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# Government support, strategic alliance and internationalization: Evidence from indigenous Ghanaian exporters

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## Abstract

The degree of internationalization requires a symbiotic relationship between, the state, competitor (as a domestic interfirm alliance) and international/foreign partner or agent to develop efficiency, competency, competitiveness and increase in international operations. This present study therefore assessed the mediating role of strategic alliance in the relationship between government support (financial and non-financial) and the degree of internationalization of indigenous firms. The study was a survey, with data gathered from 301 indigenous exporters, identified from the Ghana Export and Promotion Authority database. The reliability and validity of the data were tested using confirmatory factor analysis, with structural equation modeling as the main means of analysis, run using Amos v.23. The study concluded that both financial and non-financial government support had a significant positive effect on the degree of internationalization. These relationships were, however, partially mediated by the strategic alliance. Future studies could explore the same relationships, but looking beyond the government support, indigenous firms and the study of internationalization to include other external institutional elements such as socio-cultural factors.

**Keywords** Government financial support · Government non-financial support · Strategic alliance · International experience · Internationalization · SMEs

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## Abstract

Le degré d'internationalisation exige une relation symbolique au sein des états, des compétiteurs (en tant que Pacte national interentreprises) et des partenaires internationaux pour développer l'efficacité, la compétence afin d'étendre des relations internationales. Pour cette raison, cette étude évalue le rôle du médiateur des pactes stratégiques dans les relations entre les soutiens gouvernementaux (financiers et non-financiers) et le niveau d'internalisation des entreprises indigènes. Notre étude est une enquête réalisée à partir des données recueillies sur 301 exportateurs indigènes qui ont été ciblés du secteur de Base de données de l'autorité de promotion et d'exportation du Ghana (Ghana Export and Promotion Authority database). Nous avons contrôlé la fiabilité et la justesse de cette enquête à travers l'Analyse factorielle confirmatoire (Confirmatory Factor Analysis), en prenant compte de Modèle d'équation structurelle (Structural Equation Modelling), comme le principal moyen d'analyse, en tenant compte de Amos v.23. En conclusion, les deux soutiens : financier et non-financier du gouvernement ont contribué considérablement au niveau d'internalisation. Pourtant, ces relations ont été arbitrées partiellement par des Pacte stratégiques. Sur ce, nous implorons des futures enquêtes dans le même domaine, en regardant au-delà des soutiens du gouvernement, des entreprises indigènes et des études d'internationalisation, y comprises d'autres éléments institutionnels externes comme les facteurs socio-culturels.

**Mots clés** Soutien financier du gouvernement · Soutien non-financier du gouvernement · Pacte stratégique · les Expériences internationales

## Summary highlight

*Contributions:* Assessing the mediating role of strategic alliance in the relationship between government support (financial and non-financial) and degree of internationalisation of indigenous firms, using institutional-based view, formed the core contribution of this study

*Research Questions/Purpose:* The study assessed the mediating role of strategic alliance in the relationship between government support (financial and non-financial) and degree of internationalisation of indigenous firms. Specifically, the study assessed (i) the direct effect of government financial support on firms degree of internationalization; (ii) the direct effect of government non-financial support on firms degree of internationalization; (iii) the mediating effect of strategic alliance in the relationship between government financial support and internationalization of SMEs and (iv) the mediating effect of strategic alliance in the relationship between government non-financial support and internationalization of SMEs.

*Theoretical or Conceptual Framework:* Network theory was developed, based on the argument that a firm is dependent on resources controlled by others, and hence needs to create an established link that can help produce and sell goods or services. Research indicates that entrepreneurs work better in a cooperative network than as a collection of competitive individuals, thus explaining the interdependency and

interconnectivity of firms, rather than a competitive advantage in the internationalization process. From the internationalization perspective, network theory argues that a well-established internationalised firm enjoys direct relationships with an international agent as a result of the network relationship.

*Basic Methods and Information/Data:* The paper collected data from 301 indigenous exporting firms in Ghana, a country projected by the World Bank and the International Monetary Fund (IMF) to be the fastest-growing economy in 2019, which has enjoyed relative political stability since 1992. The reliability and validity of the data were tested using confirmatory factor analysis, with structural equation modelling as the main means of analysis, run using Amos (v.23).

*Results/Findings:* Findings pointed out that financial support from the government had a significant positive effect on the degree of SME internationalization ( $\beta=0.509$ ; C. R.=6.060). Non-financial support from the government had a significant positive effect on the degree of SME internationalization ( $\beta=0.123$ ; C. R.=2.085). The direct effect of financial support on the degree of internationalization was assessed and found to be significantly positive ( $\beta=0.509$ ; C. R.=6.060). The effect of financial support on the strategic alliance was assessed and found to be significantly positive ( $\beta=0.294$ ; C. R.=2.085). The effect of non-financial support on the strategic alliance was assessed and found to be significantly positive ( $\beta=0.112$ ; C. R.=2.333). The study further assessed the effect of SME strategic alliance on the degree of internationalization, and results showed a significant positive effect ( $\beta=0.494$ ; C. R.=8.373). Results on the indirect effect of government financial support on the degree of internationalization, through strategic alliance, was found to be significantly positive ( $\beta=0.145$ ). The results presented also indicated that strategic alliance significantly mediated the relationship between non-financial support and degree of internationalization, as the indirect effect was significantly positive ( $\beta=0.055$ ). Both the lower and upper BCs were positive, indicating the indirect effect was statistically significant.

*Limitations:* Firm size was controlled for and found to be statistically significant. This implies that studying firms of similar sizes would have yielded dynamic results. But, this present research studied Ghanaian indigenous export firms, irrespective of their sizes.

*Theoretical Implications:* The study lends support to institutional theory, by establishing that both financial and non-financial government support, significantly influenced the internationalization of indigenous firms. Using institutional network theory, we also identified that the relationship between government support (financial and non-financial support) and the degree of internationalization of indigenous firms was partially mediated by the strategic alliance.

*Practical Implications and Recommendations:* We found an interdependency relationship between government financial support, strategic alliance and degree of

internationalization, indicating the symbiotic relationship between the three variables. Thus, the degree of internationalization requires a symbiotic relationship between, the state, competitor (as a domestic interfirm alliance) and international/foreign partner or agent to develop efficiency, competency, competitiveness and increase in international operations. Accordingly, Ghanaian entrepreneurs and exporters, in addition to developing their networking and alliance relationship with local and foreign partners, must access government institutional support programmes to facilitate export activities.

*Policy Implications and Recommendations:* Ghana Export Promotion Authority should seek to facilitate institutional support (financial and non-financial support), for indigenous export firms.

*Future Research Suggestions:* Future studies could explore the same relationships, but look beyond the government support, indigenous firms and internationalization, to include other external institutional elements such as socio-cultural factors.

## Introduction

The role SMEs play, including job creation and expansions in foreign market operations, notwithstanding the challenges in the international market, is well documented in the existing literature. However, SMEs are institutionally challenged, which makes business expansion into the international market uncertain (Ciszewska-Mlinaric 2018). Accordingly, acknowledging the significant role firms play in national development, despite the constraints they face, governments and state-backed institutional bodies develop favourable support programmes to create the enabling institutional context necessary to foster internationalization (Dadzie et al. 2020; Bowen 2019).

Previous researchers have contended that the institutional environment fosters entrepreneurial activities and that firms can be successful and competitive internationally in an enabling environment (Dana 2006). Institutional factors give a comprehensive understanding of how external environments shape an entrepreneurial action, and proffer a detailed understanding of entrepreneurship (Welter and Smallbone 2011), impact on international business operations and identify areas within the institutional milieu demanding Government and academic intervention. Despite the numerous investigations into institutions and internationalization (Adomako et al., 2020; Bowen 2019; Ciszewska-Mlinaric 2018), there is a lack of research into entrepreneurs' conduct within institutional constraints and uncertainties (De Castro et al. 2014), and specific government support seminal to firms internationalization (Ciszewska-Mlinaric 2018) in a context like Ghana. Thus, specific country-level institutional factors foster or hamper entrepreneurial activities and international operations (Eijdenberg et al. 2019; Love and Roper 2015), and tested model to boost internationalization among indigenous Ghanaian exporters is non-existence in the Ghanaian

market. Additionally, despite the array of advantages of government support, firm international experience, strategic alliance (see Childs and Jin 2015; Morais and Franco 2018) and the gamut of studies explored in this area, research investigating the relationship between alliance and internationalization has focused mainly on technology-intensive industries and multinational companies (Boso et al. 2019; Morais and Franco 2018; Paul et al. 2017) with limited focus on other sectors and economy such as non-traditional export crop and developing country like Ghana.

The paper is a response to a call for a study on government support for firms' internationalization and country-level research (Ciszewska-Mlinaric 2018; Morais and Franco 2018; Paul et al. 2017), focusing on equally essential sectors of the economy such as agriculture, manufacturing and handicrafts. The study is context-specific, examining how export activity among indigenous Ghanaian exporters in the non-traditional crops activities can be boosted by government support and networking via strategic alliance. Precisely, the study investigates the direct impact of government financial support, non-financial support, strategic alliance and international experience on firms' degree of internationalization and explores the indirect impact on networking approach through strategic alliance. This study developed a model to include two independent variables (government financial support and non-financial supports) and a mediator (strategic alliance), which potentially influence the degree of firms' internationalization. The institutional-based view guided the general discussion of the study and the model developed. Thus, the institutional-based view is the main theory underpinning the study, and it suggests that entrepreneurs must regulate within the existing country-level institutional structure mainly to access resources from the relevant authorities and interested parties (Greenman, 2013; Jain & Sharma, 2013). Moreover, the institutional theory argues that the strategy a business adopts and the success of firms' international operations depends on rules and the existing country-level environmental factors regulating entrepreneurial activities (McGaughey et al. 2016; North 1990). Figure 1 presents the conceptual framework for the study.

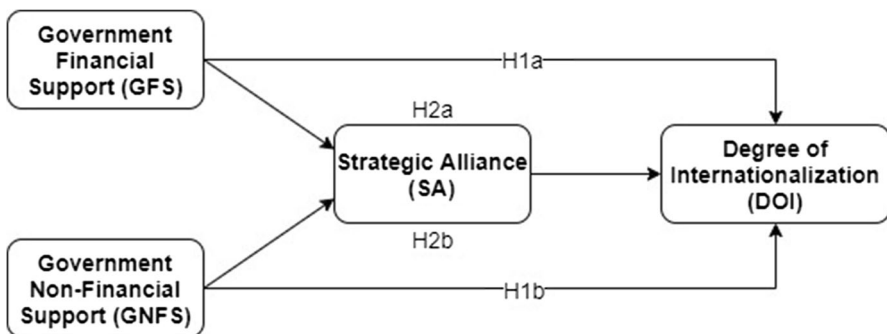


Fig. 1 Conceptual framework

## Theoretical background and hypothesis development

### Government support and internationalization

Institutions ‘are the rules of the game’ involving formal and informal elements, which regulate firm strategy, performance and influence international activities (McGaughey et al. 2016; Peng et al. 2008). Thus, the institutional-based view argues that firms are deeply rooted in an institution (Edquist 1997) such that strategy and successes in the international market rely significantly on the national institutional factors; therefore, firms operate within the institutional framework to enhance their business competency, to develop strategies and foster internationalization (McGaughey et al. 2016; Qu and Wei 2017). This, therefore, explains why the study adopted institutional theory as the overarching theory in investigating the nexus between government support (financial and non-financial), international experience, firm networking approach through strategic alliance and degree of internationalization.

Li and Atuahene-Gima (2001) defined government support as the degree of country-level institutional support, including favourable policies, incentives and programmes. Other studies such as Ciszewska-Mlinaric (2018) referred to government support as public support and classified them into financial and non-financial. Earlier research centering on government-sponsored support programmes for firms in Penang grouped government support into five groups technical and training support; marketing and market research support; infrastructure support; financial and credit support; and extension and advisory service support (Abdullah 1999). Furthermore, a recent study focusing on internal and external determinants for firms export performance explained government support to include training programmes and workshops related to export activities; support networking with local and international partners; support to participate in international trade fairs, missions and delegation; access to information relating to market opportunities; support in accessing funding for export activities and support to develop export-related strategy and plan (Safari and Saleh 2020). Accordingly, this study defined government support as the institutional dimensions, including incentives, benefits and programmes in the form of financial and non-financial instituted to create favourable conditions for entrepreneurs, develop competitive advantage and facilitate export activities in both sales (export intensity), geographical scope and scale.

There are, however, uncertainties about what sort of government support is suitable for firms internationalization (Ciszewska-Mlinaric 2018), and whether the government and the regulatory agencies address the specific needs of the businesses to stimulate their international operations through tailor-made support programmes (Knight et al. 2003). Moreover, the prevailing discourse is how successful government support is in helping the beneficiary firms to internationalise (Bowen 2019), to develop and to ensure judicious use of the taxpayers’ money (Ciszewska-Mlinaric 2018). Undoubtedly, answers to such questions have mostly produced mixed findings (Yoo et al. 2012). Notwithstanding the contradictory results, prior and recent

studies suggest that government support boosts firm innovation and internationalization in terms of export intensity and geographical dispersion. For instance, it is acknowledged by scholars that ‘internationalization is good for small firms, and small firms are good for economies’ (2003:69). Moreover, Monticelli et al. (2017) posit that public support helps facilitate firms’ successful entry, enhances international opportunities and improves market position in the international market. Therefore, from an internationalization context, government support facilitates indigenous firms’ export activities and improves their degree of internationalization. Based on the existing literature, the study argues from the institutional-based view and contends:

*H1a: There is a direct positive effect of government financial support on firms’ degree of internationalization.*

*H1b: There is a direct positive effect of government non-financial support on firms’ degree of internationalization.*

### **Mediating role of strategic alliance**

Businesses exist in an institutional environment, where the institutional factors may restrict or redirect firms’ strategies (Michael et al. 2016). This paper further argues that government support may not only have a direct impact on a firm’s internationalization, as hypothesised in H1a and H1b but will also indirectly have influence through a mediator, strategic alliance. From Industrial Marketing and Purchasing literature, institutional networking is essential for the growth and performance of businesses (Milanesi et al. 2020; Guercini and Runfola 2016). Business networking is seen in the continuous and complex interactions of actors within multiple relationships (Ford and Moutzas 2013). Firms within a network are interdependent (Corsaro et al. 2011; Johnsen et al. 2000). In the area of international business, Harris and Wheeler (2005) identified entrepreneurs’ relationships as an essential component for the success of internationalization. In other words, globalisation dynamism and internationalization challenges make it impossible for firms to operate individually; thus, businesses require an alliance with a local or international partner to enhance market knowledge, reduce market risk and increase international operations. The assumption is that government support, such as a subsidy to exhibit at the local and international trade fairs, shows and workshops, offers a platform for networking and collaboration between participating firms, with local or international agents (Morais and Franco 2018; Muralidharan and Pathak 2017; Rajasekar and Fouts 2009). Varadarajan and Cunningham (1995) defined strategic alliance as ‘a manifestation of inter-organisational cooperative strategies, entails the pooling of specific resources and skills by the cooperating organisation to achieve common goals, as well as goals specific to the individual partners’ (p. 282).

Despite the potential challenges in strategic alliance, including unsatisfactory performance due to disagreement in objectives and business control resulting in termination of an alliance agreement (Morais and Franco 2018; Wheelen et al. 2018), other studies have established that alliance strategy is of critical importance to entrepreneurs business growth and export activities. Wheelen et al. (2018) book on



strategic management, global edition posit that, because of strategic alliance, firms' can access new capabilities, specific markets and reduce the financial and political risk of individual companies. Knowledge about the foreign market, clients' standards and specifications; market opportunities to expand into a new market and consolidation of market position are all enhanced through networking and strategic alliance (Morais and Franco 2018; Safari and Saleh 2020; Alaaraj et al. 2018). Firms can strengthen their domestic market and access foreign market opportunities, export to a new foreign market with clients specification because of the information and the knowledge they possess, which is mainly obtained through a strategic alliance with local (domestic interfirm networking) and international companies (Lin and Chaney 2007; Morais and Franco 2018). Thus, as Ghanaian exporters adopt strategic alliances, the strategy helps them to overcome the institutional and internationalization challenges by either allying with local firms or alliance with international partners or importers to enhance market knowledge, increase foreign sales and expand export activities to a new market and geographical region.

Moreover, Bowen (2019) study on exporting and non-exporting firms in Wales and Brittany and Marinova and Marinov (2017) study on family firms in a transitional economy concur with this assertion that international trade fairs and shows advance firms' networking relationships, thereby stimulating export activities. Consequently, we argue that local exporters with domestic interfirm networks and alliances with foreign partners or importers are in a better position and have a greater proclivity to expand their international activities in scope, scale and sales. Thus, the study is of the view that:

*H2a: Strategic alliance mediates the relationship between government financial support and the internationalization of SMEs.*

*H2b: Strategic alliance mediates the relationship between government non-financial support and internationalization of SMEs.*

## Methodology

### Population, sample and sampling technique

The paper collected data from indigenous exporting firms in Ghana, a country projected by the World Bank and the International Monetary Fund (IMF) to be the fastest-growing economy in 2019, which has enjoyed relative political stability since 1992. Its exports of goods and services contribute to 70% of the total gross domestic product (GDP) (International Trade Centre 2016). Moreover, in 2017, exporters in agriculture and handicrafts contributed a total of \$44.95 million (17.25%) and \$10.41 million, respectively, to the earnings from the non-traditional export (NTs) products (Ghana Export Promotion Authority - GEPA 2017). As a result of their contribution, the Government of Ghana has in diverse ways provided support, in the form of GHC1.6 million, to cashew farmers and has established a national export strategy to purposely enhance resource capacity and increase export

activities of businesses in non-traditional exports (NTEs) (GEPA, 2017). Therefore, based on the above, the Ghanaian context and firms in the NTEs present an appropriate focus for the study.

The study applied a purposive sampling technique, in selecting export firms for the study. This current study used the single-informant method to collect data from owners, top management and senior managers of the export firms as they are more responsible for strategic planning and performance of the firm (Anwar 2018) and qualified to speak on behalf of the company (Boso et al. 2013; Sousa et al. 2010). The single-informant method helped avoid the challenges of using multi-informant methods, including 'additional financial resources and a longer period to run the survey in an emerging economy like Ghana' (Sraha 2016:77).

The selected export firms were registered members of GEPA. The list of the exporters was obtained from the GEPA. Studies, such as Quaye et al. (2017), used the same database to research export-promoting programmes and export performance. Secondly, because the study focuses on indigenous exporters, these were purposely defined as indigenous exporters, including exporting firms, with at least a 65% Ghanaian ownership, to provide an understanding of the institutional impact on SME internationalization. Thirdly, given the study objective (the influence of government support on exporting firms' internationalization), the study focused only on firms that have been exporting for at least 3 years (Ciszewska-Mlinaric 2018; Quaye et al. 2017). The qualifying export firms were contacted through their respective contact numbers and mail addresses obtained from GEPA. The study's purpose was explained to the participants who were the owners or managers of the firm, and permission was obtained to email the link to the questionnaire survey using Google Docs (Bowen 2019).

The survey questionnaire focused on firm international experience, strategic alliance and specific government support for exporting firms developed through the formal institutional dimensions. Four hundred contacted exporters agreed to participate in the online survey, while 190 preferred face-to-face data collection. One hundred and nineteen (119) responses were received from the online questionnaire, with one hundred eighty-two (182) usable responses from the face-to-face data collection. To avoid ambiguity of questions and ensure data reliability, the questionnaire was pre-tested by 25 exporters who were chief executives, owner/managers, export managers and the firms' sectional heads. Subsequently, the set of questions was reversed based on the received comments. In all, a total of 301 participants from three industries; manufacturing (processing and semi-processing); agriculture and handicrafts were used in analysing the effect of government financial and non-financial support on the indigenous firms' internationalization.

## Measurements of variables

### Main variables

Multidimensional item scales were used to measure the variables. Participants were asked to rate how they had benefitted from the list of government financial

and non-financial support over the past 3 years. The study defined government financial support to include an available financial resource that facilitates the growth and expansion of export businesses. The financial support measures were adapted from Quaye et al. (2017), and Gnyawali and Fogel (1994); however, the items were slightly modified according to the current study and culture. Eight items were used to operationalise GFS with sample items such as ‘The Government of Ghana has set up export intervention fund to assist exporters’ and ‘Banks offer loans to exporters at a low-interest rate’. Additionally, government non-financial supports are deemed as support available other than financial resources that aid growth and foster firms’ internationalisation. The study uses ten items to measure GNFS. The measurement items were adapted from Gnyawali and Fogel (1994) and Safari and Saleh (2020). Examples of the items considered includes ‘Associations provide information on international trade development (such as new export regulations or new international trade laws)’ and ‘Government support exporters to network with foreign partners’.

The degree of internationalisation was objectively measured and operationalised using multidimensional scale items (Ramaswamy et al. 1996). This study employed export intensity, measured as the percentage of foreign sales to total sales; geographical diversification or scope, measured as the number of continents the firm exports to, apart from the home region (Hsieh et al. 2019); and the geographical scale (number of countries) (Childs and Jin 2015) to measure the degree of internationalisation. Under export intensity, respondents were asked to indicate the percentage of foreign sales in relation to the year under study—2020. Geographical diversification was measured with eight export regions: MENA (the Middle East and North Africa); North America; South and Central America; Oceania; East and South East Asia; sub-Saharan Africa; Europe and South Asia. If a participant mentioned an export region, it scored one; otherwise, zero was recorded. The scoring excludes the region in which the firm operates. For example, if a Ghanaian exporter operates within sub-Saharan Africa alone, this scored zero. The maximum score for geographical diversification was seven. The operationalisation of geographical diversification was adopted from (Hsieh et al. 2019). Under the geographical scale, participants were asked to indicate the number of export countries.

The items used to measure strategic alliance were adopted (Varadarajan and Cunningham 1995); however, modified to meet the current study. Examples of the items include an alliance with a local firm to expand the export product in the existing served market; alliance with a foreign partner to expand the export product in the existing served market; alliance with a local firm to identify a new market to export existing product; alliance with a foreign partner to identify a new market to export existing product; alliance with local exporters to develop a new product for the existing market; alliance with a foreign partner to develop new product to export to the existing market and alliance with firms in similar (related) product to export and alliance with firms in different (unrelated) product to continue export.

**Table 1** Test of normality and reliability

Variables	N	Skewness		Kurtosis		Cronbach's alpha
		Statistic	Std. error	Statistic	Std. error	
GFS	301	0.451	0.140	0.871	0.280	0.82
GNFS	301	- 0.062	0.140	0.638	0.280	0.78
SA	301	- 0.322	0.140	- 0.267	0.280	0.82
DOI	301	- 0.083	0.140	- 0.096	0.280	0.84
Firm size	301	2.650	0.140	1.689	0.280	
Firm age	301	0.546	0.140	- 0.444	0.280	-
Education	301	1.237	0.140	0.943	0.280	-

### Control variables

The study's first control variable was the size of the firm, which was measured by the number of employees (Idris and Saridakis 2018). Zapletalová (2015) confirms a positive association between firm size and internationalization. Secondly, the study used the firm's age, measured as the number of years the firm has been in business. Studies indicate that a firm's age has both positive (Welch and Wiedersheim-Paul 1980) and adverse effects on internationalization (Das 1994). Lastly, this study control educational qualification. Bates (1990) posits that education, which is a proxy for human capital, has a significant impact on internationalization. Respondents were asked to state their education level, which was later summarised and coded as 0 = no formal education, 1 = form four/senior high school, 3 = diploma and 4 = first degree and above. The operational measurement for education qualification was borrowed from (Li 2018).

### Validity and reliability analysis

#### Common method bias (CMB) and normality test

In research, common method bias (CMB) can cause systematic measurement errors between observed variables and may lead to type I and II errors (Chang et al. 2010), affecting the study sequel and conclusion. The study collected a structured questionnaire from the same respondents and at the same time, which may cause CMB (Podsakoff and Organ 1986). We applied Harman's single factor score to prevent CMB (Fuller et al. 2016). The results indicate that only five factors have an eigenvalue above 1, of which the first factor explained only 28.222%, which is less than 50%; hence, we confirm that CMB is not a problem in this current study.

The study used - 2 and 2 as the threshold to test the normality of the data (George and Mallery 2010). As presented in Table 1, the normality test indicated that all the variables were between - 2 and 2 regarding skewness and kurtosis values. Additionally, the reliability test was conducted using Cronbach's alpha

**Table 2** Convergent and discriminant validity

	1.	2.	3.	4.	5.	6.	7.
GFS (1)	<b>0.74</b> (0.54)						
GNFS (2)	0.33	<b>0.80</b> (0.64)					
SA (3)	0.55	0.59	<b>0.89</b> (0.79)				
DOI (4)	0.34	0.23	0.31	<b>0.82</b> (0.68)			
Firm age (5)	0.35	- 0.10	0.20	0.30	-		
Firm size (6)	0.16	- 0.34	0.26	0.52	0.24	-	
Education (7)	0.27	0.27	0.26	0.36	0.14	0.16	

*NB*, coefficients in bold faces are the square root of AVE while values in parentheses are AVEs. The other values are MSVs

and composite reliability, and the analysis of data showed that the reliability of variables was above 0.70 (Peterson and Kim 2013).

### Discriminant and convergent validity

To ensure the instrument's validity, both convergent and discriminant validity were used. At one level, convergent validity was tested using average value extracted (AVE) and a threshold of 0.5 (Fornell and Larcker 1981). Furthermore, each variable's maximum shared variance (MSV) was compared with the square root of its AVE to establish discriminant validity. A summary of the result is indicated in Table 2, below. Figures from Table 2 shows that all the MSVs were less than their respective AVE square roots, indicating the existence of convergent and discriminant validity; therefore, the data set was then extracted for hypotheses testing.

**Table 3** Direct and mediating path estimates

Direct effects	UnStd. estimates	S.E.	C.R.
GFS → DOI	0.509	0.084	6.060**
GNFS → DOI	0.123	0.059	2.085*
GFS → SA	0.294	0.141	2.085*
GNFS → SA	0.112	0.048	2.333*
SA → DOI	0.494	0.059	8.373**
Age → INN	0.223	0.103	2.165*
Size → INN	0.197	0.100	1.970*
Edu. → INN	0.374	0.112	3.339**
<b>Indirect effect</b>		<b>Lower BC</b>	<b>Upper BC</b>
GFS → SA → DOI	0.145	0.102	0.673
GNFS → SA → DOI	0.055	0.014	0.442

Model fitness: CMIN = 411.22; DF = 153; CMIN/DF = 2.688; GFI = 0.817; PClose = 0.108; TLI = 0.911; CFI = 0.923; RMSEA = 0.057; SRMR = 0.044

Bootstrap bias-corrected confidence interval at 95%

\*\* Sig. at 1%; \*Sig. at 5%

## Results

The study analysed the data using SEM via Amos 23. The SEM estimation was based on bias-corrected (BC) percentile method, with 5000 Bootstrap samples and a 95% confidence level. As per model fit indices, CMIN/DF is expected to be less than 3, GFI should be at least 0.8, TLI and CFI are all expected to be greater than 0.9, while RMSEA and SRMR are also expected to be less than 0.08 (Hair et al. 2016). From Table 3, it is realised that the results met these thresholds, and so the study concludes that the data appropriately fit the constructed model.

Table 3 presented the results of the direct and indirect effects. From the results, firm size had a significant positive effect on the degree of internationalization ( $\beta=0.223$ ; C. R.=2.165). This indicates that bigger firms were able to enter the international market much more easily than smaller firms. Similarly, firm age as a control variable had a significant positive on the degree of internationalization ( $\beta=0.197$ ; C. R.=1.970). This indicates that older SMEs performed better than younger SMEs when it comes to the degree of internationalization. Results indicate that the educational level of owners of SMEs had a significant positive effect on the degree of internationalization ( $\beta=0.374$ ; C. R. = 3.339). This implies that SMEs owners with higher educational qualifications were about 37.4% more likely to achieve a higher degree of internationalization, compared to less-educated owners.

The results presented in Table 3 pointed out that financial support from the government had a significant positive effect on the degree of SME internationalization ( $\beta=0.509$ ; C. R. = 6.060). This implies that SMEs which received financial support from the government were about 50.9% more likely to go international with their business operations. H1a: *Government financial support positively influenced SME's degree of internationalization*, was thus supported.

Government support to SMEs also came in the form of non-financial support. Results indicate that non-financial support from the government had a significant positive effect on the degree of SME internationalization ( $\beta=0.123$ ; C. R. = 2.085). This implies that SMEs which receive non-financial support from the government were about 12.3% more likely to go international with their business operations. H1b: *Government non-financial support positively influenced SME's degree of internationalization*, was thus supported.

The study also assessed the mediating effect of strategic alliance in the relationship between financial support from government and the degree of internationalization. To achieve this, a number of relationships were considered. First, the direct effect of financial support on the degree of internationalization was assessed and found to be significantly positive ( $\beta=0.509$ ; C. R. = 6.060). H1a: *Government financial support positively influenced SME's degree of internationalization*, was thus supported. Secondly, the effect of financial support on the strategic alliance was assessed and found to be significantly positive ( $\beta=0.294$ ; C. R. = 2.085). This means that SMEs which received financial support from the government were able to develop better strategic alliances than SMEs which do not, by a margin of about 29.4%. The study further assessed the effect of SME strategic alliance on the degree of internationalization, and results in Table 3 showed a significant positive effect

( $\beta=0.494$ ; C. R. = 8.373). Having an effective strategic alliance thus enhanced the degree of SMEs' internationalization by about 49.4%, and vice versa. Results on the indirect effect of government financial support on the degree of internationalization, through strategic alliance, was found to be significantly positive ( $\beta=0.145$ ). Both the lower and upper BCs were positive, indicating the indirect effect was statistically significant. H2a: *Strategic alliance mediates the relationship between government financial support and internationalization of SMEs*, was thus supported. Since the direct effect of financial support on the degree of internationalization was significant, it was thus concluded that strategic alliance partially mediated the relationship between government financial support and degree of internationalization.

Finally, the study assessed the mediating effect of strategic alliance in the relationship between non-financial support from government and the degree of internationalization. To achieve this, several relationships were considered. First, the direct effect of non-financial support on the degree of internationalization was assessed and found to be significantly positive ( $\beta=0.123$ ; C. R. = 2.085). H1b: *Government non-financial support positively influenced SME's degree of internationalization*, was thus supported. Secondly, the effect of non-financial support on the strategic alliance was assessed and found to be significantly positive ( $\beta=0.112$ ; C. R. = 2.333). This means that SMEs which received non-financial support from the government were able to develop a more effective strategic alliance, by a margin of about 11.2%. The study further assessed the effect of SME strategic alliance on the degree of internationalization, and results showed a significant positive effect ( $\beta=0.494$ ; C. R. = 8.373). The results presented also indicated that strategic alliance significantly mediated the relationship between non-financial support and degree of internationalization, as the indirect effect was significantly positive ( $\beta=0.055$ ). Both the lower and upper BCs were positive, indicating the indirect effect was statistically significant. H2b: *Strategic alliance mediates the relationship between government non-financial support and internationalization of SMEs*, was thus supported. Since the direct effect of non-financial support on the degree of internationalization was significant, it was thus concluded that strategic alliance partially mediated the relationship between government non-financial support and degree of internationalization.

## Discussions and theoretical implications

Our results found that government financial support has a positive and significant effect on internationalization. Accordingly, the Government of Ghana should develop a financially friendly environment for firms financing by increasing the number of venture capital and commercial banks where indigenous firms can access credit facilities; facilitating access to a credit facility with little or no collateral requirement; reducing the interest on the loan facility; improving access to the government export intervention fund and guaranteeing credit facilities for indigenous firms. By doing this, indigenous exporters can be financially resourced, to undertake innovative projects and improve their competitive advantage, which they can use to increase their foreign sales, geographical scale (number of countries) and scope (number of regions/continents). Understanding the significance of these factors is

central in examining how indigenous Ghanaian firms expand their export activities, notwithstanding the gamut of challenges they encounter, such as a lack of international experience and stiff competition from foreign and multinational companies. Therefore, it is evident that firms can improve their internationalization when the Government considers these factors that create an enabling environment for indigenous businesses to develop and grow in both domestic and international markets. The results are in line with the findings of Ciszewska-Mlinaric (2018), Quaye et al. (2017) and Mah (2010). Ciszewska-Mlinaric (2018) examined the role of government support in European firms and found that financial support has a direct positive effect on internationalization, in terms of export intensity and geographical diversification (scope). Quaye et al. (2017) explored the export promotional activities of 169 manufacturing firms in Ghana and found that government financial assistance has a positive relationship with export activities. Mah (2010) revealed a positive effect of government financial incentives on export activities.

Moreover, contrary to the previous studies examining government non-financial support and export activities (Ciszewska-Mlinaric 2018), our findings revealed that non-financial support has a positive (significant) effect on internationalization. Undeniably, the findings are not surprising since access to information, knowledge of the international market, access to consulting and counselling services, transportation and equipment (Muralidharan and Pathak 2017; Paul and Gupta 2014; Schmidt and Hansen 2017) are essential in building firms' capacity and competitiveness in the domestic and international markets to increase export activities. Fosu (2003) found that bad telecommunications, transportation systems and infrastructure are the major factors inhibiting the internationalization of sub-Saharan African firms. Undoubtedly, existing studies affirm that government non-financial assistance, such as advances in information and communication technology and improvements in transportation systems, increases the number of country-level firms involved in export activities (Muralidharan and Pathak 2017; Oviatt and McDougall 2018; Safari and Saleh 2020). Therefore, SMEs should have timely access to information relating to export activities, to learn about clients' standards, and changes in both international and new markets, which could help them develop a competitive advantage, thereby improving foreign market operations.

Furthermore, the study found that firm strategic alliance positively and significantly mediates the relationship between government support (financial and non-financial) and internationalization. Specifically, the study reveals that strategic alliance with local or an international partner has a significant, positive effect on internationalization and significantly mediates the relationship with both government financial support and government non-financial support. Indisputably, these findings are expected since Ghanaian firms in the export business need to overcome uncertainties and challenges associated with internationalization, including a lack of knowledge about the international market and limited resources. Additionally, our findings suggest that strategic alliance mediates significantly and has a greater impact on financial support and degree of internationalization ( $\beta = 0.145$ ) than the mediation relationship between non-financial support and degree of internationalization ( $\beta = .055$ ). Thus, the relationship between government financial support, firm strategic alliance and degree of internationalization produced a greater



synergistic effect on international activities. Therefore, the role of the Ghanaian Government in fostering indigenous firms' strategic alliance through increasing the subsidy package for firms participating in international trade shows and fairs, and expanding the number of beneficiaries, so that they can develop partnerships with international agents or firms, hence increasing the degree of internationalization. Studies have found that, as a result of participating in international trade shows, exhibitions and fairs, firms can network and improve their alliance relationship with local and international individuals with international experience in the industry, which helps overcome resource limitations, enhance the firms' knowledge of the international market, improve competitive advantage in both domestic and foreign and facilitate entry to a new market (Bowen 2019; Monticelli et al. 2017).

The study adopted institutional theory as the central theoretical framework underpinning the research. The institutional theory argues that a firm's successful international activities depend on the relationship between the home country's institutional factors and the business strategy (McGaughey et al. 2016). Moreover, the institutional theory contends that favourable institutional factors, including government support, develop firm innovativeness and competitiveness, influence the export activities (Edquist 1997; Monticelli et al. 2017). Idris and Saad (2019) found that government support positively influences internationalization. Similarly, Seglah and Armah (2016) studied in Ghana and found a positive association between government support and firm internationalization. Furthermore, other studies argue that firm size, age and international experience significantly impact firms' internationalization (Bashiri Behmiri et al. 2019; Hsieh et al. 2019). The study explored the relationship between government support (financial and non-financial), strategic alliance, international experience and internationalization based on the institutional theory.

## Managerial implications

In line with existing studies focusing on institutional factors, alliance and internationalization, this study revealed that alliance relationships positively affect indigenous firms' degree of internationalization. Bowen (2019) found that firms in Wales built networking relationships that brought together producers and distributors and aided in sharing international experience and resources. They opened market opportunities and increased product knowledge in the international market, which together enhanced their internationalization. This study offers similar results and confirms the significant effect of strategic alliance on firms' internationalization. Firms with strong links can exploit such a relationship to facilitate entry into a new market in new geographical areas and increase export intensity (percentage of foreign sales). Therefore, owner/managers of exporters in Ghana should concentrate on building a strong networking and alliance relationship with local or international agents to increase their competitiveness in the local and international markets and stimulate their export activities (Franco and Haase 2016; Morais and Franco 2018).

Our findings suggest an interdependency relationship between government financial support, strategic alliance and degree of internationalization, indicating the symbiotic relationship between the three variables. Thus, the degree of

internationalization requires a symbiotic relationship between, the state, competitor (as a domestic interfirm alliance) and international/foreign partner or agent to develop efficiency, competency, competitiveness and increase in international operations (Morais and Franco 2018). Accordingly, Ghanaian entrepreneurs and exporters, in addition to developing their networking and alliance relationship with local and foreign partners, must access government institutional support programmes to facilitate export activities.

Indigenous firms should be more innovative in introducing new products or new techniques into their export activities to enhance their competitiveness. Indigenous firms may not be able to achieve such targets by themselves without Ghanaian government support to link them to the appropriate investors and distributors through participating in international trade fairs and shows; training and other export promotion programmes, such as tax incentives, tax exemptions, tax holidays and training programmes. Therefore, within the Ghanaian setting, the external institutional dimension that has a more significant effect on indigenous firms internationalization is government financial support.

## Limitations and future research areas

The study examined the relationship between government institutional support (financial and non-financial), firm characteristics, alliance and indigenous firms internationalization (and export intensity, geographical scale and scope). Therefore, a future study could explore the same relationship, but looking beyond the government support, indigenous firms and the study of internationalization include other external institutional elements such as socio-cultural factors; looking at SME exporters in Ghana irrespective of their business structure and using an additional operational definition of internationalization, such as the percentage of employees who spend over 50% of the time involved in foreign activities (Reuber and Fischer 1997). The overarching focus of the research and outcomes of this study has not merely been to proffer a relationship between indigenous firms, government support, strategic alliance and internationalization, but also to kindle further research on the kind of institutional factors and business strategies that improve firms' competitive advantages, competency and increase international operations.

## Conclusion

The study examines the internationalization of indigenous firms in a developing country, Ghana, by focusing on the effect of government support and strategic alliance on internationalization. The study highlights the influential role of country-level institutional dimensions and business alliance relationships in helping to facilitate the firms' internationalization in a context where there are limited empirical studies. The study development and discussion were positioned in an institutional-based view. Although recent studies on African firms are more common in the literature,

studies on the role of home country institutional factors in SME internationalization are still underexplored. The study concluded that financial and non-financial government support had a significant positive effect on the degree of internationalization. These relationships were, however, partially mediated by the strategic alliance.

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**Author contribution** The first author was responsible for conceptualising, data collection and developing the paper. The second author engaged in the general outlining and strengthening of the paper. The third author assisted in the data collection and was responsible for the analysis.

## Declarations

**Conflict of interest** The authors declare no competing interests.

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