent’s characteristics, ability to be leaned on, and behave or act as expected in an exchange in spite of the possibility of being let down by that partner’.

My definition conforms to Mollering (2006) and Rousseau et al.’s (1998) definition of trust and therefore emphasises uncertainty, risks and vulnerability. However it also emphasises the importance of ability and benevolence (Mayer et al.’s, 1995).

The findings also showed that entrepreneurs had mostly relied on personalised trust and parallel-institutional trust but less on institutional trust thus partly refuting existing literature that emphasises the importance of institutional trust based on formal legal systems (e.g. Zucker, 1986; North, 1990). As shown in Tables 7.3 and 7.4 in Chapter 7, entrepreneurs recounted some incidents and perceptions of widespread corruption and long delays in the courts. Hence institutional trust development in export relationships was hindered and, consequently, personalised trust assumed an important role (Zucker, 1986; Welter and Smallbone, 2006; Lyon and Porter, 2010).

In spite of the perceived corrupt and expensive court systems and lack of institutional support from the state, taken for granted in many mature economies (Zucker, 1986, North, 1990; Welter and Smallbone, 2006; Welter, 2011), SME exporters in Ghana developed ways to build trust-based relationships to facilitate exporting. The entrepreneurs had relied on a range of institutions often operating in parallel to the state including cultural norms and norms of industry and trade associations.

Particularly, entrepreneurs had used trade associations as important sources of parallel-institutionalised trust. These associations had assumed regulatory roles by enforcing contracts and mediating in disputes between exporters and their exchange partners. In these ways they had functioned as parallel institutions to the legal system in Ghana and West Africa. Interestingly, the trade associations mostly owed their existence to their adoption of norms of mutual expectations and reciprocity based on common language and ethnicity (Putnam, 1993); religious values (Dana, 2006; Dana and Dana, 2008; Drakopoulou Dodd and Gotsis, 2007; Galbraith, 2007), industry and *efiewura* system all of which served as parallel institutions that promoted personal friendships, sharing of market information. The traceability of their members and particularly their unique role in exercising regulatory powers to arbitrate in disputes among members and between members and their trading

partners from neighbouring West African countries also enhanced trust building. In this way the associations and their leaderships functioned as bridges between the exporters and their foreign partners by conferring legitimacy and therefore trust on their members. The trade associations therefore filled the vacuum left by the courts due to perceived corruption and higher costs of commercial litigation all of which deterred entrepreneurs from using the legal systems in Ghana and also in export markets.

Findings from this research therefore refute the assumed role of the legal system in entrepreneurship (in Ghana and West Africa) as suggested by scholars (e.g. Zucker, 1986; Smallbone and Welter, 2001; Welter and Smallbone, 2006). The findings rather show that given the current contexts of failed formal institutions in Ghana and West Africa, some indigenous institutions that preceded the formation of the national states assume more importance in enhancing entrepreneurship. Prior research in Tanzania had also shown how SME owner/managers draw on indigenous organisations such as 'tribal communities', ethnic and kinship networks in solving business problems and sanctioning defaulters (Tillmar, 2006; Hyden, 1980; Tillmar and Lindkvist's, 2007).

Perceived trustworthiness in exporting SME's inter-organisational relationships

Research question four sought to elicit answers from SME exporters in Ghana on how they perceived trustworthiness in their cross cultural exchanges. The findings corroborated the meanings of trust in Ghana. Whilst trust (*gyedie*) refers to the psychological state of the mind of the trustor similar to the definitions in earlier studies (e.g. Zucker, 1986; Zaheer et al, 1998; Mollering, 2006) *ahotosoo* and *twere* relate to perceived trustworthiness. *Ahotosoo* could be translated as reliability or dependability, hence it relates to the ability of the trustor based on perceived skills and competence (Mayer et al, 1995). *Twere* 'leanability' can be argued to relate to the capability and willingness to be leaned upon - to support and be depended on by the trustor. 'Leanability' therefore relates implicitly to both the ability and the benevolence of the exchange partner (Mayer et al, 1995).

These elements of trust seem to relate to the traditional family system that obliges members to remain loyal to and support each other. In this sense, trust in Ghana may have a stronger element of obligation and benevolence to exchange partners than in other countries where

the family system demands lesser obligations and mutual caring such as in Western cultures (Hofstede, 1991; Saunders et al, 2010; Dietz et al, 2010).

Entrepreneurs also cited a range of trust dimensions, including honesty, timely payments, and supplying quality products and sharing information that can be argued to be universally applicable. Prior studies suggest that honesty can be argued to be a universal dimension of trust (e.g. Blau, 1964; Rotter, 1967; Schurr and Ozanne, 1985; Geyskens et al, 1998) that reflects the integrity of the trustee (Mayer et al, 1995). In the context of Ghana, this research suggests that the offering of credit can be argued to relate to the benevolence and the ability of the creditor. Punctuality on the other hand relates to the reliability and therefore the integrity of the exchange partner (Mayer et al, 1995). However, the cultural specificity of offering and receiving credit and punctuality suggests that the level, nature and meaning of trust may be different across different cultures (Ren and Gray, 2009; Saunders et al., 2010; Dietz et al, 2010). In this way this thesis reinforces the argument that there are a range of trust dimensions that are universally applicable (Mayer et al., 1995; Saunders et al., 2010). However, it also shows that actors drew on cultural specific dimensions of offering and receiving credit and punctuality to perceive trustworthiness in export relations in Ghana.

Interestingly, entrepreneurs also drew on norms of family and kinship, religion and industry to perceive trustworthiness (Elster, 1989, Scott, 1995). By referring to their exchange partners as brothers, sisters and mothers, entrepreneurs seemed to draw on family values that emphasise loyalty based on emotion, caring and sharing in their economic exchanges (Burns, 2011; Georgiou and Drakopoulou-Dodd, 2011). This finding suggest that entrepreneurial trust building in Ghana is shaped by the extended family system and therefore may have stronger elements of obligation from exchange partners than in other countries where the emphasis is more on individualism. These findings make a contribution from an Africanist cross-cultural perspective to show that where there are cultural differences, there is a need for exchange partners to understand the bases for trust building.

Different perceptions of trust violations and the outcomes

Research question five builds on research question four and aimed to unravel the processes that underpinned how entrepreneurs perceived trust violation. This is important given the

potential for differences in interpretations of trust violation due to the impact of actors' cultural beliefs, norms and value systems as discussed in the previous sections. The evidence suggests that the concept of violation is a social construct and culturally specific (Ren and Gray, 2009). Particularly, the definition of trust violation in inter-organisational relationships varied in relation to markets, sectors, associations and norms.

The findings also revealed that trust violations could impact negatively on firm performance and also on entrepreneurial networks and relations (Lewicki and Bunker, 1996; Bachmann, 2001). The evidence showed that exporting owner/managers' experiences of trust violations in economic exchanges in Ghana and West African markets ranged from partners' disappearance after receiving credit or goods on credit, giving excuses to justify not repaying credit, not repaying credit on time, not supplying quality products, not meeting supply deadlines, not repaying goods received on credit as agreed and disappearing after receiving goods on credit. In intercontinental trade, trust violations ranged from breaches in terms of contracts, supplying junk machinery, lying about the quality of products already supplied, reducing already agreed prices, refusing to pay for goods already supplied and not honouring orders after they have been already placed. These forms of violations show that trust has considerable downsides and when violated can cause great damage to relationships between exchange partners (Lewicki and Bunker, 1996; Dirks, et al., 2009) and therefore adversely impact on entrepreneurship (McEvily et al., 2003).

Interestingly, this study also showed how apparent blatant trust violations were ignored by entrepreneurs based on contextual factors. Perceptions of trust violations were particularly found to be shaped by norms of family and kinship, religion and industry, power relations and nature of product/service. Hence the definition of trust violation in inter-organisational relationships remained unclear as it differed from markets, sectors and associations. This partly corroborated Ren and Gray's, (2009) argument that there are cultural norms that shape the violations of trust in inter-organisational relationships (p.108). Nonetheless, this research shows that the nature of product/service, industry and power relations are also important factors that impact on interpretations of trust violations in Ghana. Yet these factors have received little or no attention in the existing literature.

For example, the norms that draw on family and kinship resulted in a different perception of what was considered a violation as entrepreneurs who had fallen victims considered it a violation or considered it acceptable. Norms of religion were also found to be shaping how trust was perceived to be violated in entrepreneurial networks. References to fatalistic religious beliefs showed how entrepreneurs interpreted violations by attributing them to God or Allah. Sector specific norms relating to the nature of the product being traded also shaped how violations were interpreted. For example exporters of fresh agricultural produce could not perceive violations in the same way as exporters of manufactured goods who could hold on to their goods for a relatively longer period of time. This finding suggested how the perishability of the product or service shaped the balance of power in relationships which in turn influenced perceptions regarding violations. Similarly, the dominance of the institution of *efiewura* in West African food trade has empowered the *efiewuranom* to dictate the terms of trade. In such cases the *efiewuranom* exerted power explicitly or implicitly by influencing how the entrepreneurs perceived their alternatives (Lukes, 2005).

These findings are important for understanding trust across cultures and understanding “Psychic Distance” (Saunders et al, 2010; Johanson and Wiedersheim-Paul, 1975; Johanson and Valne, 1977; Zaheers, 1995; Child et al, 2002). There is a need to understand the acceptable levels of trust violation in a relationship and this may vary between cultures and even over time. It will also be shaped by the power relations within each relationship which in turn are shaped by the market context, the nature of the product/service and the culture specific values. In this way contexts determined the degree of acceptance of breaking integrity without violating perceived trust. While prior studies have examined power and control in trust research, (e.g. Bachmann, 2001), these concepts have received limited examination in the literature on violation and repair. However, as this study shows, they are important for understanding trust across cultures and in entrepreneurship.

This study also highlighted some negative impacts that trust violations might have on actors. Particularly, this thesis suggests that the amount of time diverted into mitigating the effects of trust violations, either in seeking explanations or building new networks deserve to be given more attention in the literature given that entrepreneurs are time-constrained (Burns, 2011). Second-hand information through word-of-mouth communication about

trust violations also deterred other entrepreneurs from engaging in future collaborations. Ultimately trust violations led to the near collapse of smaller businesses such as Case 24.

Victim-led and perpetrator-led approaches to repairing and rebuilding trust

With regards to answering the last research question the empirical evidence revealed that trust repair was manifested in two main forms, namely: ‘victim-led’ versus ‘perpetrator-led’. The evidence also shows that actors used a number of tactics in repairing and rebuilding trust after it had been violated (Lewicki and Bunker, 1996; Kim et al., 2009).

The overwhelming majority of the entrepreneurs adopted victim-led approach in which victims of trust violations initiated the repair processes themselves, thus apparently not supporting Lewicki and Bunker’s (1996) model which assumes that the victim does not play any part in trust repair; and recent models (e.g Kim et al, 2009) which while recognising the role of victims, yet suggest the victim plays a lesser role in trust repair. Rather, this study shows that only a small minority of entrepreneurs had adopted perpetrator-led approaches, (the dominant approach in existing studies), to trust repair in which the repair initiative is taken by the perpetrators of the violations. Whilst the underlying process in the former is proactive that of the latter is reactive.

With regards to repair tactics, the findings revealed that entrepreneurs utilised five tactics in repairing and rebuilding trust, namely: 1) the violator of trust acknowledging or denying the violation, 2) explaining what caused it by giving excuses, 3) feeling regret and apologising, 4) agreeing to changes to terms of contract and 5) the using of intermediaries. While the first four tactics are similar to existing models (e.g. Lewicki and Bunker, 1996; Kim et al., 2009), the using of intermediaries has not been given much attention in the literature. However, this research shows that entrepreneurs had also drawn on culturally specific tactics of using “*dwanetoafo*” (intermediary) in repairing and rebuilding trust in their export exchanges. A range of intermediaries ranging from individuals such as religious leaders, family members, association leaders to trade associations and other parallel institutions to the state, play a key role in repairing and rebuilding trust between smaller businesses. These intermediaries drew on cultural norms, contracts and sanctions to help repair trust (Ren and Gray, 2009; Gillespie and Dietz, 2009). This suggests that the mechanisms of trust repair and rebuilding could vary across cultures.

In order to understand why victims of trust violations proactively repaired trust, it is important to note that entrepreneurs' trust repair efforts have tended to avoid the courts and instead relied more on personalised trust and relationships and parallel-institutionalised trust built on trade associations and cultural institutions. Exporters may also find themselves in asymmetrical power relations or even want to adopt a marketing approach aimed at keeping their customers. In each case the ultimate objective was to maintain the relationship in order to keep their trustworthy partners. While existing studies (e.g. Bachmann, 2001; Lukes, 2005) have examined the concepts of power and control in trust research, these concepts have had limited examination in research on trust violation and repair. Nonetheless, this study highlights the importance of understanding trust violation and repair in inter-organisational relationships in different cultural contexts, especially in developing economies where there are less formalised institutional environments. Based on the findings of this study, in the next section I reflect on the original theoretical model (Figure 4.1) and suggest revisions of the conceptual frame of reference.

10.3 Revised Conceptual Framework

By reflecting on the findings of this research discussed in section 10.3, it is evident that the conceptual framework should be revised. The revised conceptual framework suggests that in contexts where the courts are perceived to be corrupt and inefficient, entrepreneurs may have to rely on personalised and working relationships that are shaped by norms of culture and industry so as to build trust in order to facilitate economic exchanges. In this study, entrepreneurs relied on norms of family/kinship and religion by referring to their working partners (customers and suppliers) as 'mothers', 'brothers' and 'sisters' while most of them avoided working closely with family members in their businesses. Hence, the benefits of social capital in family/kinship were shown not to be fully exploited by entrepreneurs in Ghana due to obligations in the extended family system. This study therefore suggests that strong ties of family/kinship may not be always relevant to entrepreneurs in contexts where the extended family system endows entrepreneurs with obligations.

Entrepreneurs also avoided relying on formal institutions such as courts since they are less relevant in small business relationship building contrary to existing literature (e.g Zucker, 1986; Smallbone and Welter, 2006). In these circumstances, entrepreneurs may have to

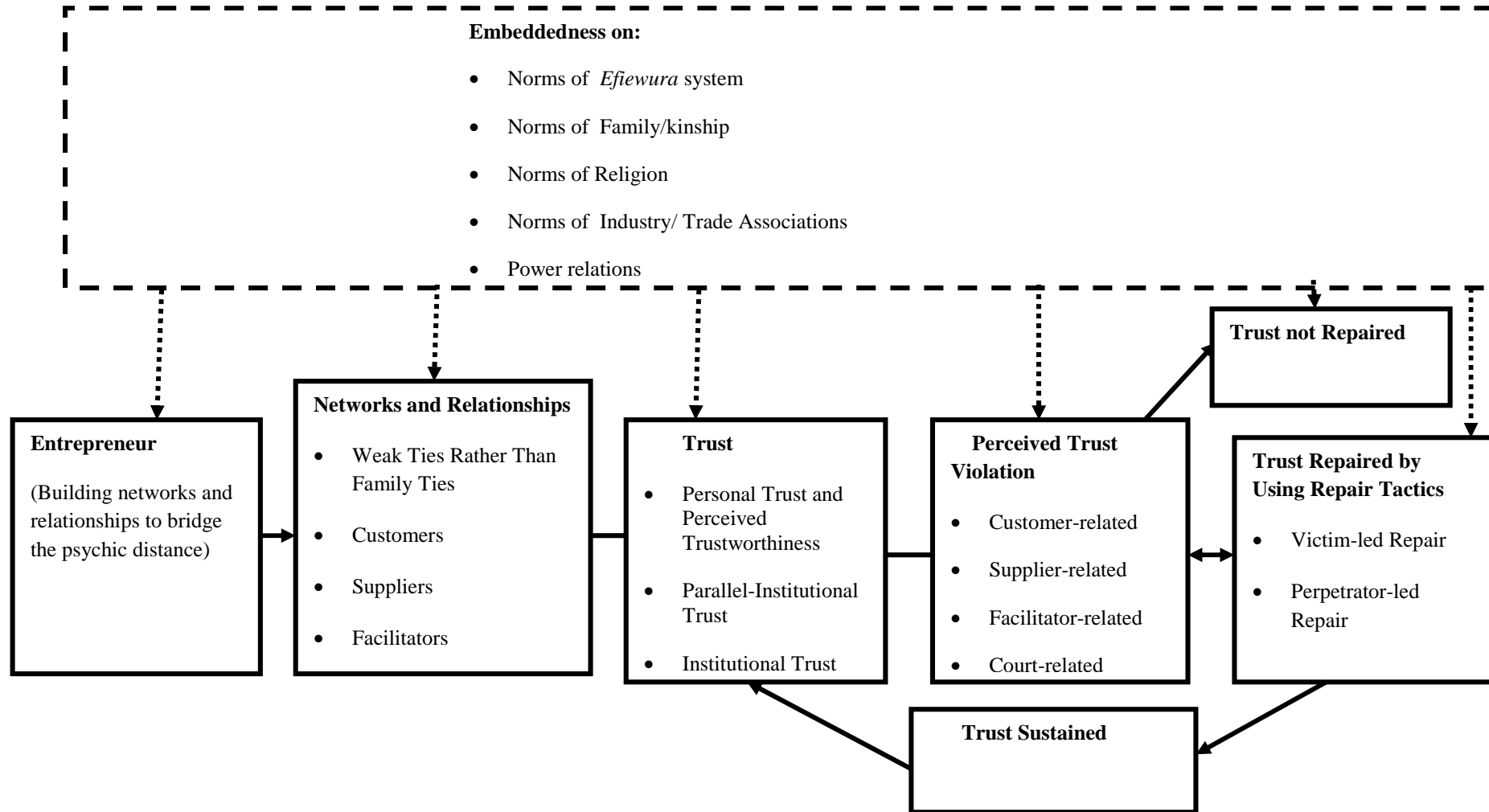
depend on parallel-institutionalised trust drawn from norms of family and kinship, religion, industry and trade associations.

In the process of trusting, this study shows how entrepreneurs drew on arguably universal dimensions such as honesty and cultural specific dimensions in perceiving trustworthiness. These culturally specific variables of offering and receiving credit and punctuality confirmed that entrepreneurs need to understand that the level, nature and meaning of trust may be different across different cultures (Saunders et al., 2010).

The revised model suggests that in case of violations of trust from partners, entrepreneurs (victims) could be proactive and adopt victim-led approach taking into consideration the nature of their products/services, the power dynamics in the relationship as well as recognising the cultural and industry norms that underpin trust repair. In case of violations, in order to avert wasting time and other resources by going to court, entrepreneurs may have to initiate trust repair and rebuilding of trust by using the trust repair tactics identified in this study.

This revised framework may be applicable to the study of enterprise and export development in developing economies where the legal systems may be perceived to be corrupt and inefficient. In such contexts, norms of culture and industry invariably impact on trust processes, enterprise development and the internationalisation processes (Drakopoulou Dodd and Anderson, 2007; Chell, 2007; Child and Rodrigues, 2007; Ren and Gray, 2009; Welter, 2011). Figure 10.1 draws on the findings of this study which has been illustrated in Figure 7.1, Figure 8.1 and Figure 9.1 to show the revised framework.

Figure 10.1 The Revised Framework of Trust in Exporting SME Relationships



10.4 Contributions and Implications

This study makes contributions to theory, practice and policy.

10.4.1 Theoretical Contributions

In this section I draw on the empirical evidence illustrated by the revised framework (Figure 10.1) to elaborate my contributions to knowledge. Theoretically, this study makes contributions in the following areas: entrepreneurship research, network and internationalisation research, trust and cross-cultural management research and trust research methodology.

This study refutes some aspects of entrepreneurship and network literature whilst confirming others. While the original conceptual framework assumed that formal institutions facilitate entrepreneurship (e.g. Zucker, 1986; North, 1990; Amin and Thrift, 1994; Smallbone and Welter, 2001; Welter and Smallbone, 2006), the revised model (see Figure 10.1) stressed the fact that entrepreneurs relied more on their embeddedness on norms of culture, industry and trade associations to build trust-based relationships for internationalisation, hence suggesting that in contexts of weak state-backed institutions such as Ghana and sub-Saharan Africa, the role of legal systems and formal institutions in entrepreneurship may be minimal (Kea, 1982; Fafchamps, 1996; Biggs and Shah, 2006; Tillmar and Lindkvist, 2007). Consequently, entrepreneurs may have to draw on alternative institutions to enhance economic exchanges by seeking other ways to develop trust such as using social, informal control mechanisms (Welter and Smallbone, 2006; Welter, 2005).

This study particularly highlights the unique role of trade associations operating as parallel institutions to formal institutions of state. This study therefore contributes to an ongoing debate by showing that SME entrepreneurial networks in Ghana and West Africa are facilitated by a “mix of institutions”, ranging from norms of family/kinship, religion to norms of industry and trade associations but not the legal systems.

With regards to the debate on the role of network ties in internationalisation, the empirical evidence (illustrated in Figure 10.1) shows that entrepreneurs relied on weak ties based on personalised and working relationships with customers, suppliers and facilitators but not strong ties with family members. Even though family members (strong ties) have been

identified to contribute in cash and kind to businesses in the start-up stage in Ghana particularly through inheritance, apprenticeships or start-up capital (Clark, 1994; Buame, 2012) and to SME internationalisation (e.g. Ellis, 2000; Child et al, 2002; Oviatt and McDougall, 2005), this study demonstrates that strong ties from kinship/family may play a minimal role in SME exporting in Ghana. It was found that majority of the entrepreneurs vouched not to work closely with family members due to the obligations to family members (Barr, 1995; Acquah, 2008:14), and the difficulty in enforcing agreements. However, by so doing most entrepreneurs in this study rejected the social capital inherent in family and kinship (Granovetter, 1985; Coleman, 1988). Interestingly, in Africa prior studies suggest the importance of kinship networks (Hyden, 1980; Hart, 2000; Tillmar and Lindqvist, 2007), however this study provides evidence that the ‘burden of social relations’ encouraged entrepreneurs to seek closer collaboration away from their family members and kinsmen. This evidence of the ‘burden of social relations’ is found across Africa and it encourages entrepreneurs to seek enterprise opportunities away from their extended family members and also from their home countries (Khavul et al, 2009; Whitehouse, 2011). This research finding though reinforcing prior studies on the contradictions and conflicts between family cultures and business cultures (Drakopoulou Dodd and Gotsis, 2009; Burns, 2011), also highlights that the role of the extended family in business can be contested particularly in contexts where there are obligations to family members.

This study also contributes to knowledge by showing that context impacts on trust development, perceived trust violation and trust repair (Saunders et al, 2010; Dietz et al, 2010; Ren and Gray, 2009). In Ghana and West African markets where the legal systems and formal institutional environment are relatively weak (Fafchamps, 1996, Biggs and Shah, 2006), entrepreneurs were more reliant on personalised trust drawn from parallel cultural and industry-specific institutions as important sources of parallel-institutionalised trust.

The study also shows that entrepreneurs perceived trust as based on a range of trust dimensions that arguably can be regarded as universally applicable such as honesty (e.g. Blau, 1964; Rotter, 1964; Schurr and Ozanne, 1985; Geyskens et al, 1998), sharing of information which promotes goodwill trust (Sako, 1998) or knowledge bases trust (Lewicki and Bunker, 1996). Whilst honesty relates to the integrity of trustees, the sharing

of information on the other hand can be argued to relate to the benevolence of partners (Mayer et al, 1995; Zaheer et al, 1998). In addition to these arguably universal dimensions of trust, actors also drew on culturally specific norms of offering and receiving credit and punctuality to perceive trustworthiness in export relations in Ghana. In this way this thesis refutes notions of a universalist approach to trust research (Mayer et al, 1995; Saunders et al, 2010).

The research further contribute to the literature by providing empirical evidence (illustrated in Figure 10.1) to show that concept of violation is shaped by perceptions and therefore can be argued to be culturally specific and therefore a social construct (Ren and Gray, 2009). The findings showed how apparent blatant trust violations were ignored by entrepreneurs based on the contextual variables such as markets, sectors, associations and norms. It also shows that perceptions of trust violations are particularly shaped by norms of family/kinship, religion, and industry, power relations and nature of product/service. These findings challenge notions of trust violations and repair by highlighting the need to examine these processes within specific contexts due to the embeddedness of trust violation and trust repair processes in prior social relations and shaped by cultural and industry norms. Consequently, conceptualisation of trust violation may differ based on norms and expectations in different contexts.

The study also provides a contribution by showing that trust repair could originate from the victim but not necessarily from the perpetrator as assumed by existing studies (e.g. Lewicki and Bunker, 1995; Kim et al, 2004). The evidence showed that in environments with perceived corrupt and unaffordable legal systems, victims of trust violations may proactively repair trust. SMEs may want to avoid the courts while also being keen to keep their trustworthy partners. Hence decisions to repair trust often originated from the victim who had suffered breaches in trust.

The revised conceptual framework further shows that power relations also shaped processes of trust building, violations and repair. Particularly SMEs may often find themselves in asymmetries of power resulting in their acceptance of violations such as breaking of agreements and therefore initiating victim-led repair processes. While the role of power is acknowledged in the building of trust in prior studies, (e.g. Bachmann, 2001;

Lukes, 2005), little attention has been paid to the impact of power on trust violations and repair.

Theoretically, by adopting the embeddedness approach, this study has shown how entrepreneurial strategy formulation is embedded and enmeshed in norms of family/kinship (Granovetter, 1985; Dana and Dana, 2008; Burns, 2011), religion (Dana, 2006; 2010; Drakopolou-Dodd and Gotsis, 2007; 2009), and *efiewura* (agents) system, as well as relationships with key stakeholders such as customers, suppliers and facilitators and trade associations (Aldrich, 1999). In this regard, this study departed from most prior studies that had mostly focused on the individualistic, heroic entrepreneur and underestimated the relevance of context, particularly, networking, culture and trust which are fundamentally important to the entrepreneurial process in general and SME internationalisation (Chell, 2007; Drakopolou Dodd and Anderson, 2007; Saunders et al, 2010; Child et al, 2002). Therefore this study offers a balanced view of entrepreneurship that is not under-socialised or over-socialised (Granovetter, 1985).

Methodologically, this study pushes the boundaries of entrepreneurship and SME internationalisation research forward by examining the internationalisation of firms in both the informal and formal sectors and the historical institutional structures that facilitate trade. Even though a dualistic economy comprising informal and formal distinct sub-economies emerged alongside each other since colonial times in Ghana and Africa, (Austin, 2005; Fyle, 2002; Jackson et al, 2008), prior studies on internationalisation in Ghana (e.g. Owusu Frimpong and Mmieh, 2007; Robson and Freel, 2008) and Africa (e.g. Ibe and Young, 2001) paid little attention to the informal sector. Nonetheless, the sector offers about 90% of total employment in Ghana and in Sub-Saharan Africa the informal economy offers over 85% of all new jobs (World Bank, 2005a; GSS, 2000; GSS, 2005; DFID Commission for Africa, 2005).

By showing how pre-colonial, colonial and post-colonial trade had all to a large extent depended on culturally specific networks and relationships based on trust (Kea, 1982; Barr, 2000; Lyon, 2003), this study offers an understanding of why informal personalised relationships based on trust may be more important than legal contracts in enhancing SME internationalisation in Ghana and West Africa. Furthermore, this research has helped to mitigate the bias in both academic and policy literature towards firms in the formal sector

(Jackson et al., 2008).

Finally, this study contributes to entrepreneurship and trust research by using a qualitative case study approach that drew on detailed empirical evidence to explore in depth the processes through which trust is developed, used, violated and repaired in entrepreneurial relationships in a developing economy context. Most of the current studies (e.g. Lewicki and Bunker, 1996; Dirks et al., 2009; Ren and Gray, 2009; Dietz and Gillespie, 2009) had been mostly dominated by a rational choice perspective and based on controlled experiments, standardised surveys and theories and can be argued to have adopted an acontextual approach which oversimplifies and sanitises trust research (Wright and Ehnert, 2010:108; Zaheer and Zaheer, 2006).

10.4.2 Practical Implications

Practically, this study has shown that entrepreneurs' willingness to build and use trust-based networks and relationships particularly with customers, suppliers and facilitators enhances cross border exchanges and international competitiveness (Ellis, 2000; Child et al, 2002; Oviatt and McDougall, 2005; Rodriques and Child, 2012). Entrepreneurs in Ghana and other developing countries that may be characterised by deficient formal institutional contexts may benefit from building and using networks (Smallbone and Welter, 2006; Tillmar, 2006; Overa, 2006).

This study further shows that due to the influences of context on trust development, perceived trustworthiness and violation, entrepreneurs may have to understand the acceptable dimensions of trust and levels of trust violation in a relationship since this may vary between cultures, markets, sectors and even over time. It will also be shaped by the power relations within each relationship which in turn are shaped by the market context and culturally specific values.

They may also have to understand that in contexts of perceived corrupt and unaffordable legal systems there may be a need to understand and use trust repair strategies. As much as possible, entrepreneurs may have to proactively repair trust and aim to maintain good relationships with their partners while avoiding the courts due to the expenses, corruption

and long delays involved. This calls for owner/managers' understanding, consideration and use of trust repair tactics that have been identified in this study.

Export facilitators such as Ghana Export Promotion Authority (GEPA), USAID, GTZ and other donor agencies, NGOs and banks that promote SME internationalisation in Ghana may do better if they understand and support SME networks and trade associations. Specifically, this study has shown the need to show cultural sensitivity when exploring the processes of collaboration. The lack of understanding of context has resulted in attempts to transplant inappropriate institutions from European or North American contexts, rather than recognising the history and culture of institutions that have emerged and are a hybridisation of indigenous norms and other cultures (Jackson et al, 2008). This study shows that these are largely ignored by export facilitators in Ghana. Therefore, it may be useful to explore these contexts in order to draw on cultural specific institutions in the implementation of support programmes that may not necessarily have to follow the assumed norms found in existing literature that focuses mostly on Europe and North America. The judiciary in Ghana and West Africa may also learn lessons from the trade associations with regards to how they rely on norms of culture and industry in conflict resolution.

10.4.3 Policy Implications

Firstly, this thesis has shown that the formal institutional environment particularly the legal systems in Ghana and West Africa do not support the development of institutional trust. Therefore, there is the urgent need for governments to reform the legal systems to enhance their capacity in resolving commercial disputes. This may particularly be helpful with regards to SMEs intercontinental trade since it could enhance business transactions with business partners without prior personalised networks and relationships which may be expensive in terms of money and time.

Since 1983 Ghana has embarked on a number of policy interventions aimed at growing the economy. However, the adoption of the export-led growth policy has led to modest gains in the Non-Traditional Export Sector (NTE) spearheaded by SMEs (Ministry of Trade, 2004; Owusu Frimpong and Mmieh, 2007). This is arguably because many strategic issues have not been considered in the trade policy. For example, no attention is paid to the need to

support export networks both domestically and internationally. There is therefore a need for government to rethink the existing policy and incorporate support for SME networks as an integral part of export policy and interventions. Particularly, government should assist trade and export associations with financial, technical and logistical resources to effectively support SME exporters. Forms of support should aim at building capacity of these associations to enable them to offer more services to registered as well as unregistered exporters. To achieve this objective, it is suggested that government could view trade associations in their historical contexts instead of setting up multiple new modernist bodies such as GEPA and Federation of Association of Ghanaian exporters (FAGE) which most often try to show the associations what they should do.

In this regard policy can reward SMEs that belong to trade associations as memberships in the associations may increase the knowledge, skills, and more importantly, help build personalised trust as well as parallel-institutional trust to enhance entrepreneurial exchanges. Lessons learnt from ASEAN countries such as Singapore, Malaysia, Thailand and Phillipines show that policy environments that target SME networks could be a vehicle through which Ghana, West African countries and other developing economies could achieve exporting competitiveness (Organization for Small & Medium Enterprises and Regional Innovation, 2008).

10.5 Limitations and Methodological Remarks

This study has various limitations. Firstly, one could criticise the relevance of the multiple theories and approaches used and whether all were needed for the study. Nonetheless given the complex nature of the phenomenon involved it became obvious that no one theoretical approach alone would be adequate to describe the role of trust in SME internationalisation. Hence, the integration of the different theories (meta-triangulation) was necessary to enhance the identification of the appropriate concepts under study (validity) (Robson, 1993).

Given the dynamic nature of trust it would have been more useful if this study had been longitudinal in nature since the cross sectional design may not be sufficient to unravel the complex processes in trust research (Flores and Solomon, 1998; Lyon, 2012). Nonetheless,

within the limited time available to me, I conducted repeated interviews to probe emergent themes with the cases over a period of two years to enhance validity.

This study may also be limited due to the case study approach used. Yin (2009) cautions that case studies lack the basis for scientific generalisation and can only be generalised to theoretical propositions. Case study research is also perceived to be subjective because as a researcher I had been closely involved in the firms as well as with the respondents under study and this might have been a potential source of bias. Nonetheless, since the research questions aimed to unravel the processes of trust in SME internationalisation, a case study approach was required (Yin, 2009) and since I was aware of these potential biases I reduced the subjective influences by combining both deductive and inductive approaches during the research design and data collection stages of the research (Bryman and Bell, 2007).

Furthermore the sampling frame could be criticised since the selection of the 24 cases for the study was based on non-probability sampling. However, the purposive sampling was used in accordance with the research questions and the theoretical framework (Marshall & Rossman, 1999). Furthermore the sampling was appropriate because for the purpose of this study I intended to gather the data from exporting SMEs operating in specific markets and sectors. The two markets (West African and intercontinental markets) and the three sectors (agriculture, services and manufacturing sectors) were chosen to enhance maximum variation and validity of the findings (Saunders et al, 2007; Guest et al, 2006). Furthermore the three different sectors were also chosen because Ghana's economic structure is mixed with these sectors being the main contributors to GDP (Robson et al., 2009).

Another limitation is that this study relied mostly on entrepreneurs as the single respondents in each of the sampled firms; this was due to logistical problems. However, my approach is consistent with some prior studies in trust research in inter-organisational relationships (e.g. Poppo and Zenger, 2002). This study has also shown that in the context of SMEs, the owner/manager serves as the key decision maker (Miesenbock, 1988) and boundary spanner who built trust-based relationships with exchange partners and therefore has the detailed information required to answer the research questions for this study. I am therefore of the view that owner/managers' perceptions of their use of relationships, legal

systems, and decisions with regards to forms of trust, its development and use, perceptions of violation and repair of trust, reflected reasonably well with their firms' activities that revolved around trust-based relationships.

A major problem with regards to quality of information related to interviewee's evaluation of the incidents experienced over time and recall decays through time (e.g. Christiansen and Tax, 2000). Nonetheless, the data triangulation from observation interviews and secondary data would have mitigated these limitations.

One other key limitation of this study may be that it investigated exporting SMEs in Ghana operating in West African and intercontinental markets hence any generalisations of the results outside of this context should be made very cautiously. However, given the dominance of SMEs, the informal sector, and the similarity of Ghana and West Africa's perceived corrupt and unaffordable legal system in the context of SMEs, many useful lessons could be learnt and may be applied by academics and practitioners in other developing economies.

Based on the rigorous methods employed, I am convinced that this study makes some significant contributions to knowledge.

10.6 Suggestions for Future Research

The findings of this research and its limitations offer avenues for future research. Given the dynamic nature of trust it would be appropriate to extend this research by conducting a longitudinal study involving a similar sample spanning a period of three to five years to help unravel the complex changes in processes involved in the role of trust in SME internationalisation in Ghana.

The current study has unearthed the processes and dimensions of trust in exporting SME inter-organisational relationships in Ghana. It has also shown how contextual factors influence trust building, perceived trustworthiness, perceived violations and the repair efforts of entrepreneurs. It would therefore be useful if a large scale survey can be conducted to help establish causal relationships between the influential concepts in this study.

This research has also emphasised the role of power in trust violation and repair processes, it therefore offers interesting avenues for future research since most often than not, SMEs find themselves in asymmetric power relations.

This study was limited to SME exporters in Ghana in relation to their perceptions and experiences in West African and intercontinental markets, therefore it would be useful to replicate it within different developing countries so as to facilitate comparisons of the key variables in the role of trust in exporting SME relationships in developing countries.

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APPENDIX 1: Background to the Cases

Introduction

In this section I aim at describing the characteristics of the SMEs and the entrepreneurs involved in the study. This is achieved through the provision of general information on the 24 qualitative case studies. The general information on the firms include: date of establishment, legal status, location, size, sector and market. The key variables of the entrepreneurs described include: name of respondent (changed to enhance anonymity), gender, age, educational level and home region/ethnicity.

The Cases

Case 01: Beads Company

Case 01 was established in 1998 but its not registered with the Registrar Generals Department. It is located at Madina a suburb of Accra. The company employs 5 people and designs and exports about 5% of its produce (African beads) to neighbouring West African countries such as Senegal, Nigeria and Togo. The interviewee is Mansa a 62 year old retired educationist who is the owner/manager. Mansa is a gifted designer of beads who acquired her skills from her mother. She comes from Central Region and currently working to build relationships in the sub region to facilitate her export business.

Case 02: Master Engineering Services

Case 02 was founded in 2003 but has not been registered with the Registrar Generals Department. The firm which has 12 employees is located at the Suame Magazine Light Industrial Hub, in Kumasi, Ashanti region. The firm offers about 5% of its engineering services in fuel injection pumps to customers from the ote D'Ivoire, Mali and Burkina Faso all in West Africa. The interviewee who is also the owner/manager is in his late 40's. Jack had elementary education but has undertaken many courses. He acquired his skills through

apprenticeship at the Suame Magazine and after graduation has established himself as a very competent engineer. Jack is a native of Ashanti Region and he recognizes that regional networks can boost the growth of his engineering company.

Case 03: Ember Inn

Case 03 a 10 bedroom hotel founded in 1989 and not registered. The firm is located at Techiman in the Brong Ahafo region and currently employs 6 people. It provides hospitality facilities (accommodation and bar services) to both local and foreign visitors who come to the popular food market at Techiman. Foreigners served by this hotel constitute about 20% of customers served. The foreign customers come from the West African region, particularly from Nigeria, Burkina Faso, Mali and Niger. The interview was granted by the manager of the hotel - Francis – who is in his early 40s and was educated up to secondary level. Francis comes from the Eastern region of Ghana. He is optimistic that trust based relationships - which have not been mostly explored by him - has the potential to boost his sales.

Case 04: Fuel Limited

Case 04 is a petroleum service station founded and registered in 2009. The company is located at Ofoase Kokobin in the Ashanti Region and currently employs 17 people. The firm deals in petroleum products and sells about 10% of its products to foreign vehicles going to neighbouring West African countries such as Mali, Niger and Burkina Faso. The interviewee is the owner/ manager of the station. In his late 50s, Samson comes from Ashanti Region and was educated up to post- secondary level. Based on his interpersonal skills he has been able to build relationships with both local and foreign firms and as a result enjoys competitive advantage among his competitors.

Case 05: Cola Nut Enterprise

Case 05 was founded in 1983 but has not yet been registered with the Registrar Generals Department. The firm is located at the Asawasi Cola Market in Kumasi and has 6 employees. It exports about 95% of its products, cola nuts (local stimulant) to Nigeria. The owner/manager is Salu who is in his early 50s and attended a Technical school. He stayed

in Nigeria for about 7 years during the 70s and 80s and started cola exports after returning home to Ghana. He comes from the Upper East Region of Ghana and strongly believes that the ancient trade of cola exports has survived due to the ethnic networks and the cordial relationships that exist amongst the exporters and their *efiewuranom* (agents) in Nigeria.

Case 06: Maize Limited

Case 06 was founded in 1990 but not registered. The company is based at Techiman in the Brong Ahafo region of Ghana and employs 10 people. The company exports maize (about 80% of its total sales) to the regional market, particularly, Niger, Mali and Burkina Faso. The interview was granted by Kumi who is the owner/manager of the company. He is in his late 40s and had elementary education. He comes from the Brong Ahafo Region of Ghana and had been growing, buying and selling maize for about 10 years. He strongly believes that collaborations with both local and *efiewuranom* (foreign partners) are necessary for regional trade.

Case 07: Egg Company

Case 07 is a 38,000 bird and egg production farm established in 2001 and registered in 2002. The farm is located at Mesidan near Techiman in the Brong Ahafo region of Ghana. The farm employs 35 people and exports about 90% of its eggs to Niger, Mali, and Burkina Faso all in the West African regional market. The owner/manager is Evans who is in his early 40s and had elementary education. He is a native of Brong Ahafo Region. Due to his hard work, he was the winner of the National Best Farmer Award in 2008. During the interview he exhibited a passion for regional trade and emphasised that successful exporting to the region depends on trust based relationships with customers (*efiewuranom*).

Case 08: Oranges Enterprise

Case 08 was founded in 1985 but has not been registered with the Registrar General's Department. The firm is located at the Techiman market in the Brong Ahafo region and has 10 workers. The firm exports about 70% of its oranges to Niger and Burkina Faso in the West African region. The interviewee is Ohenewaa, the owner/manager of the firm. She is in her early 50s and was educated up to secondary level. She is a native of Techiman and

the *Ankaa Hemma* ('Orange queen') for the Techiman Orange and Fruit Sellers Association and has succeeded in organising the association into a viable export network. Ohenewaa asserts that her exports activities are mostly carried out based on collaborations with partner firms locally and *efiewuranom* abroad.

Case 09: Jolly Fashions

Case 09 was established in 2004 at Banana Inn, a suburb of Accra but not registered. The firm employs 8 people, manufactures and exports about 50% of its products (textiles and garments) mostly for the West African markets, particularly, Nigeria and Burkina Faso. The interview was granted by Joyce who is the owner/manager of the company. She is in her late 30s and holds a secondary level qualification as a secretary but underwent almost 4 years of apprenticeship after which she established the fashion company. She is a native of Western Region of Ghana. She is passionate about the regional market but insists that the lack of regional networks particularly partner firms in the target markets hamper the growth of the sector.

Case 10: Alma Fashions and Designs

Case 10 is a manufacturer of textiles and clothes and was established and registered in 1995. The firm is located at Darkuman a suburb of Accra. The firm has a workforce of 13 and manufactures textiles and fashion products. The company exports 60% of its products to neighbouring West African countries: Nigeria, Burkina Faso, Mali and Senegal. The owner/manager is Alicia, a 42 year-old fashion designer who holds a GCE O level certificate. She acquired her skills as a designer through 4 years of apprenticeship and has gradually established herself as a renowned fashion designer. Alicia comes from Central Region of Ghana. She bemoans that the lack of networks in the textile industry in West African market is constraining the export of textiles and clothes to the region.

Case 11: Cocoa Products Ltd

Case 11 was established in 2000 and registered in 2002. The company is located at Tema - the industrial hub of Ghana and currently employs 10 people and engaged in the production and exporting (about 90% of its products) of natural cocoa powder - Life Gold Natural Cocoa Powder - to Nigeria and Burkina Faso in the West African regional market. The

interviewee- Georgina is the owner/manager. She is a young dynamic and ambitious lady in her late thirties who learnt her skills as an exporter from her deceased sister who was an exporter. She has also under went training at the Export Training School. She is a native of the Volta Region of Ghana and currently hopes to build relationships that will facilitate her ambition to enter the EU and the US markets.

Case 12: Jewellery Company

This company was founded in 1969 but has been registered. The company is located in Kumasi in the Ashanti region of Ghana and manufactures jewellery from copper, silver, bronze and gold. The firm employs 15 people and exports 15% of its products to Senegal, Togo and Nigeria all in the West African region. Ntim who granted the interview is the son of the deceased founder and currently serves as the operations manager and a member of the board of directors. Ntim is who is from Ashanti Region is highly educated with an MBA in Marketing. According to Ntim reliable interfirm relationships is the key to growth in the jewellery industry.

Case 13: Saart Hotel

Saart Hotel is a 37 room, three star hotel established and registered in January, 2008. The hotel is located in Kumasi in Ashanti region and employs 37 people. It offers accommodation, conference and catering services to about 50% of its customers who come abroad: USA, UK, other EU countries. The interviewee is Afiba who is the manageress of the hotel. Afiba who comes from Greater Accra Region is a graduate in her mid- twenties. Afiba is passionate about the industry and believes that the sector can contribute significantly to the socio-economic development of Ghana if international networks are fully developed.

Case 14: San Hotel

San Hotel is a 22 bed, one star hotel that was founded and registered in 2000. The hotel is located at Kumasi, the Ashanti regional capital and employs 12 people. It offers accommodation and conference facilities to foreign visitors mostly from US, and EU who constitute about 30% of its customers. The interviewee is Frempa who is the Owner/manager. Frempa is in his early 50s and comes from Ashanti Region. He has a post-secondary education and very well experienced in the hotel industry after 12 years in the

sector. Frempe strongly believes in attracting more visitors to Ghana and in his view this could be achieved through establishing collaborations with foreign firms in the hospitality industry.

Case 15: Kente Company

Case 15 was established in 1996 but has not yet been registered with the Registrar General's Department. The firm is located at Bonwire in the Ashanti Region, the cradle of Ghana's traditional Kente cloth. The firm employs 9 people and offers wholesale and retail services in all types of Kente products and carvings for both the local and international markets. The company's international customers who buy about (20%) of its total produce come from USA and UK. Appiah who founded the firm granted the interview. Appiah is a native Ashanti in his late 30's, had elementary education and had been a skilful kente weaver. He passionately believes that trust based relationships in the local and international markets offer the potential to exporting the kente cloth to global markets.

Case 16: Diamond Hotel

Case 16 is a 29 bedroom hotel established and registered in 1995. The hotel is located at Techiman in the Brong Ahafo region and has a workforce of 15 people. The hotel offers accommodation, catering and conference services to other parts of Ghana and also from USA and EU markets which constitutes about 10% of its total sales. Fredericka is the hotel manageress. She is in her late 20s and has a career in nursing. She is a native of Techiman. During the interview she emphasised the key role of the hospitality industry in catering for potential investors and tourists who come into the country. She believes that the sector has not done much in building relationships with international partners to promote growth in the sector.

Case 17: Vegetable Ltd

Case 17 was established and registered in 2003. The company and its farm are located at Weija in the Greater Accra region of Ghana. The company has 26 workers and grows and exports 100% of its products (fresh vegetables) to the UK market on a daily basis. The interviewee and owner/manager is Agbe who is in his early thirties is a native of greater Accra Region in Ghana and educated up to secondary level. He is very passionate about meeting the specifications for vegetables exports in the international market. To achieve

this he works closely in collaboration with farmers to be able to meet export demand and sees his local and foreign partners as the driving force for his business.

Case 18: Cashew Company

Case 18 is an enterprise that was founded in 2002 and registered in 2003. The firm is located at the Tema International Trade Centre in the Greater Accra region. The firm employs 38 people and deals in cashew and raw nuts. The company exports about 90% of its products to the Indian and Swiss markets. The firm is owned and managed by George is in his early thirties and comes from the Volta Region of Ghana. George is a university graduate and during the interview exhibited his motivations to actively participate in building relationships to boost exporting for his company. He recognises that his rapid success results from the good relationships that he has built with his local and foreign partners

Case 19: Pineapple Company

Case 19 was founded and registered in 1998. It is located at Kasoa in the Central region of Ghana. The company has a workforce of 60. The firm produces and exports all (100%) its pineapples and vegetables to the EU and Asian markets. The interviewee is Kwasi – the owner/manager of the firm. He comes from Western Region of Ghana and is a very well educated (postgraduate), experienced businessman and a retired banker. He established the farm to take advantage of the growing demand for agro products from Ghana in the international market. He advocates for more collaborations amongst fruit exporters in Ghana to help build a single brand that will serve as the platform for all fruit exporters in Ghana.

Case 20: Rapho Company

Case 20 was established in 2002 at Aburi in the Eastern region of Ghana and registered in the same year. The company has a staff of 20 and exports 100% of its products- raw shea butter (local solid oil) to the EU and US markets. The interviewee was the owner/manager, Robert aged about 60. Robert comes from Greater Accra Region and has secondary education. He has also attended the export school run by the GEPA.

Case 21: Lanta Spices

Case 21 started in 1991 but registered in 1993. The firm is located at Tema in the Greater Accra region of Ghana. The company has a workforce of 38 and processes spices for the local market but exports about 5% of its products to the USA market. The interviewee- Lydia- is the owner/manager and aged about 60 and comes from Ashanti Region. She established the firm after returning from Germany in the early 90s. She is a well-educated lady with an MBA and successful industrialist, a World Bank Consultant and a former Vice Chairperson of Ghana Association of Industries (AGI). She asserts that success in industry depends to a large extent on both legal contracts and trust based relationships with both local and foreign partners.

Case 22: African Beads Limited

Case 22 is a traditional African beads (traditional jewellery) manufacturing company established in 1986 but registered in 2002. Currently the firm is located at Amrahia a village near Accra in Greater Accra region and employs 25 people. The firm exports about 75% its products to the Canada, USA and UK markets. The owner/manager who also granted the interview is Asante. He is in his mid-forties, comes from Eastern Region of Ghana and had elementary education. He learnt the beads trade from his parents and established the company which he has been able to transform into a competitive export earning company. He regards relationships with his local and foreign partners as the cornerstone of his business.

Case 23: Shea Butter Company

Case 23 was established in 2003 and registered in the same year. The firm is located at Damongo in the Northern region of Ghana. The firm employs 25 people and processes and exports shea butter (100%) of its products to the USA market. The interviewee is Eunice- a 60 year-old entrepreneur who was educated to the college level but spent most of her years in the US. She comes from the Volta Region of Ghana. She is very passionate about building relationships with women groups to boost the export of shea butter and thereby increase the living standards of the women in the north of Ghana.

Case 24: Dried Fruits Limited

Case 24 was founded and registered in 1996 and it is located at Weija a suburb of Accra. The company has 20 employees. Currently, it processes and exports about 90% of its dried fruits mostly to Switzerland and China. The interview was granted by Patricia who founded and owns the company. She is in her late fifties, had tertiary education up to the polytechnic level and comes from Central Region of Ghana. Patricia returned to Ghana from UK and established the firm to take advantage of the seasonal fruits which were very plenty in the country during harvest times but very scarce during other times. Currently she is fervently working to build networks to enable her to introduce Joloff rice to the intercontinental market.

APPENDIX 2: Case Study Protocol

A. Introduction to the Case Study and Purpose of Protocol

1. Case study aims and questions

This study aims at exploring and understanding the processes, practices and implications for the development, use, violation and repair of trust in exporting SME inter-organizational relationships in Ghana.

1. Research Question

What is the role of trust in exporting SME relationships?

2. Theoretical Framework for the study

- a. Institutional Theory-Embeddedness
- b. Entrepreneurial Theory- Discovery of markets
- c. Internationalisation Theory-Psychic Distance

3. Role of Protocol

- a. To serve as a standardised agenda for this study

B. Data Collection Procedures

1. Names of sites visited and contact persons.

- a). Ministr of Trade and Industry (contact person: Principal Director of Trade), b) Head Offices of: Ghana Chamber of Commerce and Industry (contact person: CEO and Director for Greater Accra Region), c) Ghana National Board on Small Scale Industries (contact persons: CEO and Directot for Enterprise Development), d) Ghana Export Promotion Authority (Contact persons: CEO, Principal Export Officer and Regional Officer for Ashanti and Brong Ahafo Regions). e) Ghana International Trade Information Centre, Accra (contact person: Director) f) Science and Technology Policy Research Institute (contact person: Senior Researcher). g) Centre for African Studies, University of Ghana (contact person, Senior Lecturer). Chief's palace (contact person: Chief), h) Asawasi Cola Market (contact person: Sarkin) i) Techiman Market (contact persons: *Ankaa hema* and Secretary of Techiman Orange and Fruit Sellers Association, Chairman of Techiman Maize Sellers Association). j) Suame Magazine Light Industrial Area (contact person:

Chairman of SMIDO Association), k) Kumasi Central Market (Contact Person: *Bayere hemma-yam* queen), l) Offices and sites of all 24 SMEs involved in study (contact persons: Owner/managers and managers), m) Aviance Ghana Limited at Kotoka International Airport (contact persons: Chief of Security and exporters shipping their produce), n) Tema Harbour (contact persons: Chief of Security and exporters).

- b. Events observed: Ghana National Exporters Forum (2010; 2011), Trade Fair (2010), activities of exporters at ports and airports, activities of exporters in informal sector in Kumasi Central Market, Asawasi Cola Market and Techiman Food Market. Meetings of Members of: Association of Ghana Industries, Ghana Chamber of Commerce and Industry, Asawasi Cola Association, Techiman Maize Sellers Association and Techiman Orange and Fruit Sellers Association.

c. Data Collection Plan

- a. Semi-structured interviews with owner/managers of 24 exporting SMEs on the role of trust in their export relationships.
- b. Semi-structured interviews with key informants: Directors and Heads of Ghana Chamber of Commerce and Industry, Ghana National Board on Small Scale Industries, Ghana Export Promotion Authority.
- c. Informal interviews with experts at Science and Technology Policy Research Institute and University of Ghana; Chief of XXXX, Leaders and Chairmen of four Trade Associations.
- d. Documents reviewed: Included Ghana Trade Policy (2004), Ministry of Trade and Industry, Trade Sector Support Programme (2005), Ghana Statistical Service, Census data (2000), Ghana Export Promotion Council (Authority) Non Traditional Exports (2006; 2010; 2011), Association of Ghana Industries Manual (2010) Charter of Micro and Small Enterprises (2010) from National Board of Small Scale Industries, newspapers and academic Journals.

C. Outline of Case Study Report

- 1. Nature and types of owner/manager's relationships

2. Entrepreneurs' perceptions of the legal systems in Ghana, West Africa and intercontinental markets.
3. The types of trust and how they are developed, used and their outcomes.
4. The processes through which owners/managers perceived trustworthiness in exporting relationships.
5. The nature of trust violations and their outcomes in owner/managers relationships
6. The different ways through which exporting owner/managers interpreted trust violations in their exporting relationships.
7. The tactics used for repairing and rebuilding trust in inter-organisational relationships.

D. Case Studies Questions

To answer the main research question this thesis seeks to answer the following six research questions and their subquestions:

What are the processes used for repairing and rebuilding trust in exporting SME relationships?

1. *What are the personal and working relationships used in SME exporting?*
2. *How do entrepreneurial perceptions of the legal system shape these relationships?*
3. *What are the types of trust that facilitate exporting SME relationships and how are they developed and used?*
4. *How do exporting SME owner/managers perceive trustworthiness in inter-organisational relationships?*
5. *How do exporting SME owner/managers perceive trust to be violated in relationships and what are the outcomes?*
6. *What are the processes used for repairing and rebuilding trust in exporting SMEs inter-organisational relationships?*

Appendix 3: Details of observations and places where exporters were recruited for study

No.	Date	Place visited	Activity	No. Of Exporters called after event	No. selected	Gatekeeper
1	25-06-10	Ghana International Trade Information Centre (GITIC), Accra	Observed Tata Products launching and opportunities for financing for exporters	9	3	CEO of GEPA
2	13-07-10	Ghana Trade Fair Conference Centre, Tema	Ghana Chamber of Commerce and Industries (Accra Branch) monthly meeting	10	2	CEO of GCCI
3	16-07-10	Central Market and Asawasi Cola Market, Kumasi	Observed activities of cola exporters	10	3	Personal networks
4	21-08-10	Suburbs of Kumasi and Suame Industrial Area, Kumasi	Observed activities of entrepreneurs in services and manufacturing sectors	21	4	Personal
5	28-07-10	GNAT Teachers Hall, Accra	Observed exporters forum to understand government's support and relationships with exporters (GEPA)	12	5	CEO of GEPA and personal
6	30-07-10	Trade Fair Centre, Tema	Observed trade fair and networking opportunities for entrepreneurs	13	3	Personal
7	02-08-10	AVIANCE, Accra International Airport	Observed facilities for exporters and how exporters related to each other and to customs officers	15	5	Chief Security Officer and personal
8	04-08-10	Head Office of Association of Ghana Industries, Accra	Observed meeting of members and activities of association	12	2	CEO and personal
9	10-08-10	AVIANCE, Accra International Airport.	Observed facilities for exporters and how exporters related to each other and to customs officers	16	5	Personal
10	17-08-10	Accra industrial Area, Kaneshie	Observed activities of entrepreneurs in manufacturing	10	2	Personal
11	25-08-10	Techiman Food Market	Observed how traders in informal sector embarked on exporting activities	6	3	Personal networks
12	27-08-10	Techiman town and suburbs	Observed other entrepreneurs	14	3	Personal networks
13	11-08-11	Techiman Food Market	Observed how Ankaa hemma of Techiman Orange and Fruit Sellers Associations resolved disputes	0	0	Personal
14	05-09-11	Asawasi Cola Market, Kumasi	Observed how Sarkin managed the cola trade and the historical influences of ethnicity and religion	0	0	Personal
15	23-09-11	Centre for African Studies, University of Ghana, Legon	Conferred with an expert on the similarities and dissimilarities of Ghanaian family structures among the tribes	0	0	Personal networks
16	04-11-11	XXXX Chief's Palace	Leant about Akan family structure, traditional leadership and conflict resolution- roles of <i>dwanetoafo</i> and also explored the meanings of trust in Akan	0	0	Personal contacts
				148	40	

Appendix 4: Interview Guide (June –October 2010)

Section 1: General information about the firm's (export) activities

a. Company's history and size

1. Date of establishment and date of registration.....
2. Date of starting exporting activities
3. No. of employees.....
4. Type of business.....
5. Main export markets (1st and 2nd largest).....
6. What percentage of your produce do you export?.....
7. How much do you make in a year?.....
8. Why did you start exporting?.....
9. How did you start exporting, did you plan or it just happened by chance?

Section B: Personal and working relations

- 2a. How did you get information and finance for exporting when you started?
- 2b. Are there any particular people or companies in Ghana and abroad that are important for your export business at the moment, if yes who are they?
- 2c. How did you get to know them?
- 2d. What are the advantages and disadvantages of working closely with your key partners?
- 2e. Do family/kinship members and friends support or constrain your business?
- 2f. How will you describe the support you receive from government and non government bodies?
- 2g. Do you belong to a trade association?
- 2h. How will you describe the support you receive from the association?
- 2i. In what ways do your export association help/constrain your export business in Ghana?

Section C: Type of trust and perceived trustworthiness

- 3a. Do you have written contracts prepared by a lawyer drawn up with any of your partners?
- 3b. If no what is the form of the agreement?
- 3c. How do you work together with/without an agreement?
- 3d. At the company level which manager do you work with and how do you relate to him/her?
- 3e. What (personal) characteristics, actions and behaviour did you consider before deciding to work with the owner/manager of your partnering company?
- 3f. How did you get such information?
- 3g. How do you take orders from your key customer abroad?

3h. Do you offer credit to your partners, and if yes how did you arrive at your decisions to offer credit to your key (domestic/foreign partner)?

3i. Do you accept credit (cash advancements or goods on credit) from any of your partners, and if yes how does that influence how you work closely together?

3j. How much credit have you given to your key partners in the last 12 months?

3k. Do you receive credit advances from your customers or goods on credit from your suppliers?

3l. What are the benefits/constraints of the credit relations?

Section D: Trust violations and repair

- a. Has any of your partner companies taken advantage of you and therefore not met your expectations?
- b. Has any of your partners not met your expectations/ taken advantage of you?
- c. What actions from your partner caused problems to you?
- d. How did the problems caused by your partner impact on your business?
- e. Can you think of an example where you started doing business again with a partner company that defaulted on credit payments and as a result caused problems to you?
- f. Have you used the legal systems (in Ghana /West African/intercontinental markets) to resolve any of these problems in your export business, if yes/no can you explain why?
- g. Can you recall doing business again with a partner company after there had been a problem between you, if yes could you tell me what happened,
- h. Can you think of an example where you started doing business again with a partner that defaulted on credit payments and as a result caused problems to you?
- i. If yes what did you and/or your partner do that enabled you to cooperate again?
- j. How did you ensure that you were not taken advantage of again?

Section E: Background information about entrepreneur

- a. Age in years: Below 25; 25 – 29; 30 – 34; 35 – 39; 40 – 44; 45 – 49; 50+
- b. Gender: M.....F
- c. Founder and Owner, Inherited, Manager
- d. Education: Elementary; Secondary; Post secondary; Graduate; Postgraduate
- e. Name of Respondent.....
- f. Contact Number.....
- g. Home region/ethnicity.....

Thank you

Section 2: Follow-up interviews (June –October, 2011)

A. Role of family in enterprise development and exporting?

- i. Have you worked closely or employed family members in your business?
- ii. Do you intend to employ or work closely with your family members in the future and if yes/no why?

B. Role of trade associations

- i. Do you currently belong to an export association?
- ii. Does your customer abroad belong to an export association?
- iii. If yes in what ways does that help your export business?
- iv. Can you think of an example where you used the export association in resolving a dispute between you and any of your partners?

C. Trust Violation with time

- i. Last year you told me that your partner company disappointed /took advantage of you and so you stopped working with them, have you been able to start working with them and if yes why?
- ii. Last year you told me that your partner company disappointed /took advantage of you (specific incident here) but you continued to work with them. Please tell me how that has affected your relationship?
- iii. Have you recovered any money advanced to the family member who defaulted after receiving credit advance/goods on credit from you, if yes/no can you explain why?
- iv. Have you resolved any dispute between you and the family member who caused problems to you and your business, if yes/no can you explain why?
- v. How do you relate to a partner with whom you share/do not share the same religious beliefs?
- vi. How does your understanding of the power of God/Allah/deity in your life influence how you deal with defaulters?

Thanks for your cooperation.