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**Moderating Effect of Government Policy on
Entrepreneurship and Growth Performance of
Small-Medium Enterprises in Cambodia****^aMohd Noor Mohd Shariff*, ^bChea Peou and ^cJuhary
Ali**^aCollege of Business, Universiti Utara Malaysia, Malaysia^bMinistry of Council Ministers, Cambodia^cAsia e University, Malaysia

Abstract: The role of Small-Medium Enterprises has been recognized to be importance as an engine of growth and poverty alleviation through the creation of jobs and income for the people. The aims of this study are to examine the moderating effect of government policy on the relationship between entrepreneurial values, firm financing, management, market practices and growth performance of SMEs in Cambodia. The survey method was used to gather 220 usable questionnaires from SME owner-managers in the City of Phnom Penh in Cambodia. Hierarchical multiple regression analysis was performed to determine the results. The results of the study showed a positive relationship between entrepreneurial values, firm financing, management, market practices and SME growth performance as hypothesized. The results also confirm that government policy have an important role as full moderator in such relationships. In addition, implications to growth theory and practice, limitations, and suggestions for future research were also discussed.

Keywords: SME Growth Performance, entrepreneurial values, firm financing, firm management, market practices and government policy

INTRODUCTION

Small and Medium Enterprise (SME) sector development is one of the recent key issues in developing countries (Davidsson, 2004; Gibb and 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

* mdnoor@uum.edu.my 

industries (LIs). SME development is the future candidate of LI because every large enterprise (LE) has had the experience of starting their business as SME. 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 is not only a key issue for industry development, but also for the socio-economic development of the country.

The vital role of SMEs towards overall economic development has been recognized widely by every nation around the world. SME is considered an engine for growth and poverty reduction for developing countries the country through the creation of jobs and incomes for the people (Morris, May, Godden and Nicholson, 2001; World Bank Group, 2004; Ngasongwa, 2002; Hashim, 2004), domestic production and export (Hisrich and Szirmai, 1993; McMillan and Woodruff, 2002), entrepreneurial skills and industrial linkages (Chee, 1992; Wyer, 1999; Goh and Chew, 1996; Mohd Shariff, 2003) and individual collective initiative and social values (Clapham, 1985).

SME development is also considered as a tool for economic survival during the developed and developing countries the country's crises (Tambunan, 1992; Goh and Chew, 1996; Frank and Landstrom, 1997). 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 economies 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, domestic production, and exports (Hisrich and Szirmai, 1993; McMillan and Woodruff, 2002).

This is true for SMEs especially when the surplus of labor, scarcity of capital within the rapidly growing population in the poor and developing countries are high (Chico, 1983; Khan, 2002). SMEs help to promote individual collective initiative, basic social values, and are highly viewed as a crucial tool towards achieving a social and regional integration (Clapham, 1985). An evidence from the World Bank Group (2004) shows that SMEs in China helped nearly 200 million people 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 help during the period of economic growth but also in economic recession. It also becomes the engine for growth of Multinational Companies (MNCs) in Singapore (Goh and Chew, 1996). The strong turbulence in the world economy in 1970s had made many large firms in developed countries lay off their employees. SMEs then were regarded as the problem solver to these structural changes (Frank and Landstrom, 1997).

However, SMEs faced many problems in their growth performance (Kirby, 2003). These problems can be due to the lack of entrepreneurial values, financing, management and markets (Barber, Metcalfe and Porteous, 1989; Allal,

1999; Kirby, 2003). Other external factors such as the macroeconomic environment, government policies and regulations, and the availability of physical infrastructures also affect the growth performance of SMEs. Szegedi (1989) found that the potential factors that influence SMEs growth performance in Hungary in Europe are economics, political, and the social infrastructure.

Previous studies have examined the forces limiting SME growth (Austin, 1988; Arbaugh and Sexton, 1996; Das, 1996; Hull, 1990; Petrakis, 1997; Barber et al., 1989; Mohamad, Rashid and Sidin, 1998; Kirby, 2003). Others have suggested creating more business-friendly environments through government policies which has been shown to be another influential factor on SME growth performance (Fabella, 1987; Islam, 1987; MPDF, 1997; Mannan 1993; Pilgrim, 1994; Dijk, 1997; Czinkota and Ricks, 1981; World Bank Group, 2004).

There have been only limited attempts at studying SME growth performance in Cambodia. As stated by International Finance Council 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

Add some text about this section here. This section reviews available literature on SME growth performance, factors that influence the growth performance of SME as well as government policy on entrepreneurship in Cambodia.

SME Growth Performance

Penrose (1995) defines performance as a measure of how well the firm achieves its goals (organizational and financial goals). In this study we specifically measure the performance of SMEs as profitability, growth, and survival.

The outcomes of a firm's performance depend on whether a firm has achieved its goals or not (Barney, 1991; Davidsson, 2004; McMahon, 2001). The merits of the measures used in this study are that- they are widely understood, brief, and able to be verified and replicated. The most common objective measures of organizational performance are 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 expectations for success (Penrose, 1995).

Factors influencing the Growth Performance of SMEs in Cambodia

Tambunan (1999) found that small business owner-managers having 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. [McMahon's \(1998\)](#) findings left open the questions of generalisability and whether or not personal characteristics and values might be used to predict an individual's position on an 'entrepreneurial-conservative' values continuum. The question of the degree to which an individual owner-manager could be characterized as "entrepreneurial" might be used to predict the performance of the organization they own has also been studied by [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 linked to business performance by a number of researchers ([Fitzsimmons, Steffens and Douglas, 2005](#); [McMahon, 2001](#)). However, the literature disagrees on how the individual's 'characteristics' effects management practices.

[Kyambalesa \(1994\)](#) defines firm financing as the total amount of money invested to SMEs owners. It is one of 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 obtaining financing from various sources. The lack of sufficient firm financing will create a significant problem for SMEs business activities, particularly their ability to grow ([Mannan, 1993](#)). Moreover, [Kam \(1994\)](#) indicated that the ability to generate ideas, the ability to solve problems and the level of technical sophistication of SME owners has a major influence on SMEs' growth performance. [Ferdows \(1980\)](#) added that SME owners whose ability to use their employees skills and utilize their resources fruitfully would lead to expansion of their business and does not hurt their chances to be successful. However, according to [Penrose \(1995\)](#), the conducts of the management also plays an important role in SMEs growth performance.

Research conducted by [Olsen and Johannessen \(1994\)](#) cited that the experiences and 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 particularly the speed with which they can produce high quality work that meet the needs and requirements of customers and suppliers was another important determinant of SMEs' growth performance. Owner-managers also need to persevere when appropriate and to think and act creatively- these are additional prerequisite skills that contribute to the growth performance of SMEs.

Small capital requirements make it possible for SMEs to enter exit easily from their industry. It is also believed that private sector entrepreneurial activities have many important spillover and positive externality effects ([Haswell and 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 Importance of 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 Group, 2004). Numerous reforms and trade liberalization measures squeezed the 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 on a dynamic growth path. SMEs are considered to be the seedbed for the development of entrepreneurial skills and innovation due to the flexible nature of their operations.

Through its agencies, the Government should promote a series of efficient policies affecting competitiveness, such as monetary, financial, budgetary, fiscal, labor and trade. The Government could also 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). Business is supported by increasing and promoting entrepreneurship, skilled labor, investments in technology, and sound management practices, among others. Infrastructure is enhanced by the provision of quality education, health, environment, water, energy, roads, and of the creation of science and technology institutions. Sound government policies support competitiveness (Dovaldson, 1995). A dynamic national system of technological innovation, a globally integrated financial sector, a well-developed infrastructure and a skilled labor force supports a country's international competitiveness.

The Royal Government of Cambodia (ROC) recognized that the creation of vibrant environment for private sector development was a precondition for promoting economic growth, creating employment, reducing poverty, and sustaining economic development (RGC, SMEs Sub-Committee, 2005). As general, the Asian Development Bank (2003) indicated that the government policies towards the business-friendly environment had been a positive impact on the business growth performance of SMEs in Cambodia. The RGC noted that private sector expansion was largely dependent for business investment. Government performance in public services and social judiciary were the key factors in determining the private sector growth (RGC, 2001). In fact, the economic reform in the mid 1980s for private property had been restored. The price control mechanism had been abolished whereby most state-owned enterprises had been privatized and incentives been provided to local and foreign private investment. The process of growth development of SMEs had also been started up and grown in Cambodia (Asian Development Bank, 2003).

The government strategy hinges on macroeconomic stability is also the key strategy for sustaining the economic growth in Cambodia (Asian Development Bank, 2003). The maintenance of macroeconomic stability and continued progress in structural reforms, and a strong implementation of them is the crucial ways to the achievement of national development objectives (Royal Government of Cambodia, 1996). The government has recognized the development of infrastructure system has also help facilitate the market access and other essential

public services within the needs of communities (RGC, 2001). To attract the needed investments, the RGC has put a strong effort in improving the basic economic infrastructure, the delivery of public services, and strengthening the legal and regulatory framework (RGC, 2006).

The policy is also opened to cooperate with the team of donors and non-profit organizations to assist SMEs, for instances, MPDF (Mekong Project Development Facility) has began in providing technical and financial support to the country's leading nonprofit micro-credit organization in 1999. The Association of Cambodian Local Economic Development Association (ACLEDA) which now is converting into a commercial bank has served a full range of credit for SMEs and the poor (IFC, World Bank Group-SME, 2002). Clark (2006) has indicated that the international development organizations have provided crucial financial support for launching the ACLEDA Bank Ltd., which its name is already well known among Cambodian small-scale entrepreneurs in leading provider of micro-credit and credit to SMEs in Cambodia. The RGC has set up Rural Development Bank (RDB) that is bank to carry out on the needs of SMEs, this bank has received fund from the government budget and also from other donors' grants in running financial schemes for SMEs in Cambodia (Royal Government of Cambodia, 2002).

Capital alone is not enough for assistance SMEs in Cambodia, MPDF is bringing into the Cambodian market through several means: individual technical assistance packages, group training classes, and inexpensive self-study management workbooks written in Khmer language (IFC, World Bank Group-SME, 2002). The survey conducted by IFC and MPDF (2005) show that under the support of private owners in the purposes of doing business themselves and under the support of other donors in the purposes of helping SMEs growth in Cambodia, many consulting services agencies are created to provide the services for SME start up and growth. But this survey has shown that the non-charged services are poor reach to SME and other charged services are unwilling to use by SMEs (IFC and MPDF, 2005).

The government is also seeking the ways in consultation with affected parties to encourage an enabling environment to promote access to credit through the extension of micro-finance schemes that will benefit from creation of a credit operation association to facilitate orderly expansion of rural financial services (Royal Government of Cambodia, 2001). To assist SMEs for finance the business, MPDF has raised \$3.5 million project to provide the advice and training courses to all member institutions of the Association of Bankers of Cambodia about experiences of loan management for SME (Harner, 2003).

METHODOLOGY

This section discussed the data collection procedure and hypotheses generated from the objectives.

Data Collection

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 had worked in higher education. Their feedback was 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 and Ratnatunga, 1995).

The survey questionnaire had two sections. First, it consists of questions on the demographic profile of the respondents. Second, there are questions on factors that influence the growth performance of SMEs. The entrepreneurial values consist of 15 items that were modified from the entrepreneur behavior theory literature (Schumpeter, 1934; Kirchoff, 1994). Questions regarding firm financing had 11 items that were developed based on resource base theory literature (Barney, 1991). Management ability was measured using 14 items that were developed from Barney (1991). The market practices and government policy were measured using 15 items that were developed from contingency theory (Dovaldson, 1995). Finally, SME growth performance was measured using 5 items that were developed by Penrose (1995). These items were measured using item scale ranging from “1- Strongly disagree”, “2- Disagree”, “3- Neutral”, “4-Agree” and “5-Strongly agree”.

The unit of analysis for this study is owners/managers from SMEs in Phnom Penh, Cambodia. A convenient sampling technique was used to gather data from SME firms. Based on the combined list created from the Ministry of Commerce, yellow pages from the telephone directory and business cards in the area of Phnom Penh (Webster and Boring, 2000), 1078 SMEs were contacted 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 a 20.4 percent response rate. The survey questionnaires were answered by participants on a voluntarily basis. The names of owners/managers of the SME firms were made anonymous in order to avoid intrusiveness.

Hypotheses Formulation

In order to satisfy the objective of this study, two hypotheses were tested which are as follows:

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

H₂: Government policy positively moderates the relationship between entrepreneurial values, firm financing, management and the market practices and the growth performance of SMEs in Cambodia.

FINDINGS

Appendix A shows that sales/service and trading (85.4 percent) firms outnumber their manufacturing (14.6percent) counterparts. Over one-half (52.3 percent) of the sample firms are from the medium-sized enterprises. However, 99 percent of the firms have less than 100 employees. The majority of respondents (85.5 percent) derived their sources of capital from personal savings, family and friends. The majority (70 percent) of the amount of capital invested by the firms are below US\$20,000.

Table 1 reveals show that the factor analysis with direct oblimin rotation was done for six variables with 75 items. The Kaiser-Mayer-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 and Black, 1998), and (5) all research variables exceeded the acceptable standard of reliability analysis of 0.70. This result demonstrates the goodness fit for the data used in this study (Nunally and Bernstein, 1994). These statistical results support the notion of performance growth theories (see Gibb and Davies, 1990; Kovereid and Bullvag, 1996; Petrakis, 1990) and findings of previous study (see Gartner, 1997; Kirby, 2003; Churchill and Lewis, 1983; Tambunan, 1994; Kam, 1994). Results for the goodness of fit tests for the data used in this study are shown in Table 3.

Table 1: Findings of the goodness of data

Measure	Items	Factor Loadings	KMO	Bartlett's Test of Sphericity	Eigen value	Variance Explained	Cronbach Alpha
Entrepreneurial values	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 practices	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	839.76 (p=.000)	3.820	76.407	0.922

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

Table 2: Findings of the correlation analysis (Pearson Correlation Analysis)

Variable	Mean	St. Dev	1	2	3	4	5	6
Entrepreneurial values	3.43	.7978	1					
Firm financing	3.59	.8137	.498**	1				
Management	3.24	.8106	.237**	.265**	1			
Market practices	3.26	.8410	.251**	.201**	.132	1		
Government policy	3.19	.8183	.270**	.147*	.242**	.225**	1	
Growth performance	2.49	.6005	.311**	.219**	.248**	.239**	.624**	1

Note: Level of Significance: *0.05; Reliability Estimation in the Parenthesis (1); Level of Significance: ** 0.01

Influence of Moderating Factor

Stepwise regression analysis was used to assess the magnitude and direction of each independent variable, and vary the moderating variable in the relationship between many independent variables and one dependent variable (Foster, Stine and Waterman, 1998). Baron and Kenny (1986) suggest that a moderating variable can be considered when it meets three conditions: first, the predictor variables are significantly correlated with the hypothesised moderating variable. Second, the predictor and moderating 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 moderating variables into the analysis (Wong, Hui and Law, 1995). In this regression analysis, standardized coefficients (standardized beta) were used for all analyses (Jaccard, Turrisi and Wan, 1990). Table 3 and Table 4 shows that the outcomes of testing the research hypotheses.

Table 3: Results of the regression analysis

Parameter	Co-efficient	Std. Error	Beta	t-value	sig
Constant	0.462	.206		2.241	.026
Entrepreneurial values	0.076	.047	.100	1.612	.108
Firm financing, Management	0.041	.045	.056	.915	.361
Market Practices	0.049	.041	.066	1.188*	.236
	0.049	.039	.069	1.260	.209
F	31.475	(0.000)			
Adjusted R ²	.410				

Note: *P<0.05; figure in the parentheses represent the std. error

As can be seen from Table 4, multiple regression analysis was used to investigate whether there are relationships between entrepreneurial values, firm financing, management, market practices on the growth performance of SMEs in Cambodia. The results indicate a statistically significant relationship between the independent variables and the growth performance of SMEs; we could therefore not reject Hypothesis 1. The adjusted R squared value was 0.138. The result indicates that 13.8 percent of the variance in the growth performance of SMEs has been significantly explained by the four factors. Although the four dimensions are positively related to growth performance, only entrepreneurial values, management and market practices are significant in enhancing the growth performance of SMEs in Cambodia.

Table 4 reports the results from tests employing a hierarchical multiple regression model. At the first stage, the independent variables are input in a block. At the second stage, the moderator- for instance, government policy -is inserted in as the new block. In the final stage the interaction factor between the independent variables and the moderator (entrepreneurial values, firm financing, management, and market practices- *government policy) are included in the third block. The results show that government policy does moderate the relationship between entrepreneurial values, firm financing, management, and market practices and the growth performance of SMEs. We therefore fail to reject Hypothesis 2 ($\beta=.462$, $p=.000$). The adjusted R squared value was 0.410.

Table 4: Results of the hierarchical regression analysis

Parameter	Co-efficient	Std. Error	Beta	t	sig
Constant	1.074	.238		4.514	0.000*
Entrepreneurial values	.162	.056	.214*	2.895	.004
Firm financing	.027	.049	.167*	2.544	.012
Management	.124	.047	.156*	2.391	.018
Market practices	.111				
F	9.743	0.000			

Table 4 cont.....

Adjusted R2	.138				
Constant	.462	.206		2.241	.026*
Entrepreneurial values	.076	.047	.100	1.612	.108
Firm financing Management	.049	.041	.066	1.188	.236
Market practices	.049	.039	.069	1.260	.209
Government Policy	.409	.041	.557*	10.019	.000
F	31.475	0.000)			
Adjusted R2	0.410				

Note: *P<0.05

CONCLUDING COMMENTS

The findings of this study confirm that government policy does act as a full moderating 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, which enhances the accuracy and reliability of our findings.

With respect to practical contributions, the findings of this study may be used as guidelines by SMEs especially with regards to the market forces that apparently constraint their growth performance. The implementation of the growth performance model is the best measurement model and strategy for entrepreneurs in Cambodia who desire to run their businesses well. The growth performance of SMEs captures the ability of entrepreneur to set up and align the company by managing and adapting to change. Processes will only succeed if adequately 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 environments are 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 programs or consulting services thus increasing the ability of entrepreneurs to conduct businesses.

The conclusion drawn from the results of this study should consider the limitations below. Firstly, there may be regional bias in our sample which consists of SMEs based in Phnom Penh City, Cambodia. Phnom Penh City consists of 3,064 SMEs from which the sample is drawn, which may not necessarily be representative of the population. 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. Second, sectoral bias may exist, as 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 sector bias, the number of manufacturing firms in the sample must be increased to offset the composition of the population. Third, there remain a number of unexplained but important factors that should be incorporated to identify the causal relationship among variables and their relative explanatory power. Finally, this research uses a mail questionnaire survey. The biggest administrative drawback of mail questionnaires is that the researcher runs the risk of 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." 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. First, SME characteristics (sizes, types of business, innovativeness) should be further explored; this may provide meaningful perspectives for understanding how individual similarities and differences affect the growth performance of SMEs. Second, the limitations of a 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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Appendix A

Sample profile

Types of Business	(percent)
Sales/service firm	61.8
Trading firm	23.6
Manufacturing	<u>14.6</u>
	<u>100.0</u>
Size of Business	(percent)
Micro business	5.0
Small business	42.7
Medium business	<u>52.3</u>
	<u>100.0</u>
Number of Employees	(percent)
<5	51.4
6-20	33.6
21-50	9.5
51-100	4.5
101-200	<u>1.0</u>
	<u>100.0</u>
Sources of Capital Investment	(percent)
Personal Savings	48.6
Family	35.5
Partnership	14.5
Friends	<u>1.4</u>
	<u>100.0</u>
Amount of Capital Investment	(percent)
< \$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	<u>0.4</u>
	<u>100.0</u>

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