

***THE RELATIONSHIP BETWEEN VALUE OF ENTREPRENEURS, FIRM FINANCING AND MANAGEMENT AND GROWTH PERFORMANCE OF SMALL MEDIUM ENTERPRISES IN CAMBODIA**

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Abstract

This study was conducted to examine the relationship between value of entrepreneurs, firm financing and management and growth performance of small medium enterprises (SMEs) in Cambodia using 220 usable questionnaires that were collected from owners/managers of the firms. The outcomes of stepwise regression analysis showed that the inclusion of market environment and government policy in the analysis had increased the effect of the relationship between value of entrepreneurs, firm financing and management and growth performance of SMEs in Cambodia. In addition, implications of this study to SME growth performance theory and practice, conceptual and methodological limitations, as well as directions for future research are also discussed.

Keywords: SME Growth Performance, Value of Entrepreneur, Firm Financing, Management, Market Environment and Government Policy

INTRODUCTION

Small and Medium Enterprise (SME) sector development is one of the recent key issues in developing countries (Davidsson, 2004; Gibb & Ritchie, 1982). As a developing country, the development of SME sector in Cambodia is important. The assistance of SME as a support industry helps to strengthen the large industries (LIs). SME development is the future candidate of LI because every large enterprise (LE) has had the experience of starting their business as SMEs. The future of the LE is dependent on the development of SME.

SME development is also an important issue for the labor market because it employs the labor force and offers wages to workers (Kirchhoff, 1994). In Cambodia, the development of the SME sector could not only be the key issue of industry development, but also for socio-economic development of the country.

The role of SMEs has been recognized to be important by every nation around the world. It is considered to be an engine for growth and poverty reduction for the country through the creation of jobs and incomes for the people (Morris, May, Godden & Nicholson, 2001; World Bank Group, 2004; Ngasongwa, 2002; Hashim, 2004); domestic production and export (Hisrich & Szirmai, 1993; McMillan & Woodruff, 2002); entrepreneurial skills and industrial linkages (Chee, 1986; Wyr, 1999; Goh & Chew, 1996; Mohd Shariff, 2003); individual collective initiative and social values (Clapham, 1985).

It is also considered as the tool for economic survival during the country's crises (Tambunan, 1992; Goh & Chew, 1996; Frank & Landstrom, 1997). Moreover, SMEs are increasingly

become more important for poor and developing countries (Chico, 1983; Khan, 2002). Perhaps this role has been reached to a consensus by all parties involved. According to the President of the World Bank Group, James D. Wolfensohn: "SMEs are the private sectors for employment generation and sustainable growth" (World Bank Group, 2004). The concern of transitional economy from the former Soviet Union to Central and Eastern Europe to China and Vietnam are similar in one important aspect. SMEs help to improve and sustain the health of the market economy in term of job creation, plenty of domestic production, and export (Hisrich & Szirmai, 1993; McMillan & Woodruff, 2002).

This is true especially when the surplus of labour, scarcity of capital within the rapidly growing population in the poor and developing countries are high (Chico, 1983; Khan, 2002). Clapham (1985) also indicated that SME help to promote individual collective initiative, basic social values, and is highly view as a crucial tool towards achieving a social and regional integration.

Evidence from the World Bank Group, (2004) had proven that SMEs in China helped nearly 200 million people to escape from extreme poverty as the result of the economic reform in 1979. As in the case of Taiwan, SMEs dominated 97.81 percent of total industrial establishments and contributed 69.27 percent of total employment, 32.11 percent of total sale values, and 48 percent of total export for the country's economy (Ministry of Economic Affairs, 1997).

SMEs not only helped during the period of economic growth but also in economic recession in 1985. It also becomes the home for growth of Multinational Companies (MNCs) in Singapore (Goh & Chew, 1996). The strong turbulent in the world economy in 1970s had made many large firms in the developed countries to lay off their employees. SMEs then were regarded as the problem solver to these structural changes (Frank & Landstrom, 1997).

However, SMEs faced many problems in their growth performance (Kirby, 2003). These problems can be due to the lack of value of entrepreneurs, finance and markets (Barber, Metcalfe & Porteous, 1989; Allal, 1999; Kirby, 2003). Together with other external factors such as macroeconomic environment, government policies and regulations, and the availability of physical infrastructures distorted the growth performance of SMEs. Szegedi (1989) supported that the potential factors that influence on the SMEs growth performance in Hungary are created from economics, political, and social infrastructure. Therefore, the strategies toward SMEs growth performance are still being discussed among the theorists, economists, policy makers, and entrepreneurs.

Some proponents suggested on the study of the problems on SME growth performance and its influences (Austin, 1988; Arbaugh & Sexton, 1996; Das, 1996; Hull, 1990; Petrakis, 1997; Barber, Metcalfe & Porteous, 1989; Mohamad, Rashid & Sidin 1998; Kirby, 2003). Others have suggested on the creation of business friendly environments through government policies; an influential factor on SME growth performance (Fabella, 1987; Islam, 1987; MPDF, 1997; Mannan 1993; Pilgrim, 1994; Dijk, 1997; Czinkota & Ricks, 1981; World Bank Group, 2001; IFC, World Bank Group, 2004).

Similarly, the review of the literature suggests limited empirical research attempt has been made to explore SME growth performance in Cambodia. As been stated by IFC, World Bank Group-SME (2002): "as in so many countries, emerging local entrepreneurs hold the key to job creation and rising incomes in Cambodia but they are blocked from building the

successful companies to their economy needs by weak financial market and support institutions, dilapidated infrastructure, ineffective legal system, and corruption."

REVIEW OF LITERATURE

SME Growth Performance

Penrose (1995) defines performance as a measure of how well the firm achieves its goals (organizational and financial goals). Performance is defined similarly in this study to describe the performance of SMEs by using measures such as profitability, growth, and survival. It depends on how firms determine their goals and achievement, i.e. what are the goals of a firm and how did it succeeds to reach them.

The outcomes of a firm's performance whether they are high or low depending on whether a firm has achieved its goals or not (Barney, 1991; Davidsson, 2004; McMahan, 2001). The merits of the measures used in this study are that, they are widely understood, brief, able to be verified and replicated. The most common objective measures of organizational performance are the returns on equity (ROE), return on assets (ROA), sales growth, and total return to stakeholders. Several studies use more than one measure of firm performance. Performance is generally associated with expectation for success (Penrose, 1995).

Factors influencing the Growth Performance of SMEs in Cambodia

Tambunan (1999) found that small business owner-managers having 'value of entrepreneurs' or entrepreneurial values such as creativity, integrity, achievement, among others, were more likely to have superior performance in managing organizations than owner-managers without these values. McMahan (1998) findings left open to questions of generalisability and whether or not personal characteristics and values might be able to be used to predict an individual's position on an 'entrepreneurial-conservative' values continuum. Beyond that, lay a question of a measure of the degree to which an individual owner-manager could be characterized as "entrepreneurial" that might be able to be use to predict the performance of the organization they own (Turner, 1997).

The role of individual characteristics, values and expectations in determining the subsequent actions of those who start and run their own businesses has been explored in the academic literature and linking to business performance have been identified by a number of researchers (Fitzsimmons, Steffens & Douglas, 2005; McMahan, 2001). However, they differ in the academic literature in the formation of an individual's 'characteristics' that precedes with the dealing of the influences of each on the subsequent selection of the management practices.

Kyambalesa (1994) refers firms financing as the total amount of money invested to SMEs owners. It is one the major factors that relates to the growth performance of SMEs. Firm financing means that SME owners have to support the running of their businesses by getting financing from various sources. The lack of sufficient firm financing will create a significant problem on SMEs business activities and it is one of significant problems that affect SME growth performance (Mannan, 1993).

Moreover, Kam (1994) indicated that the ability to generate ideas, the capability of problem solving and the level of technical sophistication of SME owners have a major influence on their SMEs growth performance. Ferdows (1980) added that SME owners whose ability to

use their employees skills and utilize their resources fruitfully would lead to their business expansion and will not hurt their chances to be successful. However, according to Penrose (1995), the conducts of the management levels also play an important role to SMEs growth performance.

Research conducted by Olsen & Johannessen (1994) cited that experiences and the competence levels of SME owners is also an important factor that influence SMEs growth performance. However, Johnson (1993) stated that the working style of owner-managers which emphasized their capacities in terms of speed to produce high quality work that meet the needs and requirements of customers and suppliers as an influence of the their SMEs growth performance. Owner-managers also need to persevere when appropriate and to think and act creatively and these are the prerequisite skills that contribute to the growth performance of SME.

The Importance of Market Environment and Government Policy

There is little disagreement on the fact that Cambodia failed to maximize the benefits that derived from the SMEs sector. SMEs in the future will play a pivotal role in promoting and sustaining its industrial sector as well as growth (World Bank, 2001). Numerous reforms and trade liberalization measures squeezed the spheres of entrepreneur, the market and government's activity in business. It is now the role of the private sector such as SMEs to lead the economy in a dynamic growth path. SMEs are considered to be the seedbed for the development of entrepreneurial skills and innovation due to the flexibility nature of their operations.

Small capital requirement makes it possible for SMEs to enter easily and exit from the industry. It was believed that the private sector entrepreneurial activities had many important spillover and positive externality effects (Haswell & Holmes, 1989). However, liberalization of the economy along with rapid globalization has posed severe challenges to SMEs not only in international markets but also in the domestic economy. Since SMEs are based on relatively small investment, their survival depends on readily available markets with an easy access to entry. The development of the market is much more challenging in Cambodia, especially in the city of Phnom Penh, which requires coordinated efforts by individual business enterprises and the government to promote businesses in the city.

The Government through its agencies should promote a series of efficient policies affecting competitiveness, such as monetary, financial, budgetary, fiscal, labour and trade. The Government could reduce corrupt practices and punitive tax evasion through its policies. The political stability in the country will help to improve the administration of justice and bureaucracy in the country (Barney, 1991; Dovaldson, 1995; McMahan, 2001). Some of the measures to support businesses are by ways of increasing and promoting entrepreneurship, skilled labour, investments in technology, sound and management practices, among others. Infrastructure is enhanced by the provision of quality education, health, environment, water, energy, roads, and setting up of science and technology institutions.

Sound government policies support competitiveness (Dovaldson, 1995). A dynamic national system of technological innovation, globally integrated financial sector in a country, a well-developed infrastructure and a skilled labor force supports a country's international competitiveness. Reducing factors inhibiting competitiveness is thus the way forward.

SME Definition

An enterprise is considered to be any entity engaged in an economic activity irrespective of its legal form (Robinson, 1982; Young, 1985). This includes, in particular, sole proprietorships and family businesses engaged in craft or other activity and partnerships and associations regularly engaged in economic activity.

People in different countries tend to define SMEs in different ways. The category of SMEs in Europe is made up of enterprises which have fewer than 250 full-time employees and which have either an annual turnover not exceeding 50 million Euros, or an annual balance sheet total not exceeding 43 million Euros (Jensen, 2000; Penrose, 1995).

Penrose (1995) stated that it is necessary to differentiate between SMEs. The small enterprise is defined as an enterprise which has fewer than 50 full-time employees and whose annual turnover or annual balance sheet total does not exceed 10 million Euro. Also it is necessary to differentiate between micro enterprise and small enterprise whereby the micro enterprise is defined as an enterprise which has fewer than 10 full-time employees and whose annual turnover or annual balance sheet total does not exceed 2 million Euro.

The emphasis on developing SMEs occupies a prominent position in the economic development agenda of many developing countries in the world (Jensen, 2000; Penrose, 1995). For some developing countries, the development of the SMEs sector becomes primarily part of the overall national economic development strategies (Barney, 1991).

There is still not a clear definition of SMEs. Different country uses different measurement techniques to determine SMEs and it depends on their purposes (Kirby, 2003; Ngasongwa, 2002; Hashim & Abdullah, 2000). The quantitative and qualitative measurements can also be used to measure SMEs based on the characteristics of the firms (Hanchuan & Zhongqi, 2000; Watson & Everett, 1998; Ueda, 1995).

Watson and Everett (1998) measured small business as the business that uses one or two persons to do all the critical business activities without any specialists. Ueda (1995) measured small and informal business as family-owned having small-scale operation, labor-incentive and low skill labour. However, the qualitative measurement of SMEs has remained unclear for some applications among the specialists. Most countries in Asia and Europe have turned to measure SMEs base on quantitative techniques by either employments, capitalization/assets, or annual turnover (Latif, Khan, Abdullah & Ali, 2000).

In Vietnam, Latif *et al.* (2000) defined micro-enterprise as one having less than 5 employees with capital less than VND 100 million; small business as one having 5-50 employees with capital of VND 100-300 million; and medium enterprise having 51-300 employees with capital from VND 301 million up to VND 1,000 million.

In Malaysia, different ministries or organizations measured SMEs in different ways, The Ministry of International Trade and Industry (MITI) defined small-scale firm in terms of not more than 50 full-time employees with annual sales turnover of not more than RM 10 million, medium-scale enterprise as one having between 51 and 150 full-time employees with annual sales turnover of between RM10 million and RM 25 million and paid-up capital of less than RM5 million (Hashim & Abdullah, 2000; Hashim, 2004).

To complicate matters further, the Credit Guarantee Corporation (CGC) adopts a definition of SME based on employment and shareholders' funds (a term which includes paid up capital, retained profits and other reserves). What this means, in practice, is that established firms will not be eligible for CGC assistance as they build up shareholders' funds and breach the limits applied by CGC. This would not be able the case if CGC used the MITI approach of defining an SME in terms of paid-up capital.

Effective 2003, the Malaysian Government through the National Small and Medium Enterprise (SME) Development Council (the highest policy making body to chart future direction and strategies for SME development) has categorized of what institutes SMEs in Malaysia (SMIDEC, 2004). SMEs are defined according in various sectors based on annual sales turnover or number of full-time employees as follows:

- “A small and medium enterprise in primary agriculture is an enterprise with full-time employees not exceeding 50 or with annual sales turnover not exceeding RM5 million.”
- “A small and medium enterprise in manufacturing (including agro-based) and manufacturing related services is an enterprise with full-time employees not exceeding 150 or with annual sales turnover not exceeding RM25 million.”
- “A small and medium enterprise in services is an enterprise with full-time employees not exceeding 50 or with annual sales turnover not exceeding RM5 million.”

In 1995 China revised and adopted its SME definition. SME has been defined as a firm involve in the field of manufacturing, construction, and mining, with the capital of less than NT\$60 million and fewer than 200 full-time employees. SME has been defined as a firm involve in the field of agriculture, utilities, commerce, transportation, storage, communications, finance, real estate, and other various services with the annual sales value of less than NT\$80 million and with the fewer than 50 full-time employees (Lin, 2002).

Based on the experiences of SMEs around the globe, the IFC and the World Bank Group-SME (2002) defined its own SME definition toward a common purpose for countries in the world. The action undertaken is to define SMEs growth in terms of employment, income generation, social balance, country development, regional integration, and also for global development (Table 1).

Table 1. The Common Global SME Definition of IFC and the World Bank Group-SME

The Common SMEs Definition of IFC and World Bank			
SMEs Characteristics	No. Of Employees	Capital Investment	Annual Turnover
Micro-Enterprise	Less than 10	Less than US\$100,000	Less than US\$100,000
Small Enterprise	10-50	\$100,000-\$300,000	\$100,000-\$300,000
Medium Enterprise	51-300	\$3,000,000-\$15,000,000	\$3,000,000-\$15,000,000

Source: IFC, World Bank Group-SME, (2002). Review of small business activities. Washington DC: Jarboe Printing Company.

The RGC, SMEs Sub-Committee (2005) defined SMEs in Cambodia according to the number of employees and finance required. Micro-enterprise as having less than 10 employees with capital less than US\$50,000, small enterprise as having 11-50 employees

with capital from US\$50,000 to less than US\$250,000, and medium enterprise as having 51-100 employees with capital from US\$250,000 to less than US\$500,000.

RESEARCH METHODOLOGY

Data for this study were gathered through survey questionnaires. After refining, categorizing and comparing the information with relevant theoretical and empirical evidence, this was used as a guideline to develop the content of survey questionnaires for a pilot study. Next, a pilot study was conducted on 2 experienced academic staff who has worked in higher learning sector. Their feedbacks were used to verify the content and format of questionnaires developed for an actual survey. Back translation technique was used to translate the content of questionnaires in Khmer and English in order to increase the validity and reliability of the instrument (Baker, 1994; Romano & Ratnatunga, 1995). The survey questionnaire had two sections. Firstly, consists of questions on the demographic profile of the respondents. Secondly, consists of questions on factors that influence the SME growth performance. The values of entrepreneurs consist of 15 items that were modified from the entrepreneur behavior theory literature (see Schumpeter, 1934; Kirchoff, 1994). Secondly, firms financing had 11 items that were developed based on resource base theory literature (Barney, 1997). Thirdly, management was measured using 14 items that were developed from Barney (1997). Fourthly, market environment and government policy were measured using 15 items each that were developed from the contingency theory (Dovaldson, 1995). Finally, SME growth performance was measured using 5 items that were developed by Penrose (1995). These items were measured using a 3-item scale ranging from “Strongly disagree” (1) to “Strongly agree” (3).

The unit of analysis for this study is owners/managers from SMEs in Phnom Penh of Cambodia. A convenient sampling technique was used to gather data from the SME firms. Based on the combined list created from the MOC, yellow pages from the telephone directory and business cards in the area of Phnom Penh (Webster & Boring, 2000), the researcher contacted 1078 SMEs out of the total of 3064 to obtain official permissions to conduct a survey. Only two hundred and fifty-three (253) firms agreed to participate in this study. Of that total, 220 usable questionnaires were returned to the researchers, yielding 20.40 percent response rate. The survey questionnaires were answered by participants based on their consents and a voluntarily basis. The names of owners/managers of the SME firms were made anonymous in order to avoid intrusiveness. A Statistical Package for Social Science (SPSS) version 15.0 was used to analyze the validity and reliability of measurement scales and thus test research hypotheses.

Hypotheses

Four hypotheses were tested for this study. They are

- H₁: There is a positive relationship between values of entrepreneurs, firm financing, and management and the growth performance of SMEs in Cambodia.

- H₂: Market environment positively mediates the relationship between values of entrepreneurs, firm financing, and management and the growth performance of SMEs in Cambodia.

H₃: Government policy positively mediates the relationship between values of entrepreneurs, firm financing, and management and the growth performance of SMEs in Cambodia.

H₄: Government policy and market environment positively mediates the relationship between values of entrepreneurs, firm financing, and management and the growth performance of SMEs in Cambodia.

RESEARCH FINDINGS

Table 2 showed that sales/service and trading (85.4%) firms outnumbered their manufacturing (49%) counterparts. Over one-half (52.3%) of the sample firms are from the medium enterprises. However, 99% of the firms have less than 100 employees. The majority of respondents (85.5%) derived their sources of capital from personal savings, family and friends. The majority (70%) of the amount of capital invested by the firms are below US\$20,000.

Table 2. Sample Profile

Types of Businesses (%) Sales/service = 61.8 Trading firm = 23.6 Manufacturing = 14.6	Size of Business (%) Micro business = 5.0 Small business = 42.7 Medium business = 52.3
Number of Employees (%) <5 = 51.4 6-20 = 33.6 21-50 = 9.5 51-100 = 4.5 101-200 = 0.9	Sources of Capital Investment (%) Personal Savings = 48.6 Family = 35.5 Partnership = 14.5 Friends = 1.4 <u>100.0</u>
Amount of Capital Investment (%) <= \$5,000 = 19.5 >\$5,000-\$10,000 = 30.0 >\$10,000-\$20,000 = 20.5 >\$20,000-\$50,000 = 15.5 >\$50,000-\$100,000 = 7.7 >\$100,000-\$200,000 = 4.1 >\$200,000-\$500,000 = 2.3 >\$500,000-\$1,000,000 = 0.5	

Table 3 shows that the factor analysis with direct oblimin rotation was done for six variables with 75 items. The Kaiser-Meyer-Olkin Test (KMO) which is a measure of sampling adequacy was conducted for each variable and the results indicated that it was acceptable. Specifically, these statistical results showed that (1) all research variables exceeded the acceptable standard of Kaiser-Meyer-Olkin's value of 0.6, (2) all research variables were significant in Bartlett's test of sphericity, (3) all research variables had eigenvalues larger than 1, (4) the items for each research variable exceeded factor loadings of 0.50 (Hair, Anderson, Tatham & Black, 1998), and (5) all research variables exceeded the acceptable standard of reliability analysis of 0.70. This result demonstrates the goodness of data for this study (Nunally & Bernstein, 1994). These statistical results support the notion of performance growth theories (see Gibb & Davies, 1990; Kovereid & Bullvag, 1996; Petrakis, 1990) and

findings of previous study (see Gartner, 1997; Kirby, 2003; Churchill & Lewis; Tambunan, 1994; Kam, 1994). Hence, the goodness of data for this study is shown in Table 2.

Table 3. Goodness of Data

Measure	Items	Factor Loadings	KMO	Bartlett's Test of Sphericity	Eigenvalue	Variance Explained	Cronbach Alpha
Value of entrepreneur	15	0.86 to .93	0.930	5359.67; p=.000	12.258	81.721	0.984
Firm financing	11	0.73 to .92	0.946	2680.71; p=.000	8.144	74.034	0.964
Management	14	0.80 to .92	0.946	4094.65; p=.000	10.589	75.639	0.975
Market environment	15	0.78 to .95	0.948	5173.15; p=.000	12.026	80.175	0.982
Government policy	15	0.64 to .98	0.904	8718.09; p=.000	13.190	87.930	0.990
Growth performance	5	0.86 to .91	0.871	421.34; p=.000	3.820	76.407	0.922

Table 4 shows the results of Pearson correlation analysis and descriptive statistics. The means for the variables range from 2.49 to 3.59, signifying that the value of entrepreneur, firm financing, management, market environment, government policy and growth performance ranging from medium (2) to high (3). The correlation coefficients for the relationship between the independent variables (i.e., value of entrepreneurs, firm financing and management) and the mediating variables (i.e., market environment and government policy), and the relationship between the independent variables (i.e., value of entrepreneurs, firm financing and management) and the dependent variable (i.e., growth performance) were less than 0.90, indicating the data were not affected by serious collinearity problem (Hair *et al.*, 1998).

Table 4. Correlation Matrix Result for the Research Variable

Variable	Mean	Standard Deviation	Pearson Correlation Analysis					
			1	2	3	4	5	6
Value of entrepreneurs	3.4336	.79278	1					
Firm financing	3.5934	.81374	.498*	1				
Management	3.2458	.81063	.237*	.265*	1			
Market environment	3.2667	.84103	.251*	.180*	.132	1		
Government policy	3.1900	.81833	.270*	.147*	.242*	.225*	1	
Growth performance	2.4936	.60057	.311*	.219*	.248*	.239*	.624*	1

Note: Level of Significance: *0.05 Reliability Estimation in the Parenthesis (1)

Outcomes of Testing Mediating Models

Stepwise regression analysis was recommended to assess the magnitude and direction of each independent variable, and vary the mediating variable in the relationship between many

independent variables and one dependent variable (Foster, Stine & Waterman, 1998). Baron and Kenny (1986) suggest that a mediating variable can be considered when it meets three conditions: first, the predictor variables are significantly correlated with the hypothesised mediator. Second, the predictor and mediator variables are all significantly correlated with the dependent variable. Third, a previously significant effect of predictor variables is reduced to non-significance or reduced in terms of effect size after the inclusion of mediator variables into the analysis (Wong, Hui & Law, 1995). In this regression analysis, standardized coefficients (standardized beta) were used for all analyses (Jaccard, Turrisi & Wan, 1990). Table 4 shows that the outcomes of testing the research hypotheses.

Table 5. Regression Analysis between Value of Entrepreneurs, Firm Financing, Management and the Growth Performance of SMEs in Cambodia

Parameter	B	Std. Error	Beta	t	sig
Constant	1.299	0.221		5.887	0.000
Value of entrepreneur	1.684	.172	.244	3.313*	0.001
Firm financing,	1.913	.180	.050	.676	0.500
Management	1.897	.163	.177	2.669*	0.008
F	10.849	(p-value=0.008)			
Adjusted R ²	.119				

Note: *p<0.05

As can be seen from Table 5, multiple regression analysis was used to see whether there are relationships between values of entrepreneurs, firm financing and management on the growth performance of SMEs in Cambodia. The results have shown that is statistically significant relationship between values of entrepreneurs, firm financing and management and growth performance of SMEs. Thus proposition 1 was accepted. The adjusted R squared value was 0.119. The result indicates that 11.9% of the variance in the growth performance of SMEs has been significantly explained by the three dimensions (values of entrepreneurs, firm financing and management). Although the three dimensions are positively related to growth performance, only value of entrepreneurs and management are significant in enhancing growth performance on SMEs in Cambodia.

From Table 6, a hierarchical multiple regression is adopted in these analyses. At the first stage, the independent variables are input in a block. At the second stage, the moderator for instance, market environment is inserted in as the new block. In the final stage the interaction factor between the independent variables and the moderator (value of entrepreneur, firm financing and management *market environment) are included in the third block. The same steps are applied for moderating effects of government policy on the independent variables. The results show that market environment does moderate the relationship between values of entrepreneur, firm financing, and management and growth performance of SMEs. Thus proposition 2 was accepted ($\beta=.156$, $p=.000$). Furthermore, government policy found to moderate the relationship between values of entrepreneurs, firm financing and management and growth performance of SMEs. Thus these results provide support to proposition 3 ($\beta=.568$, $p=0.000$). The adjusted R squared value was 0.409. Finally, the same steps are applied for the moderating effects of market environment and government policy on the independent variables. The results provide support to proposition 4 where government policy found to

moderate the relationship between values of entrepreneurs, firm financing and management and growth performance of SMEs ($\beta=.557$, $p=.000$). The adjusted R squared value was 0.410.

Table 6. Hierarchical Regression Analysis between Values of Entrepreneurs, Firm Financing, management and the Moderating Effect of Market Environment and Government Policy on the Growth Performance of SMEs in Cambodia

Parameter	B	Std. Error	Beta	t	sig
Constant	1.074	.238		4.514	0.000*
Value of entrepreneur	.162	..056	.214*	2.895	.004
Firm financing	.027	.054	.036	.495	.621
Management	.124	.049	.167*	2.544	.012
* Market Environment	.111	.047	.156*	2.391	.018
F	9.743	(p-value=0.000)			
Adjusted R ²	.138				
Constant	.546	.195		2.804	.0006*
Value of entrepreneur,	.084	..047	.111	1.797	.074
Firm financing,	.046	.045	.062	1.020	.309
Management	.050	.041	.068	1.226	.221
* Government Policy	.417	.040	.568*	10.338	.000
F	38.841	(p-value=0.000)			
Adjusted R ²	0.409				
Constant	.462	.206		2.241	.026*
Value of entrepreneur	.076	.047	.100	1.612	.108
Firm financing,	.041	.045	.056	.915	.361
Management	.049	.041	.066	1.188	.236
* Market Environment	.049	.039	.069	1.260	.209
* Government Policy	.409	.041	.557*	10.019	.000
F	31.475	(p-value=0.000)			
Adjusted R ²	0.410				

Note: * $p<0.05$

CONCLUDING COMMENTS

The findings of this study confirm that government policy does act as a full mediating variable in the growth performance of SMEs in Cambodia. The choice of the government policy options for dealing with the growth performance of SMEs needs to be based on good diagnostic and a broad view of the policy options.

Regarding the robustness of research methodology, the data gathered from SME growth performance literature, the pilot study and the survey questionnaire have satisfactorily met the requirements of validity and reliability, and this may lead to the production of accurate and reliable findings.

With respect to practical contributions, the findings of this study may be used as guidelines by SMEs especially looking at the market forces that seem to be the constraint on their growth performance. The implementation of growth performance model is the best measurement model and strategy for entrepreneurs in Cambodia to run their business well. The growth performance of SMEs captures the ability of entrepreneur to set up and aligned the company by managing and adapting to change. Processes will only succeed if adequate skilled and motivated employees are being provided with accurate and timely information. The study confirmed that in SMEs, entrepreneurs who are skilled and adequately trained are able to improve the quality and reduce cycle time. The present study suggests that the government policy will be best served if the regulatory, cognitive and normative be strengthened. Public policies targeting the regulatory environment can improve the opportunities available to entrepreneurs by offering SMEs financial incentives or preferential treatment in government procurement. Governments can strengthen the cognitive environment by offering government-sponsored training programmes or consulting services thus increases the abilities of entrepreneurs to conduct businesses.

The conclusion drawn from the results of this study should consider the limitations below. Firstly, the regional bias of our sample which consists of SMEs based in Phnom Penh City of Cambodia. The Phnom Penh City consists of 3,064 SMEs from which the sample is drawn, which may not necessarily be representative of the population. Barkham et al. (1996) found that regional study may suffer from bias, if differences in the characteristics of firms and owner managers exists between region. However, evidence from previous studies has refuted regional and locational factors as being important in the study of SMEs (for example, Mahmud, 1981; Hakim, 1989; Storey et al., 1989 and Keasey & Watson, 1994). Furthermore, the focus on Phnom Penh City, as opposed to national sample for Cambodia, is justified on the basis of convenience (proximity to the researcher), and time and cost constraints. Secondly, the sectoral bias where the major business activities in the Phnom Penh City include sale/service firms, trading firms and manufacturing firms. A sample drawn randomly from the underlying population of SMEs would tend to favour general business firms, a sector in which the growth performance will be lower. This outcome would have prevented the researcher from exploring the growth performance of the manufacturing sector. To reduce the sectoral bias, the number of manufacturing firms in the sample must be increased to counter the composition of the population.. Thirdly, although outcomes of regression analysis can produce substantial amount of variance in dependent variable explained by the significant predictors is identified, but there are still a number of unexplained important factors that should be incorporated to identify the causal relationship among variables and their relative explanatory power (Tabachnick & Fidell, 2001). Finally, this research uses a mail questionnaire survey. The biggest administrative drawback of mail questionnaires is that the researcher has to risk the questionnaire being completed by those assigned by the owner manager but not involved in decision making. Therefore, the researcher has to: “accept the completed questionnaires on faith (Wahab, 1996).” However, the researcher has reasonable confidence in the accuracy of the data collected using this method.

Directions for future research should consider the conceptual and methodological limitations of this study. Firstly, SME characteristics (sizes, types of business, innovativeness) should be further explored, and this may provide meaningful perspectives for understanding of how individual similarities and differences affect the growth performance of SMEs. Secondly, the limitations of cross-sectional research method may be overcome if longitudinal studies are used to collect data and describe the patterns of change and the direction and magnitude of

causal relationships between variables of interest. Thirdly, future studies could examine whether variables such as organizational structure and organizational culture influence the growth performance of SMEs.

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