



BUSINESS OWNER'S CULTURE ORIENTATION AND SMALL AND MEDIUM-SIZE

ENTRIPRISE GROWTH:

A LIBERIAN CASE STUDY

By

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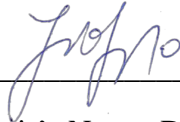
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Dedication

This work is dedicated to the brave ones, the dreamers, the risk-takers. To those who risk their savings to undertake entrepreneurial ventures in some of the most challenging places in Africa.

This is to those who dare to dream big even when the odds are against them.

This thesis is dedicated to all young entrepreneurs across Liberia who are helping to eradicate extreme poverty in forgotten communities across the country through entrepreneurial ventures.

While most of us in Europe wake up to the sounds of our alarm clocks, you wake up to the beats of your dreams. Many thanks for everything!

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ABSTRACT

BUSINESS OWNER'S CULTURE ORIENTATION AND SMALL AND MEDIUM-SIZE ENTRIPRISE GROWTH: *A LIBERIAN CASE STUDY*

by

Aaron Saye Nyanama, MSc

sertation Chair: <Chair's Name>
Co-Chair: <If applicable. Co-Chair's Name>

Purpose: This study's primary purpose was to determine how business owners' culture orientations influence Small and Medium-size Enterprises Growth in Liberia. The author put forward six hypotheses; corresponding to six of the nine cultural orientations indicated by the GLOBE Study. They are Uncertainty Avoidance, Power Distance, In group Collectivism, Assertiveness, Humane Orientation, and Future Orientation (House et al., 2004). The researcher hypothesized that all of the cultural orientations mentioned above, except uncertainty avoidance, leads to higher growth among SMEs.

Design/methodology/approach: This study uses a quantitative method to test various hypotheses regarding the link between business owners' cultural orientation and firm growth. The author specifically hypothesized that specific cultural orientations do impact the growth of SMEs in Liberia. This study uses data collected from 207 entrepreneurs representing the SMEs sector from two different counties in Liberia. The researcher used various statistical techniques such as descriptive statistics, factor analysis, and regression analysis to analyze the data.

Findings: The results show that Power Distance, Collectivism, and Future Orientations lead to higher sales growth among Small and Medium Size Enterprises in Liberia. However, the researcher failed to show that Uncertainty Avoidance among business owners negatively impact sales growth among SMEs in Liberia. The researcher also failed to prove that Humane orientation among business owners leads to higher sales growth among Liberia SMEs. Finally, the researcher found no evidence that supports the theory that Assertiveness orientation leads to higher sales growth among SMEs in Liberia.

Research limitation: This study uses a non-probability sampling method. Which means that the extent to which findings from this study can be generalized to the rest of the entrepreneurs in Liberia is very limited.

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Chapter I:

INTRODUCTION

1.1 Introduction

The role of small and medium-sized enterprises (SME) in driving economic development is very vital, especially in developing and emerging economies (Heydari & Khoshnood, 2019). Each year, multi-billion-dollar worth of aids are devoted to fostering the growth of SMEs in developing countries (Demirgüç-Kunt, 2011). The strategic role of SME is highlighted by the way it continues to influence both regional and global policy debates (Foreman-Peck, 2013). The central issue dominating policy debates around the world and Africa in particular is, how to stimulate economic growth through the development of SMEs (Herdjiono et al., 2017; McGuinness et al., 2018). The key assumption behind the support for SMEs growth is that it leads to massive economic benefits such as employment creation and income generation (Acs et al., 2008; Kang et al., 2008). The role of SMEs is particularly strategic in developing countries with a huge abundance of unskilled people (Demirgüç-Kunt, 2011).

Just like many other developing countries, Liberia considers SME development and growth to be a critical component of its poverty alleviation strategy. Study from the International Trade Center (2015) highlights the critical role of SME in the Country. “Nearly 80% of all formal Liberian firms employ fewer than 20 people, with only a further 13% employing between 20 and 100 people”(Addy, 2015). This highlights the importance of developing a well-informed policy that supports the growth of SMEs in Liberia. This study aims to provide empirical evidence regarding factors that drives SMEs growth. Results from this study could help policy

makers make informed decisions.

Alongside the need to provide empirical evidence that would support policymakers and practitioners in their quest to support SMEs growth, is the need to provide empirical insight into entrepreneurship in Africa (George, 2015; George, Corbishley, et al., 2016; George, Kotha, et al., 2016). Even though initiatives such as the newly established African Academy of Management provides an ideal platform for management research in Africa, the number of contributions received from Africa based scholars is less than 2% (Acquaah et al., 2013). This is because a vast majority of entrepreneurship research in academia almost exclusively focused on developed countries (George, Corbishley, et al., 2016). and emerging economies in Asia. Very little is known of entrepreneurship in Africa (Jones et al., 2018).

Another thing that separates this research from previous studies is that, unlike other studies that focus on impact on entrepreneurship characteristics on SMEs growth (e.g., Saga, 2012), this study will focus on the business owner culture orientation impact on the firm growth. The author posits that establishing the link between a business owner's cultural orientation and business growth is important because a business's capability is highly influenced by culture: both societal and organizational (König et al., 2007a).

Perhaps, the most persuasive argument for the application of culture to entrepreneurship research is the one made by Radziszewska (2014). She argues that entrepreneurs are not independent, risk-taking individualists, as we often think of them. She believes that for the role of entrepreneurs to emerge within a society, entrepreneurs must be granted social acceptance. Without that, activities associated with new venture formation cannot be accepted as legitimate and socially beneficial (Radziszewska, 2014). This line of thought is consistent with Freytag & Thurik (2007) who argue that culture constitutes an important construct in entrepreneurship

research as such, it should be taken seriously.

There has been an immense interest in the relationship between culture and entrepreneurship over the last 20 years (Autio et al., 2013; Dwyer et al., 2005; Hayton & Cacciotti, 2013; Hofstede et al., 2004; Kreiser et al., 2010a). However, as indicated by (König et al., 2007a), most of the studies about culture's impact on entrepreneurship mainly focus on the impact of culture on societal ownership of businesses. They argue that this narrow focus is not very helpful in understanding how individual business owner's cultural orientations influence the business culture and organizational performance. As such, they posit that there is a need for research that measures cultural orientations at the individual level.

The significance of this study also lies in the fact that it does not only seek to examine the relationship between culture and business performance, but it also seeks to do so in a least developed country in Africa, whereas previous studies were almost exclusively done in developed countries in Europe and America.

Unlike König et al.(2007), who focus on how business owner's culture orientation affects organizational culture, this study seeks to understand which of the six out of the nine Global Leadership and Organizational Behavior Effectiveness (GLOBE) cultural dimensions has the most impact on SME growth in Liberia.

However, the significance of this study goes beyond the need to fill in research gaps. As indicated by Ladzani & van Vuuren (2002), results from this study could help solve some of the most pressing challenges that the African continent faces such as, high youth unemployment rates, endemic poverty, economic inequality, poor/ineffective infrastructure, and, etc.

1.2 Research Problem

While it is true that there is an extensive body of research on the growth of SMEs (e.g., Delmar & Wiklund, 2008; Lee & Tsang, 2001; Nunes et al., 2013; Rafiki, 2020; Voulgaris et al., 2003), none has sought to determine the relationship between business owner culture orientation and SME growth. Most importantly, none have sought to understand the link between business owner culture orientation and firm growth in Africa. The lack of understanding of business owner culture orientation and how it impacts SMEs growth in Africa poses a challenge when it comes to understanding what drives firm growth in Africa. This is because studies show that business owners generally support organizational cultures that lead to superior business performance (e.g. Ogbonna & Harris, 2000; Schein, 1985). At the most basic level, it is important that research geared towards understanding firm growth should also include the above-mentioned variables.

Another problem that this research aims to address is the lack of empirical studies on firm growth in smaller least developed countries in Africa. A review of the literature shows that a vast majority of the studies done on SMEs growth in Africa exclusively focus on bigger economies such as Nigeria, South Africa, Tanzania, etc. (e.g., Eijdenberg et al., 2015; Isaga, 2012). Empirical studies on SMEs growth in smaller least developed countries in Africa is close to nonexistent. This is intellectually interesting given the fact that SMEs constitutes almost 90% of the business in some of those countries (Muriithi, 2017). Results from this study will not only provide empirical evidence that will help scholars develop context specific entrepreneurship theories for smaller least developed countries, but it also provides policymakers with additional options when it comes to SMEs growth and poverty alleviation strategy formulation.

The notion of context specific entrepreneurship theory and policy formulation make this

study particularly significant. As indicated by Isaga (2012), determinant of SMEs growth may be contingent upon differences in factors such as economic, education, and culture (Isaga, 2012). While most people in Africa become an entrepreneur out of necessity to generate desperately needed income, those in developed western countries become entrepreneurs as a means of changing careers or becoming self-employed (Isaga, 2012). As such, it is important to empirically examine factors that influence SMEs growth at different levels in different countries, including Liberia, a country with high youth unemployment, and a high rate of extreme poverty (Backiny-Yetna et al., 2012). By analyzing the influence of the business owner culture orientation on the growth of SMEs, this research aims to test an entrepreneurship theory that has never been tested in Liberia, a country with a different culture.

Unlike previous studies (e.g., Davidsson et al., 2005; Eijdenberg et al., 2015; Rafiki, 2020; Williams & McGuire, 2010), this study will expand the current body of empirical studies done on SMEs growth by applying different approaches to measuring firm growth. Findings from this study could have significant practical implications on policymakers, entrepreneurs, as well as the ordinary citizens in Liberia. For instance, unemployment in Liberia is a huge problem for the government and its international partners (Ministry of Commerce and Industry, 2011). As the biggest employer in the country, the Liberian government no longer has enough jobs to keep absorbing additional labor force. As such, it has decided to freeze external recruitment for public sector jobs.

This study posits that if the private sector is to become the source of employment creation and economic growth, policymakers need to focus on developing policies that lead to SMEs growth. However, for such policies to be effective, a fundamental understanding of factors that drive SMEs growth is critical.

In conclusion, this is a highly significant study with so many implications. Findings from this study could help guide the decisions of financial institutions when making investment decisions in SMEs. It could also expand the body of research on why some businesses grow while others stagnate. Additionally, finding from this study could assist entrepreneurs when it comes to determining factors that could help with the growth of their businesses. Similarly, results could benefit future entrepreneurs, especially start-up firms seeking to avoid difficulties associated with the lack of understanding of local culture orientation in Liberia.

1.3 Purpose of Research

The main objective of this research is to determine what factors determine SMEs growth in Liberia. In this study, I intend to examine the influence of business owner culture orientation of the growth of SMEs in Liberia.

In order to achieve the main objective, the specific objectives are:

1. To determine the influence of Uncertainty avoidance orientations of business owners on the growth of SMEs in Liberia.
2. To determine the influence of Power Distance orientations of business owners on the growth of SMEs in Liberia.
3. To determine the influence of Collectivistic orientations of business owners on the growth of SMEs in Liberia.
4. To determine the influence of Humane orientation of business owners on the growth of SMEs in Liberia.
5. To determine the influence of Assertiveness Orientation of business owners on the growth of SMEs in Liberia.

6. To determine the influence of Future orientation of business owners on the growth of SMEs in Liberia.
7. To examine simultaneously the influence of Demographic, Uncertainty avoidance, Distance orientations, Collectivistic orientations, Humane orientation, Assertiveness orientation, and Future orientation of business owners on the growth of SMEs in Liberia.

1.4 Significance of the Study

This is a highly significant study with many implications. Unlike previous studies, this study will expand the current body of empirical studies done on SMEs growth by applying different approaches to measuring firm growth. The significance of this study also lies in the fact that it does not only seek to examine the relationship between culture and business performance, it seeks to do so in a least developed country in Africa, whereas previous studies were done in developed countries in Europe and America. Findings from this study could help guide the decisions of financial institutions when making investment decisions in SMEs. It could also expand the body of research on why some businesses grow while others stagnate. Additionally, findings from this study could assist entrepreneurs when it comes to determining factors that could help with the growth of their businesses. Similarly, results could benefit future entrepreneurs, especially start-up firms seeking to avoid difficulties associated with the lack of understanding of local culture orientation in Liberia.

1.5 Research Purpose and Questions

The main objective of this research is to determine what factors determine SMEs growth in Liberia. In this study, I intend to examine the influence of business owner culture orientation on the growth of SMEs in Liberia. This study seeks to answer the following questions: How does

business owner culture orientation impact SMEs growth in Liberia?

Chapter II:

REVIEW OF LITERATURE

2.1 Theoretical Framework

The goal of this section is to build a theoretical framework upon which the research will be based. In the proceeding parts of this section, a brief review of the concepts and evolution of entrepreneurship and theories relevant for this study will be provided.

2.2 A Brief Overview of Entrepreneurship

There is an extensive body of research on the relationship between entrepreneurship and economic growth (Heydari & Khoshnood, 2019; Herdjiono et al., 2017; McGuinness et al., 2018). The exact nature of what constitutes entrepreneurship remains a source of confusion among scholars and practitioners. As indicated by Anderson & Starnawska (2008), a plausible explanation of this confusion partly lies in the very intrinsic richness, the diversity, and the complexity of what constitutes an entrepreneurial venture. Baumol, (1968) refers to entrepreneurship as “one of the most intriguing but equally elusive concepts in economics” as cited by Peneder (2009). The problem with defining entrepreneurship is like the problems faced by other ideas such as leadership, which has become an elusive concept. When you start to define it, you are left with nothing but a simplistic definition that fails to capture the richness of the idea itself.

Most of the attempts to distinguish entrepreneurs from non-entrepreneurs have made no significant difference. Entrepreneur researchers such as (Cole, 1969, p.17), doubts the possibility of getting a generic definition of entrepreneurs. However, this has not dissuaded contemporary

researchers from trying to define entrepreneurship. In the subsequent section of this paper, an overview of the evolution of the terms entrepreneurs and entrepreneurship will be given.

2.3 Who is an Entrepreneur?

The term entrepreneur can be traced back to the 18th century French economist and businessman, Jean Baptiste Say (Bosman & Fernhaber, 2018). He uses the term 'entreprendre' as a generic word for the general undertaking of business. For Baptiste Say, an Entrepreneur is someone who solicits suppliers and laborers at known cost, with the hope of producing goods that could be sold at an uncertain price. The notion of uncertainty is very critical to Cantillon's definition because it highlights the risk-taking nature of an entrepreneur. He believes certain aspects of the future are not just unknown, they are completely unknown. Such as, we can only subjectively estimate the possibility of those events occurring.

The notion of risk was further developed by scholars such as Knight, (1921). Knight sought to put a distinction between insurable and non-insurable risk. Insurable risk, as understood by Knight, is a risk whose relative frequency can be determined from experience. Non-insurable risk on the other hand is a form of risk associated with uncertainty. It relates to events whose probability is based on our subjective estimation (Hebert & Link, 1989). Knight, (1921) argues that a successful definition of an entrepreneur should use the notion of uncertainty as a starting point.

Schumpeter (1934) sought to define entrepreneurs from the standpoint of economic development. He sees economic development as a dynamic process that causes disturbance to the economic status quo (Hebert & Link, 1989). For Schumpeter, the entrepreneur is central to economic development. He argues that, in order for economic development to take place, there have to be new combinations in the marketplace. Schumpeter calls the result of such

combination, innovation. He believes that entrepreneurs drive competition in the marketplace as the result of the dynamic innovation.

Many other attempts have been made to define entrepreneurship (e.g., Kamineni, 2002; Kobia & Sikalieh, 2010). Drucke (1985) for example, argues that entrepreneurship is an act of giving existing resources the capability to create new wealth. While Leibenstein (1968) defines the entrepreneur as someone who resolves market deficiency by using necessary resources to make products that meet market needs.

2.3.1 Definition of entrepreneurship

The above discussion highlights the complexity associated with defining what entrepreneurship is, and who can be considered an entrepreneur. The reviews of literature show that there is a divergence of opinions regarding the definition of entrepreneurship (e.g. Amato et al., 2018; Bull & Willard, 1993; Herdjiono et al., 2017; Kobia & Sikalieh, 2010). This lack of universal definition is particularly inconvenient for entrepreneurship scholars. The main reason is that in order to research a phenomenon, one needs to first define it. One cannot research that which has not yet been defined or can't be defined. Therefore, for many years, almost every entrepreneurship scholar has sought to define what entrepreneurship is. The implication is that there is probably no universal definition. This lack of universal definition means that the definition of entrepreneurship may be contingent upon the context in which the word is used. This contingency nature of entrepreneurship definition has resulted in many different Entrepreneurship Schools of thought. Each school of thought attempts to provide a systematic overview of the different approaches to understanding the meaning of entrepreneurship (Hebert & Link, 1989; Kuratko & Hodgetts, 2001). In the next section of this paper, a detailed overview of each school of thought will be provided.

2.3.2 *Entrepreneurship schools of thought*

While scholars may disagree over the definition of entrepreneurship, there seems to be a broad agreement on the notion of entrepreneurship school of thought. A school of thought is an intellectual tradition that is accepted as authoritative by some scholars belonging to that tradition. It consists of a body of belief, literature, and theory. Understanding the entrepreneurship school of thought is important for entrepreneurship because the school of thought that a researcher adopts has implications on the research output. The diverse definitions of entrepreneurship discussed above can be linked to the many different schools of thought (Kuratko & Hodgetts, 2001).

According to Cunningham & Lischeron (1991), there are six schools of thought. They are *Great Person, Psychological, Classical, Management, Leadership, and Intrapreneurship*. It is worth noting here that, while each school belief and assumption about entrepreneurship may be unique, there are also some commonalities. The most obvious commonalities occur between the great person school of thought and the psychological school of thought. Both schools assert that there are personal qualities that separate entrepreneurs from non-entrepreneurs. As such, they argue that the search for who an entrepreneur is should focus on the personal characteristics of the individual. The table below shows a summary of Cunningham & Lischeron (1991), the six school of thoughts.

Entrepreneurial model	Definition	Measures	Questions
“Great Person”	“Extraordinary Achievers”	Personal principles Personal histories Experiences	What principles do you have? What are your achievements?
Psychological characteristics	Founder Control over the means of production	Locus of control Tolerance of ambiguity Need for achievement	What are your values?
Classical	People who make innovations bearing risk and uncertainty “Creative destruction”	Decision making Abilities to see opportunities Creativity	What are the opportunities? What was your vision? How did you respond?
Management	Creating value through the recognition of business opportunity, the management of risk taking...through the communicative and management skills to mobilize	Expertise Technical knowledge Technical plans	What are your plans? What are your capabilities? What are your credentials?
Leadership	“Social architect” Promotion and protection of values	Attitudes, style Management of people	How do you manage people?
Intrapreneurship	Those who pull to promote innovation	Decision making	How do you change and adapt?

Table 1: Entrepreneurial school of thought (Adopted from Cunningham & Lischeron (1991))

Cunningham & Lischeron (1991) six schools of thought continue to enjoy a dominant position in entrepreneurship research. However, there are other schools of thought (e.g., Grebel, 2005; Kuratko, 2017; Peverelli & Song, 2012). Kuratko and Hodgetts (2001) for example came up with the macro and the micro view of entrepreneurship. Each view was further divided into six subgroups. The macro view of entrepreneurship highlights an extensive list of factors that determine entrepreneurial venture success or failure (Frederick et al., 2016). The list comprises external factors that are not necessarily within the locus of control of the individual entrepreneur.

The micro view of entrepreneurship focuses on those factors that are within entrepreneurs' locus of control. This view is concerned with factors that are unique to entrepreneurship. Proponents of the micro view argue that the entrepreneur is capable of controlling or mitigating outcomes of each major influencing factor. The main difference between the macro and the micro view is that the macro view focuses on events from the outside looking in, while the micro view is concerned with specifics from the inside looking outside (Frederick et al., 2007). The below diagram summarized the main areas of concern of both views.

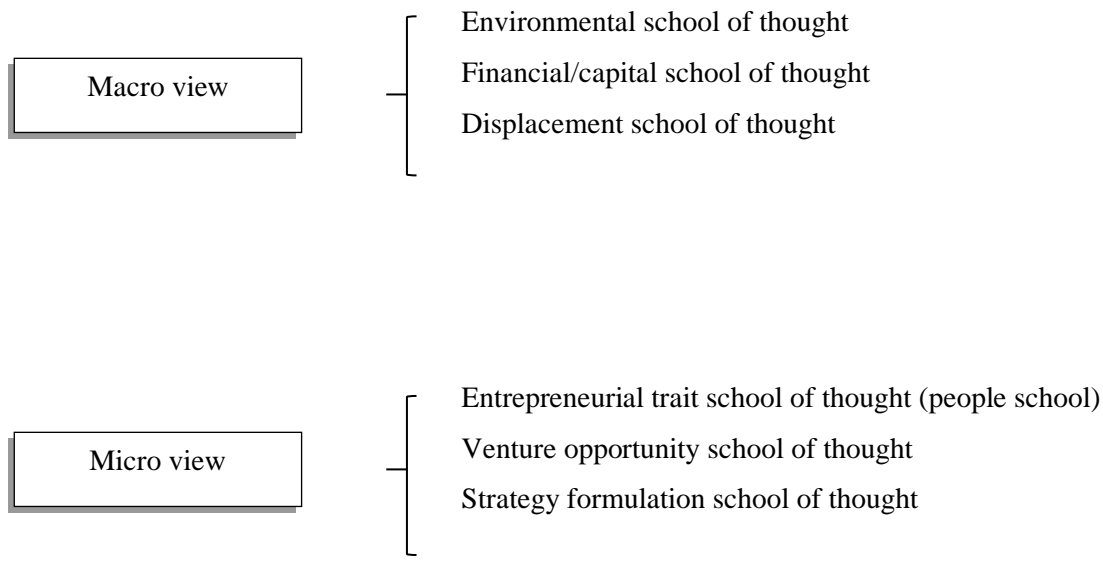


Figure 1: Macro vs. Micro Views

2.3.3 Entrepreneurship in this study

Entrepreneur, as used in this paper, refers to the individuals who found, own, and manage business practices. This definition of entrepreneurship is in line with previous studies (e.g., Rauch & Frese, 2007; Stewart Jr. & Roth, 2001). This approach is part of the micro view of entrepreneurship. The use of the micro view is appropriate here because as indicated by Begley and Boyd (1987a), the individual is an appropriate unit of analysis in entrepreneurship research. The impact of business owners on organizational performance is important because owners are more likely to support organizational cultures that lead to superior performance ((Joseph & Kibera, 2019; Ogbonna & Harris, 2000; Rauch & Frese, 2007; Schein, 1985).

In conclusion, because extensive theories and empirical research suggest individual business owner's behavior is an important determinant of the success or failure of an entrepreneurial venture, this study uses the individual based approaches to examine entrepreneurship contribution growth of SMEs.

2.4 Culture and Entrepreneurship

This section of the paper will focus on the link between the impact of cultural values on business owners and SMEs growth. The assumption behind this section is that understanding how business owners' cultural orientation interact with other contextual variables is important for expanding the body of research on the link between entrepreneurial behavior and SMEs growth. This section will proceed as follows: national culture and entrepreneurship at national level, culture and national rates of innovation, culture and new firm formation.

2.4.1 National Culture and Entrepreneurship

The quest to understand the link between national culture and entrepreneurship transcends academic boundaries (Hayton & Cacciotti, 2013). It attracts the interest of economists (e.g., Schumpeter, 1934), and sociologists (e.g., Weber, 1930, as cited by Hébert & Link, 2009), as well as psychologists (e.g., McClelland, 1961).

The most compelling arguments in favor of culture impact on entrepreneurial behavior was made by Radziszewska (2014). She argues that our perception of entrepreneurs as independent, risk-taking individualists who boldly organize people and resources to create new business ventures is not totally correct. She believes that for the role of entrepreneurs to emerge within a culture, at least two social conditions must exist: entrepreneurs must be granted social acceptance so that the activities associated with new venture formation are accepted as legitimate and socially beneficial (Radziszewska, 2014). Without these, she argues that it is very unlikely that entrepreneurs would emerge. This study implies that for entrepreneurs to emerge, there is a need to develop the culture of risk and rewards at the national level. The number of empirical studies done on the relationship between national culture and entrepreneurship has been growing exponentially over the past years (Davidsson, 1995; Davidsson & Wiklund, 1997; Rinne et al., 2012; Sun, 2009; Williams & McGuire, 2010).

2.4.2 Approaches to the Study of Culture

There are two main generally accepted approaches to the study of culture (Stephan & Uhlaner, 2010; Hofstede, 1984; House et al., 2004). They are the value approach and the descriptive approach. According to Shteynberg et al. (2009), the value approach is by far the most used approach in cross-culture studies of entrepreneurship. Proponents of the value

approach argue that it better predicts the rate of entrepreneurship within a culture (e.g., Hofstede et al., 200; Hayton et al., 2002).

The descriptive approach, on the other hand, seeks to explain aggregate societal level outcomes (Stephan & Uhlaner, 2010b). The descriptive approach posits that, “national culture predicts national entrepreneurship rate” (Stephan & Uhlaner, 2010). There is an extensive body of research on the descriptive approach (e.g., Wennekers et al., 2014; McGrath et al., 1992).

Stephan and Uhlaner (2010) argue that the descriptive approach should be used in cross-cultural studies because people’s actions are not always in line with their values. This line of thought is consistent with many other proponents of the descriptive approach (e.g., Swidler, 1986; Verplanken & Holland, 2002; Wicker, 1969). Scholars such as Shteynberg, Gelfand, Kim (2009) argue that because descriptive norms influence the way people behave in a given culture, it should be preferred over the value approach. Because this study seeks to understand what individual business owners find desirable within their society, and not what they individually find important, this study uses the descriptive approach to entrepreneurship. This approach is consistent with both GLOBE (Global Leadership and Organizational Behavior effective approach) and Hofstede’s culture dimensions (Hofstede, 1980). In this study, Business owner culture orientation will be studied using six of the nine dimensions of culture of GLOBE. Each culture dimension will be discussed in detail in the next section of this paper.

2.5 Brief Overview of GLOBE

The “Global Leadership and Organizational Behavior Effectiveness” (GLOBE) is a comprehensive study on culture leadership, leadership, and organization (Javidan et al., 2006). The fundamental assumption behind GLOBE is that the effectiveness of a leader is contingent upon factors such as: societal and organizational norms, and the belief of those that are being led.

In a sense, for GLOBE, in order for one to be perceived as an effective leader during challenging situations, one needs to act according to the norms, and belief that govern those that are being led. This places the leader's cultural orientation at the heart leadership education.

Because GLOBE recognizes the importance of cross-culture leadership, it came up with nine empirically tested culture dimensions with the ability to highlight the similarities and differences in “norms, values, belief, and practices among societies” (Hoppe, 2007). As indicated by Hoppe (2007) the comprehensive nature of GLOBE Makes it seem ground-breaking and unique, however, it is highly influenced by findings from many previous studies (e.g., Hofstede, 1980; Inglehart, 1997; Schwartz, 1994; Smith & Peterson, 1995).

2.6 GLOBE Culture’s Dimensions

There are nine cultural dimensions that GLOBE research focuses on (House et al., 2004). Even though this study uses only six of them, each of the nine culture dimensions are listed and discussed below:

1. Power Distance: *The degree to which members of a collective expect power to be distributed equally.*
2. Uncertainty Avoidance: *The extent to which a society, organization, or group relies on social norms, rules, and procedures to alleviate unpredictability of future events.*
3. Humane Orientation : *The degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others.*
4. Collectivism I (Institutional): *The degree to which organizational and societal*

institutional practices encourage and reward collective distribution of resources and collective action.

5. Collectivism II (In group): *The degree to which individuals' express pride, loyalty, and cohesiveness in their organizations or families.*
6. Assertiveness: *The degree to which individuals are assertive, confrontational, and aggressive in their relationships with others.*
7. Gender Egalitarianism: *The degree to which a collective minimizes gender inequality*
8. Future Orientation: *The extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning, and investing in the future.*
9. Performance Orientation: *The degree to which a collective encourages and rewards group members for performance improvement and excellence.*

Because this study focuses on practices that owners apply to their business, it follows König et al., (2007) in adapting House et al., (2004, p.30) interpretation of GLOBE dimension to the practice's owners apply to their business. *Uncertainty avoidance* suggests that business owners perceive reliance favorably. In other words, business owners are in favor of "social norms, rules and procedures" that lead to certitude. *Power distance* implies that owners encourage and accept the equal distribution of power. *Collectivism* suggests that owners support the "collective distribution of resources and collective action". This applies to both *institutional*

collectivism and *in group collectivism*. *In group collectivism* also applies to loyalty to family members. *Assertiveness* indicates that owners are aggressive and do not avoid confrontation. *Future orientation* shows that owners encourage “delaying gratification, planning, and investing in the future.” *Humane Orientation* is an indication that “owners promote fairness, altruism, generosity, care, and kindness”. *Performance Orientation* implies that owners encourage “performance improvement and excellence.

As in the case of König et al., (2007), this study does not assume that there is a “one to one relationship between owners’ culture orientation and business performance”. This study however assumes that there is a relationship between those two. For instance, business owners who support uncertainty avoidance may need to adopt when in a high-tech driven environment. In such an environment, risk taking is necessary in order to achieve business objectives (Tung et al., 2006).

2.7 Growth and entrepreneurship

The role of Entrepreneurship as a key driver of economic growth is highly acknowledged by practitioners and scholars. Empirical studies show that there is a link between entrepreneurship and economic growth (e.g., Acs & Naudé, 2013; Acs & Szerb, 2007; Almodóvar-González et al., 2020; Amorós et al., 2012; Chachar et al., 2013; Stuetzer et al., 2018). Researchers such as Sexton et al., (1997) argue that “growth is the very essence of entrepreneurship”. Thereby making growth an integral part of entrepreneurship research.

However, not all scholars agree with Sexton’s assertion. Davidsson Delmar, and Davidsson et al. (2002), for example argue that the notion of entrepreneur as a growth generating phenomena depends on which line of thought one assumes. They posit that entrepreneurship

cannot be considered as growth generating phenomena when one thinks of it simply as the creation of new organizations or that which facilitates the emergence of new organizations (e.g., Gartner, 1988; Gartner & Carter, 2003). Alternatively, when we think of entrepreneurs as the generation of new economic activity, then growth can be associated with it. The various products and services that the entrepreneurial venture introduces is part of the growth.

However, as indicated by Wiklund, Delmar, Davidsson (2003), if the entrepreneurial venture activities result solely in “demand-driven volume expansion for existing products or through the acquisition of business activities that were already up and running within another organization, growth is not an aspect of entrepreneurship” (Davidsson et al., 2005). What the above discussion shows is that the perception of growth as an important part of entrepreneurship only holds when one defines entrepreneurship as the process of generating new economic activities.

2.8 The concept of SMEs growth

This paper assumes that entrepreneurship leads to SMEs growth. In order to empirically test this assumption, it is important to define what growth, as used in entrepreneurship means. While it is true that there is a consensus among practitioners and scholars about the importance of growth, it seems like each group defines growth differently (Achtenhagen et al., 2010a). One of the earlier comprehensive reviews of SMEs growth was done by (O’Farrell and Hitchens (1988). They argue that when it comes to small business growth, there are four main theories that seek to explain it. They are the *static, equilibrium approach*, the *stochastic model*, the *strategic management approach*, and the *stages model* (Davidsson et al., 2005). Recent review of literature shows that the problem of the multiplicity of growth theory still persists. Dobbs and Hamilton (2007), for example found that there are six ways of studying SME growth. They are

stochastic, descriptive, evolutionary, resource-based, learning, and deterministic. While Rauch et al., (2013) identify five approaches to small business growth. They are: “entrepreneurial orientation (EO); the environment; strategic fit with characteristics of the firm and its environment; resources including financial, human and network capabilities; and growth attitude of owner-managers “(Brush et al., 2009).

The above discussion suggests that SMEs growth encompasses many factors (e.g., Environmental, individual, firm specifics, etc.). This assumption is in line with previous studies done on SMEs growth (e.g., Baum et al., 2001; Smallbone & Wyr, 2006; Smallbone et al., 1995). As such, different theoretical frameworks may be required to study the phenomenon. In the next section of this paper, each factor will be discussed in detail.

2.8.1 Determinants of SMEs growth

SME growth is dependent upon the combination of three factors: Individual Organizational, and Environmental (Sarwoko & Frisdiantara, 2016). Isaga (2012) summarized those factors into two broad factors: the internal and external factors. She argues that external factors are environmental factors that are outside of the business owner’s control. This generalization is in line with other scholars (e.g., Rafiki, 2020; Cicea et al., 2019; Dobbs & Hamilton, 2007). The internal factors on the other hand, are factors that are within the business owner control.

2.8.2 Empirical research on SMEs growth

Over the last 30 years, many studies have developed theories that aim at explaining determinants of SME growth. Davidsson’s (1991) small firm growth model is one of those theories. Davidsson posits that actual growth of a firm is the combination of ability, and

opportunity.

The firm growth model implies that the main differentiating factors between firms that grow and those don't, is dependent upon those three factors. Because of the different perception of what constitutes opportunity, it is fair to say that the growth model allows the entrepreneur to use her description, thus placing the business owner at the heart of the growth of the firm.

Other scholars focus on the business owner/manager as a determinant of SME growth (Rafiki, 2020; Sarwoko & Frisdiantara, 2016; Stuetzer et al., 2018; Velnampy & Nimalathan, 2008). They claim that the values in the owner subscribe to play an integral part in business performance. This approach is to a certain extent similar to the small business growth model: both place the business owner at the heart of the factor affecting business performance. From the review of the literature, there have been no empirical studies done on the relationship between business owners and SMEs growth in Liberia.

2.8.3 *Studying firm growth*

Business growth is a topic that seems to fascinate scholars of entrepreneurship. This probably explains why scholars such as Sexton et al. (1997) argue that “growth is the very essence of entrepreneurship.” in spite of the exponential interest in growth among researchers, the results of the studies done on growth have failed to yield a coherent result (Delmar et al., 2003). This is because most studies have focused on understanding the factors that drive growth without having a better understanding of how businesses grow. The assumption is that understanding how businesses grow might help understand why they grow. The problem with this assumption is that business growth encompasses so many things. As such knowledge of businesses, by itself, won't help with understanding what growth, as used in entrepreneurship really means (Isaga, 2012).

The complexity associated with business growth was better articulated by Sarwoko & Frisdiantara (2016). They argue that “Small business growth is complex and multidimensional in scope and character. It includes the convergence of ambition, owner/manager, competence, internal factors, organization, the resources and infrastructure, external relations and networking.” Other scholars such as Delmar and Wiklund, (2008) argue that multidimensional nature of growth implies that there may be different determinants of growth. As such, there is a need for different theoretical frameworks to explain small business growth.

2.8.3.1 Indicators for growth

There are many ways to measure the growth of a firm. Measures such as revenue, headcount, assets, market share and production output are often used by scholars (J Wiklund, 1998). Any one of those measures or a combination of them could be used by a study and the result would be generally acceptable by scholars and practitioners. This has led to a fragmented indicator of growth used in various studies (Wiklund, 1998). There is a downside to this freedom that researchers have when it comes to choosing a growth indicator for their studies. one of the notable one was pointed out by Wiklund (1998). He argues this has led to a “loophole”, which some lazy scholars exploit by using only growth indicators with readily available data to measure.


Another challenge associated with growth indicators is that many scholars do not provide detailed information regarding their choice of a particular growth indicator over the other (Birley & Westhead, 1994; Wiklund et al., 2009). It is important for scholars provide explanation for their choice of one growth indicator over the other. Because it is possible for a firm to perform well by certain growth indicators while at the same time performing poorly by other growth indicators. Delmar and Wiklund (2008) sought to resolve this by arguing for a generally accepted

definition of growth indicator. They believe that it would help solve the problem of mixed results that are often found in small firm growth studies.

There has been substantial progress made over the years in understanding firm growth (e.g. (Achtenhagen et al., 2010a; Almodóvar-González et al., 2020; Birley & Westhead, 1994; Dobbs & Hamilton, 2007; Sarwoko & Frisdiantara, 2016; Johan Wiklund et al., 2009). Shepherd and Wiklund (2009), for example, have substantially contributed toward small business growth literature. After an extensive review of the concept of growth, they posit that the most popular indication of growth is sales growth. They found factors such as employment, profit, and other measures to be secondary to sales growth. Their claim has since been validated by other studies. Results from Achtenhagen, Naldi and Melin (2010b) studies on small firm growth, for example, show that sales are the most popular indicator of SMEs growth. Shepherd and Wiklund (2009), argue that because sales is the most relevant of the many other growth indicators, due to its income generation ability, sale should be used as the primary indicator of growth. one reason why sales should be used as a primary growth indicator is that entrepreneurs also tend to measure their business growth through sales generation.

The popularity of sales as an indicator of SMEs growth makes sense intuitively because with sales growth, comes other indicators such as employees' headcounts and assets (Janssen, 2009). The problem with this assumption is that it does not take into consideration strategic moves that business sometimes make. Firms sometimes increase headcounts, and assets with the intent of increasing sales. Proponents of sales growth assume that increase in employment and assets follow sales growth but that is not always the case. In any case, the assumption that sales growth leads to other growth has led to the dominant in sales as an indicator of growth in SMEs studies.

The dominant position of sales as a growth indicator has led some researchers to conclude that when faced with the constraint to use only one indicator of growth, sales should be used (e.g., Ardichvili et al., 1998; Davidsson & Delmar, 1997; Dimov & Shepherd, 2005; Wiklund et al., 2009). Other indicators have also emerged as an appropriate measure of growth. Employment is one of those. Wiklund et al., (2009) argue that appropriateness of employment as an indicator of growth is based on the fact that policy makers often prefer employment as an indicator of growth. Isaga (2012) argues that “even if sales and employment are considered to be better than other growth indicators, they are not always the best ones”. This claim is in line with Delmar et al, (2003) who argue that it is possible for firms to show growth in areas such as assets and employment without showing growth in sales. They argue that this phenomenon is usually found in high tech firms.

The use of employment as an indicator has also been questioned. Isaga (2012) argues that similar to sales, employment also has some limitations as an indicator of growth. This limitation is highlighted in highly capital-intensive firms (Janssen, 2009). The rationale of this argument is that capital intensive firms tend to substitute “human labor with machines, and as such a firm can grow significantly in sales and assets without any increase in the number of employees” (Isaga, 2012) 

2.8.3.2 *One indicator vs. multiple indicators of growth*

The lack of generally accepted single growth indicators has led to a growing call for a hybrid indicator that encompasses many factors (e.g. (Davidsson, 1989; Davidsson & Delmar, 1997; Wiklund et al., 2009). The feasibility of developing a hybrid or “composite” growth indicator has its own challenge. Delmar et al, (2003) argue that the impact of “different growth measure and calculation” impact the development of theory differently. As such, combining

different growth indicators and calculation may not be good for purpose. Some scholars argue that a potential solution of this problem is a single generally accepted way to calculate growth (e.g., Chandler & Hanks, 1993; Delmar, 1997; Weinzimmer et al., 1998). They argue that with this approach, it might be possible to combine multiple growth indicators into one. Thus, solving the fragmented growth definitions challenge that researchers face.

The idea of a single growth calculation approach has been questioned as well by some researchers. Delmar et al, (2003) for example, argue that “since there appears to be no one best measure of firm growth, as well as no one best composite measure of firm growth, it would be advantageous to explore the use of many different growth measures in a study of firm growth”. The assumption behind their argument is that the use of multiple measures would enable researchers to use growth measures that are appropriate to their studies. The advantage of this approach is the potential for the comparability of results with similar studies that used other growth indicators Delmar et al, (2003).

Putting all together, due to the lack of generally accepted definition of growth, some scholars have proposed the use of a form of growth indicator that is a composite of many growth indicators (Davidsson, 1989). Other researchers believe that this approach would not produce any useful model. As such, they propose the use of many indicators (e.g., Davidsson et al., 2006; Delmar et al., 2003). The key assumption behind the argument for a composite growth measure is that different growth indicators are somehow related. This notion of correlation between growth measures is rejected by those who propose many separate growth indicators. Proponents of the several separate indicators suggest that there is no relationship between those measures. As such, it is better to use them separately (e.g., Achtenhagen et al., 2010a; Delmar, 1997; Janssen, 2009). From the review of the literature, it seems that more and more researchers tend to

analyze growth indicators separately (Achtenhagen et al., 2010a; Chachar et al., 2013; Sarwoko & Frisdiantara, 2016; Stuetzer et al., 2018).

2.8.3.3 *Formula used to calculate growth*

When it comes to the calculation of firm's growth, there are two main methods that are used by researchers: relative growth and absolute growth (Isaga, 2012). Absolute growth is the difference between the firm size at time "1" and time "0". While relative growth is calculated by dividing the absolute growth by the firm size at time "0" (Isaga, 2012). There doesn't seem to be a rule regarding when relative growth or absolute growth should be considered appropriate. It seems like each researcher uses whatever method that is deemed suitable for a given study. According to Shepherd and Wiklund (2009), even though there is no generally accepted role regarding the choice of measures in studies, relative method has been empirically established as the dominant methods used by scholars.

Even though it is the case that a researcher is at liberty to use whatever growth measures that are deemed appropriate for a given study, there seems to be a general acknowledgement among scholars that relative and absolute growth methods impact is contingent upon the size of the firm. Relative measures generally provide favorable impact when used on small firms while absolute results for bigger firms provide favorable results (Davidsson et al., 2005). This phenomenon has been extensively studied by scholars (e.g., Delmar, 1997; Shepherd and Wiklund (2009). Delmar (1997) for example, after examining the relationship between growth measures, concluded that there is a poor relationship between relative and absolute growth (Isaga, 2012). There have also been empirical studies done on how relative and absolute growth relate to each other. Shepherd and Wiklund (2009), for example show that there is a high correlation between relative growth and absolute growth when it comes to firm employees. They

also found a relationship between relative and absolute growth moderate.

2.8.3.4 *Studied period*

Another challenge associated with measuring growth in relative or absolute terms is that there is very little body of research on the measured period to be used in growth research and how such period impacts the analysis of a firm's growth. However, most of the studies work with the assumption that growth is linear, and time lag plays a negligible role (Delmar, 1997).

2.8.3.5 *Organic growth vs. acquisition growth*

Organic growth is assumed to be the “normal” growth of a firm (Achtenhagen et al., 2017). At the end of an extensive review of firm growth literature, McKelvie & Wiklund, (2010) concluded that many studies on small business growth use organic growth. Generally speaking, it seems that SMEs do not pursue acquisition-based growth. This explains why in Merger and Acquisition Literature, SMEs are usually discussed as the target and not as the acquirer (Achtenhagen et al., 2010b).

It is important to note here that these two growth modes vary in interpretations and to a certain extent, in implementation (Delmar et al., 2003). From an economic standpoint, organic growth makes sense because it creates new jobs. The picture looks quite different from the acquisition growth perspective. This is because jobs from one business are simply moved to another (Davidsson et al., 2006; Zahra et al., 2006). Because entrepreneurship’s main focus is the creation of new value in the marketplace through the combination of resources, organic growth is deemed appropriate (Delmar, 1997).

2.9 Hypothesis Formulation

In the preceding section of this paper, the relevant theories related to the research objectives were discussed. This section is devoted to reviewing the cultural orientation of business owners. The section begins by describing the role of cultural orientations of owners in business performance as suggested by various scholars. This section is divided into subsections representing each of the six culture dimensions of GLOBE. Each subsection will conclude with a hypothesis that will be used to measure the relationship between business owner culture orientation and SME growth.

2.9.1 *Uncertainty avoidance hypothesis*

The level of uncertainty associated with entrepreneurship is very high (Kirzner, 1997). Being able to manage this uncertainty and harness opportunities is highly influenced by the entrepreneur's ability to handle uncertainties (Mcmullen & Shepherd, 2006). Because innovation leads to firm growth, which leads to increased risks resulting from the huge commitment of resources by business owners, (Sorescu & Spanjol, 2008). This study posit that uncertainties avoidance at the level of business owners hamper business growth.

Hypothesis 1: The higher the uncertainty avoidance culture orientations of a business owners the weaker the growth among SMEs.

2.9.2 *Power distance hypothesis*

Power distance refers to the extent to which an unequal distribution of power exists within an organization (Hofstede, 1980). In an organization that is high in power distance, decisions are taken at the top level and then cascaded to the lower levels. Power distance is often associated with resistance to change, because of the centralized nature of the decision-making

process. Employees in a high-power distance firm often look forward to their supervisors to initiate changes (Hofstede, 1991). Power distance has also been found to hamper innovation and growth (e.g. (Aiken & Hage, 1971; Geletkanycz, 1997). This has led some scholars to argue that power distance is negatively related to entrepreneurial behaviors (e.g., Hayton et al., 2002). The validity of this argument is questionable because results of some empirical studies show that there are inconsistent relationships between power distance and growth. Some studies show that power distance and innovation are the main driver of growth (e.g. (Dwyer et al., 2005; S. A. Shane, 1992). While results from Shane (1993) study show that the relationship between innovation and growth is negative.

This study posits that because higher power distance leads to higher adherence to already established business strategies, which enable business owners to envision and implement growth orientated activities, higher power distance leads to business growth. This position is backed by empirical studies which show that centralized decision making helps businesses implement growth-oriented activities with little resistance (e.g., Geletkanycz, 1997; Nakata & Sivakumar, 1996).

Hypothesis 2: The higher the power Distance culture orientations is among business owners, the stronger the growth among SMEs.

2.9.3 *Collectivism Hypothesis*

Collectivism seems to play an important role when it comes to firm innovation and growth (Hui & Triandis, 1986). This is because business expansion, be it through acquisition or increase in sales, is a complex process that often involves a cross-functional team. Such an initiative is more likely to be accelerated by a collectivistic culture (Ji et al., 2012; Nakata &

Sivakumar, 1996). Because in a collectivistic environment, business owners and employees jointly set growth targets and are willing to share the risks associated with it, a collectivist culture enhances SMEs growth (Diakanastasi et al., 2018). As indicated by Lechler (2001), in a high collectivism culture, challenges and resistance towards growth are usually dealt with as a team. This leads to a successful implementation of growth-oriented activities. This study therefore posits that SMEs owned/managed by owners with high in-group collectivistic orientation are likely to experience higher growth.

Hypothesis 3: The higher the Collectivistic culture orientations the business owner is, the stronger the growth among SMEs.

2.9.4 Humane culture Orientation Hypothesis

In a humane culture orientated environment, it is important for the employee to perceive the owner as trustworthy and compassionate (Hofstede, 1984; Rybowski et al., 1999). Studies show that when employees perceive the business owner as being caring, fair, kind and generous, they usually go beyond their assigned responsibility to help the organization achieve its goals (Podsakoff et al., 2009).

Hypothesis 4: The Higher the Humane culture orientation of business owner, the stronger the growth among SMEs.

2.9.5 Assertiveness Orientation Hypothesis

Assertiveness culture orientation is the opposite of humane orientation culture. In an assertive culture, the owner focuses on results and not relationships. An assertive culture-oriented owner prefers competition (Chhokar et al., 2007). Owners are aggressive and do not

avoid confrontation (König et al., 2007b). Some scholars argue that owners' preference for competition and confrontation is an indication that the owner is responsive to the competitive landscape and the threats that are associated with it (e.g., Kreiser et al., 2010). Assertiveness in business also could serve as a competitive advantage when it comes to the implementation of growth strategy (Rauch et al., 2013).

Hypothesis 5: The higher the Assertiveness Culture Orientation of the business owner,
the stronger the growth among SMEs.

2.9.6 Future Orientation Hypothesis

It has been shown that business owners who perceive delay gratification, usually invest in the future of their employees; because of that, they are more likely to achieve business goals (McClelland, 1961). owners who are future oriented are not likely to make critical business decisions such as new product development and expansion of market share during the heat of the moment. Decisions are usually as a result of careful deliberation and “meta-cognitive” activity (König et al., 2007b). As indicated by Schmidt & Ford (2003), those who engage in meta-cognitive activity “actively monitor their progress, determine where problems exist, and adjust their strategy accordingly”. Because of this, future oriented owners are more likely to maintain competitive advantage in the market by building a forward-thinking work environment where everyone acts planfully. This study therefore posits that future orientation leads to growth among SMEs.

Hypothesis 6: The higher the Future Orientation of business owner, the stronger the
growth of the business.

2.10 Summary

This section of the thesis presented a selected analysis of existing research that is relevant to the theory that will be tested in this study. The aim of this section was to explain and justify how this research may help fill some of the gaps in role of business owners culture orientation in SMEs growth in Liberia.

The aim of this Literature review was to highlight the complexity of the debate on factor influencing Small and Medium-size Enterprises (SMEs) growth. The author presented a comprehensive overview of what is entrepreneurship and who can be consider as an entrepreneur. The researcher further demonstrated that there is no generally accepted definition of what constitute entrepreneur. The definition that is used deepens on which school of thought one is willing to adopt. A general overview of culture and entrepreneurs was also discussed. The author began by highlighting the role of national culture on entrepreneurship. This was then followed by an overview of the existing literature on firm growth. There, the author presented various scholarly views on firm growth. Various indicators of firm growth were presented and discussed. The review of the literatures on firm growth theory shows that there are many indicators of firm growth.

However, the generally used growth indicator is sales growth. The literature review shows that the most commonly used growth indicator by entrepreneurship scholar is sales growth. As such, when faced with the challenge of using a single growth indictor, it is preferable to use sales growth.

Chapter III:

METHODOLOGY

3.1 Overview of the Research Problem

Entrepreneurship researchers have long been fascinated by the question of why some firms grow and others do not. There have been extensive studies on many different factors that might influence firm growth (Achtenhagen et al., 2010a; Birley & Westhead, 1994; Davidsson et al., 2006; Delmar et al., 2003; Dobbs & Hamilton, 2007; McKelvie & Wiklund, 2010; Rafiki, 2020). Those studies predominantly focus on factors such as the attributes of the entrepreneur and the business environment.

A review of the literature on firm growth in Liberia shows that most of the investigations done on firm SMES growth in Liberia almost inclusively focus on external factors such as the business climate and policy impact on SME growth(E.g. (Gorlorwulu, 2011; del Castillo, 2012). Thus, ignoring the individual business owners who run the businesses. As indicated by Kuratko and Hodgetts (2001), understanding business owners is critical for the effectiveness of any initiatives geared towards SMEs growth. This study therefore posits that the cultural orientations of the business owners are primary factors that explain growth of SMEs in Liberia.

3.2 Operationalization of Theoretical Constructs

In this section of the thesis, the theoretical construct that will be used to test the hypothesis are presented and clearly defined and discussed.

3.2.1 Business Owners

In this study, the terms owner and manager are used interchangeably to refer to a person who owns the business and takes overall responsibility for the strategic and operational direction of the business.

3.2.2 Culture orientation

In this study, the term culture orientation is defined as a predilection to think, feel or act in a way that is culturally determined. *Uncertainty avoidance* means that business owners support “social norms, rules and procedures” that lead to certitude. *Power distance* means that business owners encourage and accept the equal distribution of power. *Collectivism* means that owners support the “collective distribution of resources and collective action”. *Assertiveness* indicates that the owner is aggressive and does not avoid confrontation. *Future orientation* means that owners encourage “delaying gratification, planning, and investing in the future.” *Humane Orientation* is an indication that “owners promote fairness, altruism, generosity, care, and kindness”. *Performance Orientation* means that owners encourage “performance improvement and excellence”.

3.2.3 SMEs

In this study, the term SMEs is used interchangeably with small business to describe small and medium-sized enterprises. In Liberia SME is defined as a firm with up to 50 employees.


3.2.4 Growth of SMEs

SMEs growth, as used in this study, is used to refer to change in the number of sales, assets and employees.

3.3 Research Purpose and Questions


The purpose of this research is to determine what factors determine SMEs growth in Liberia. The question this research seeks to answer is, to what extent business owner culture orientation and demographic characteristics influence SMEs growth in Liberia?

3.4 Research Design

As indicated by Isaga (2012), the research design is the blueprint of the research. It addresses the following issues: what question should the research study, what data is relevant to the research, what data should be collected, and how the data will be analyzed (Isaga, 2012; Malhotra & Peterson, 2006). The design and application of research is dependent upon many factors including the research objective, the availability of the required data source, the cost associated with obtaining the required data, and the time constraints facing the researcher (Isaga, 2012; Mitchell & Jolley, 2010). 

3.5 Population and Sample

The aim of the sampling in this study is to obtain reliable data about determinants of SMEs growth. To achieve that, there is a need for a random selection of samples among the population that will be studied. According to Baker (2003), there are two distinct approaches to respondent selection. They are: Probability and non-probability sampling. There are advantages and disadvantages associated with each sampling method (Baker, 2003). This study will use a non-probability sampling method. This approach is commonly used in areas where there are no up to date and accurate sampling framework (Isaga, 2012). Another reason for choosing a non-probability sampling approach is that it is less expensive, and particularly useful when faced with resource constraint as in the case of this study (Baker, 2003, p.179).

The required sample size for this study is 100 or larger. There are many factors that determine a sample size for a study (Isaga, 2012). They include “how representative the sample is expected to be, and the methods expected to be used in analyzing the data” (Isaga, 2012). Because this study will use Factor Analysis, Regression Analysis, and Structural Equation Modelling (SEM), a sample size of 100 or larger is appropriate (Hair et al., 2013; Malhotra, 2006). This study uses a sample size of 200 

3.6 Participant Selection

In order for a sample to be reliable and accurate, it needs to be composed of people who possess the intended information relevant to the research (Baker, 2003; Zikmund, 1997). This study used a random sample of Liberian businesses owners. To participate in the study, participants had to own and manage their business. In order to control for industry effect, participants were restricted to owners of business belonging to six sectors: (1) Healthcare, (2) Tourism and hospitality, (3) Utility, (4) General Merchandise, (5) Information technology, and (6) Transportation and logistics.

Participants for this study were randomly selected from two cities, Monrovia and Ganta. These two cities were selected for the following reasons. Monrovia was selected because it is the largest commercial city in Liberia. It has a population of more than 1 million people and it hosts most of the SMEs in Liberia. Ganta was selected because it is the second largest city in Liberia with a population of 41000 people. Ganta is also the second largest commercial city next to Monrovia. With the selection of those two locations, there is a spread across the country.

3.7 Instrumentation


The design of the questionnaire was based on review of the literature and previous studies. The questionnaire captured all aspects of the conceptual framework while at the same time providing insights into SMEs growth. The questionnaire was divided into three parts. The first part focused on general information about the business, including employment information, assets and sales growth. The second part focused on obtaining information on the business owner culture orientation. The third and final part focused on obtaining information on demographic characteristics of the business owners (e.g., age, educational level, and previous experience). As suggested by Cargan (2007) and Saunders et al. (2009), a pilot test of the questionnaire was conducted on 20 people. The aim of the test was to determine whether respondents will easily understand the questions. As indicated by Saunders et al. (2009), the pilot test establishes the reliability and validity of each question's ability to capture the desired information. Another advantage of the pilot test is that it provided some indication of how much time it would require to conduct the survey. The data collection was conducted between September 2020 and November 2020.

As recently suggested by cross-cultural scholars (e.g., Heine et al. 2001, 2002; Kitayama 2002; Peng et al. 1997) this study, uses scenarios-based scales rather than Likert items to measure to measure culture construct. The main difference between Likert items and scenario-based scales is that Likert items consist of statements that are general and abstract. They contain statements such as strongly agree or strongly disagree. As indicated by Kong et. al (2012), "Likert items measure culture and cultural orientations via people's self-evaluations on general abstract statements. In contrast, scenarios consist of concrete social situations, such as "your poorly qualified nephew asks you to employ him in your business", and behavioral options, such

as “you employ your poorly qualified nephew, or you don’t employ your poorly qualified nephew.” Scenario based questions on the other hand, measure “people’s behavioral preferences in concrete social situations” (Kong et. al, 2012).

Even though scenario-based scales are better at capturing people behaviors preferences, it negatively impact Cronbach’s alpha because it has higher specific variances which lead to lower intercorrelations. The researcher accepts the potential loss of reliability as it relates to coefficient alpha and composite reliability. This is because this loss is outweighed by superior result that scenario-based items shows when it comes to culture validity. As indicated by other scholars (e.g., Kong, 2012; Motowidlo et al. 1990), T-test reliability is considered to be “more appropriate reliability estimate” for scenario-based scales. This is because it does not estimate the internal consistency of the scales (Chan and Schmitt 1997; Motowidlo et al. 1990).

3.8 Data Collection Procedures

This study uses a cross-sectional approach. Data for the study was collected  survey. Isaga (2012) argues that survey is preferable over other data collection methods such as focus groups or interviews, only when the following conditions exist: (1) the individual is studied as a unit of analysis. (2) when there is a need to measure the individual attitudes and characteristics (Oppenheim, 2002). (3) when there is a need for quick, efficient, and accurate information about the population (Thomas, 2003). (4) when there is a lack of secondary data (Varey, 2006; Zikmund, 2000).

Because there is no secondary data about the relationship between business owners' culture orientation and SMEs growth in Liberia, a survey was used to obtain the required information for this research.

3.9 Data Analysis

There are three main steps involved in data analysis. They are data preparation, descriptive statistics, and hypothesis testing. Data preparation begins once the data collection is completed, and the data is entered in the computer. The analysis for this study was done with SPSS Software. After that, the researcher conducts descriptive statistics, Factor Analysis, and hypothesis testing on the data.

In this chapter, results of the regression analysis, descriptive statistics, and the researching finding are presented. In an attempt to perform statistics operations on the six culture constructs (Uncertainty avoidance, Power distance, Collectivism, Humane Orientation, Assertive Orientation, and Performance Orientation), variables that represents each subscale in the construct were combined in order to come up with a variable that represent each construct.

The researcher used SPSS Factor Analysis to test the relationship between the various subscales. Various variables that measure each variable were transformed into one and their relations were tested using factor analysis functions in SPSS Factor Analysis function. For example, all the subscales representing future orientation such as “Imagine that one of your employees asks you what to consider prior to starting a project. What do you do?” were transformed to one variable called Future Orientation.

To ensure the reliability of the instruments used to test the hypothesis, the author conducted a reliability test on each of the three subscales. Table 1 shows the Cronbach’s alpha coefficient of each of the construct. The first subscale has a Cronbach’s alpha coefficient .578. This is acceptable. The second and third subscale has an internal consistency of .62462 and .601 respectively. This is acceptable. The fourth and the sixth subscale have an internal consistency of .744 and .725 respectively. This is good. And lastly, the fifth subscale has an internal consistency

of .453. is normally considered unacceptable. But because the scales were scenario based, the is acceptable.

Variables	Items	Answers Cat.	Alpha
1. Uncertainty avoidance	3	6	.578
2. Power Distance	5	6	.624
3. Collectivism	2	6	.601
4. Assertiveness	3	6	.744
5. Future Orentation	2	6	.453
6. Humane Orentation	4	6	.725

Table 2: Cronbach's alpha coefficient of each of the construct

3.10 Research Design Limitations

Just like any other empirical studies this research has some limitations that are worth highlighting (Sauders et al, 2009). First the data used in this study was collected from six sectors (Health care, General Merchandise, utility, Tourism and Hospitality, Transportation and Logistics, and Information technology) in Liberia. As such, we do not know if findings from this study are applicable to others business sectors. It would be interesting to see how results from this study relates to other sectors.

The second limitation of this study lies in the fact that participants were selected from urban areas in only two counties out of the 16 counties in Liberia. While it is true that the

descriptive statistics suggest that the result from this study likely represents the SME sector in Liberia, doing so could lead to producing bias. Understanding the links between business culture orientations and SMEs growth in other parts of the countries would be a potential research direction for future research.

The third limitation of this study lies in the fact that it uses a non-probability sampling method which means that generalization of finding from this research to the population of entrepreneurs in Liberia should be done with extreme care.

The fourth limitation of this study lies in data used in this study was collected from the entrepreneurs themselves. As such, the information provided could be biased or inaccurate because it was provided from their memory. In order to overcome this limitation, different items were used to measure culture effects and firm growth. The result of the factor analysis shows that these items are consistent.

The final limitation is that this is a cross sectional-study. A study which uses regression, in order to sort out the existence and magnitude of causal effects of one or more independent variables upon a dependent variable of interest at a given point in time (Yin, 2017). The use of cross-sectional study is based on the fact that it makes the comparison of different variables at the same time easier (E.g., Age, gender, income and educational level). Because cross-sectional studies offer a snapshot of a single moment in time, they may not provide definite information about cause-and-effect relationships. This is mainly because the study does not consider what happens before or after the snapshot is taken (Mills et al., 2010).

3.11 Conclusion

In this section of the thesis, the researcher described the action taken to investigate the research problem and the rationale for the application of the procedure and techniques used to identify, select, process, and analyze the information relevant to understanding the understanding the research problem. The aim was to enable readers of this thesis to determine the overall validity and reliability of the method used. In a sense, the researcher sought to answer two main questions. How was data used collected? And how was it analyzed?

Chapter IV:

RESULTS

4.1 Introduction

In this chapter of the thesis, a concise summary of the data is presented in a visual manner and discussed. The chapter begins with a discussion on the characteristics of the firms and the entrepreneurs who participated in this study, and end with the presentation and discussion of the correlations, means, standard deviation and regression analysis results.

4.2 Participant Characteristics

In this section of the paper, the researcher presents and discusses the descriptive statistics' results regarding participant characteristics.

4.2.1 Gender

A sample of 207 entrepreneurs took part in this study. Among the 207 participants, 62% were male and 38% were female. This unequal split between male and female entrepreneurs is possibly due to societal norm that tend to favor male entrepreneurs over their female counterpart. This low rate of female entrepreneurship is in line with similar finding in other African countries (Isaga, 2012). Results of the study also shows that most of the entrepreneurs (58%) who took parts in the study were single; 39% were married, and 0.3% were divorced.

4.2.2 Age

In this study, 41% of the entrepreneurs who took part in this study were between 41 and 50 years old at the time of the survey. While 34% where between 31 and 40 years. Only 16 participants were between 20 and 30 Years. This shows that entrepreneurs from the business

sector that participant in this study were relatively older. This is probably because when compared to younger people, older people in Liberia are more likely to find it easier to form a team, to obtain resources and gain acceptance when starting an entrepreneurial venture.

Age	N°	Percent
20-30yrs	33	16%
31-40 years	71	34%
41-50yrs	85	41%
51-60yrs	0	0%
60 and above years	3	1%

Table 3: Age of participants

4.2.3 Formal Education

Majority (59%) of those who took part in this study had completed either secondary school or technical education. While about 21% had bachelor's degree. This is shows that education plays a role in entrepreneurship decision to a certain point. Beyond such point, there is less desire to engage in entrepreneurship. The table also shows that those with college education are less likely to engage in entrepreneurship. This is probably because college educated people are more likely to get a higher paying job and as such, the idea of starting and managing their own business become less attractive. The fact that only 7% of the participant had a master's degree explained that. Another possible explanation is the high cost of university education in Liberia and the limited availability of jobs for non-university graduates. All of which makes

entrepreneurship more appealing as a potential source of employment.

Education Level	n	Percent
Primary School	16	8%
No Secondary School	10	5%
Vocational School	53	26%
Secondary school	70	34%
Bachelor's degree	43	21%
Master's Degree	14	7%

Table 4: Education Level of Participants

4.3 Firm Characteristics

Table 4 show a summary of the characteristics of the firm who took part in this study. Majority of the firms (71%) in the sample size were established less than 10 years ago. This relatively young age of the firms is probably due to the fact that Liberia is emerging from a 15-year civil war that ended in 2003. Most of the services that are being provided by entrepreneurs were once provided by aid organizations. With the war now over, and the return of relative peace and stability, entrepreneurs are coming up with innovative and profitable way to solve some of those problem that the aid organizations once solved.

The results of the survey also show that majority of the firms (81%) were sole proprietorship. Only 16% were partnership, and 3% were corporation. Which suggest that participants have preference for sole proprietorship.

With regards to sector, the survey further revealed that majority of the firms (56%) were active in the General Merchandise and Utility sectors. Tourism and hospitality came distant second with 15%. Health care came third with 14%.

Firm Characteristics

		n	Percentage
Firm Age	Five Years or Less	87	42%
	6-10 Years	59	29%
	10-15 years	41	20%
	16-20 Years	15	7%
	More Than 25 Years	5	2%
Legal Status	Sole Proprietorship	166	81%
	Partnership	33	16%
	Corporative	6	3%
Sector	General Merchandise	55	27%
	Health Care	28	14%
	Information Technology	16	8%
	Tourism and hospitality	31	15%
	Transportation and logistics	16	8%
	Utility	61	29%

Table 5: Firm Characteristics

4.4 Means and Standard Deviation

Table 6 shows the means, standard deviations and correlations of all the variables. Those two concepts are very important in a quantitative research. Means are the average scores of responses to a question. The standard deviation on the other hand, tells the researcher how far the individual responses to a question deviate from the mean. From the standard deviation, the researcher can see how the responses are concentrated or scattered.

The average score of culture practices that enhances Humane orientation is higher than the average score the practices that enhance Assertiveness orientation. This is probably because business owners perceived human orientation practices favorable compare to Assertiveness orientation practices.

The table also shows that the average score of Power Distance is higher than the average score of Collectivism Orientation. This suggest that business owners who took part in this study view the unequal distribution of power more favorable compare to culture practices that encourage and reward collective distribution of resources and collective action. This preference for power distance orientation as compared to Collectivism Orientation, is probably due to Liberia being a highly unequal and patriarchal society. As such, a business owner needs to demonstrate preference for power distance in order to do well. The fact that about 68% of the entrepreneurs who took in this study were male, also explains the preference for the unequal distribution of power among employees.

The result of the means and standard deviation also shows that the means and standard deviation of assertiveness Orientation and Collectivism orientation are similar. This suggest that there are no significant differences among participants when it comes to their preference for Assertiveness and collectivities.

Variable	Mean	Std. Dev.
Uncertainty avoidance	7,7	3,368
Power Distnace	13,65	4,894
Collectivism	5,7	2,954
Assertiveness	6,3	3,081
Future Orentation	14,22	3,431
Humane Orentation	19,78	3,608

Table 6: Means and Standard Deviation

4.5 Correlation

Correlation is the measure of the relationship between variables. The result of the correlations tells the researcher how strong the relationships between the variables used in the study are. Correlations value ranges from absolute value of 1 to 0. The stronger the relation between the variables is, the closer the correlation value is to 1. Correlation can be positive and negative. In the case of a positive correlation, when one value of the variable increases, the other increases with it. The opposite happens in the case of a negative correlation. In a negative correlation, when one value increases, the other value decreases.

Table 7 shows the correlations between the variables used in this study. The correlation results show that there is a strong positive relationship between collectivism and sales growth. What this suggest is that business owners who express preference for cohesiveness among employees and encourage employees to express pride and loyalty towards the business, are likely

to report higher sales growth rate. The correlation results also shows that there is a strong positive relation between education and sales growth. This means that business owners who have completed higher level of education are likely to experience high sales growth. From the correlation, we can also see that tenure has a strong positive relationship with sales growth. What this suggest is that the longer a business owner stays in business, the more likely they are to report higher sales growth. In a sense, experience in business in Liberia has a strong positive relationship with sales growth among the participants who took part in this study. The correlation also shows that there is a strong relationship between Uncertainty avoidance and Power distance. This suggests that business owners who express preference for “social norms, rules and procedures” that lead to certitude are more likely to encourage and accept the unequal distribution of power within the organization.

The results also show that there is a strong relationship between Collectivism and Power Distance. This means that business owners who express preference for cohesiveness among employees, are more likely to express preference for the unequal distribution of power within the organization. We can also see that there is a strong significant positive relationship between Collectivism and Uncertainty Avoidance. This implies that business owners who express preference for cultural practices that demonstrate cohesiveness among employees are more likely to express preference for culture practices that demonstrate preference for “social norms, rules and procedures” that lead to certitude.

The study also shows that gender is negatively correlated with sales growth. This means that the gender of the entrepreneurs who took part in this study plays no parts in the growth of their businesses. The correlation table also shows that Humane orientation and Assertiveness orientation are negatively correlated with sales growth. This suggests that business owners who

promote “fairness, altruism, generosity, care, and kindness are likely to report negative sales growth. While business owners who are aggressive and do not avoid confrontation are also likely to experience negative sales growth.

Lastly, the correlation table also shows that the relation between Humane orientation and Future orientation is significant and positive. This suggest that business owners who values fairness, generosity, and kindness are more likely to also value delaying gratification, planning, and investing in the future. In a sense, this implies that a humane orientated owner may be thinking of the long run when she demonstrates preference for kindness, generosity, and altruism.

Variables	1	2	3	4	5	6	7	8	9	10	11
Sales Growth	1										
Uncertainty avoidance	0.068	1									
Power Distance	0.134	.426**	1								
Collectivism	.289**	.162*	.359**	1							
Assertiveness	-0.02	.151*	.245**	0.079	1						
Future Orientation	0.1	.146*	0.09	0.031	-0.071	1					
Humane Orientation	-0.073	-0.08	-.171**	-0.084	-.215**	.316**	1				
Gender	-0.067	-0.026	0.049	-0.003	0.029	-0.032	-.129*	1			
Age	0.086	-0.081	-0.099	-0.082	-0.076	0.103	0.115	0.052	1		
Education	.177*	-.174**	-0.055	-.167**	-0.047	-0.03	0.003	0.041	.206**	1	
Tenure	.173*	-0.005	.141*	0.092	-0.013	0.074	-0.023	0.09	.118*	0.082	1

** Correlation is significant at the 0.01 level (1-tailed).

* Correlation is significant at the 0.05 level (1-tailed).

Table 7: Correlation

4.6 Research Findings

In this section of the study, the researcher presents the result of the empirical test conducted on the hypothesis.

4.7 Regression Analysis

In quantitative research, it is important for the researcher to know the relationship between the dependent and independent variables. The dependent variables are the variables that are being studied while the independent variables are the variables that influence the behavior of the dependent variables. For this study, the dependent variable is sales growth. While the independent variables are the age, gender, Uncertainty avoidance, Power distance, Collectivism, Humane orientation, Assertiveness orientation, and Future orientation.

In an empirical study, it is important for the researcher to find out in what way the independent variable effects the dependent variable. One statistical tool that is commonly used is regression analysis (Montgomery et al., 2012). With regression analysis, the researcher can examine the possible casual effect of one variable upon the other. The uses of regression go beyond examining the relation between dependent and independent variables, it also takes into consideration the “statistical significance” of relation between the dependent and independent variable. In this section of the study, the casual effect of the other variables on Sales growth is presented and discussed (Davenport & Kim, 2015).

Table 8 Shows the result of the regression analysis for hypothesis on Small and Medium-size enterprise (SME growth). The results show that there is a positive

relationship between Uncertainty Avoidance and sales growth. This means that a business owner who play high emphasis on rules, structure, order, and predictability are more likely to experience high sales growth relative.

The results of the regression analysis also show that Power Distance positively contributes towards sales growth. This implies that business owners who express preference for the unequal distribution of power within their business, based on factor such as, age, titles, and strict adherence to established rules, are more likely to see stronger sales.

The study also shows that collectivism positively contributes to sales growth. This suggests that a business owner who encourage loyalty within group by hiring family members even at the expense of organizational performance, are more likely to report higher sales growth in Liberia. The results of the regression analysis also show that Assertiveness orientation negatively impacts sales growth. It means that aggressiveness and unwillingness to avoid confrontation negatively impact sales growth among those entrepreneurs who took parts in this study.

From the regression analysis results, we can also see that future orientation positively impact sales growth. This implies that business owners who express preference for delaying gratification, planning, and investing in the future are likely to experience positive sales growth when compared to owners that don't. Findings from this study also show that Humane orientation negatively impact sales growth. This means that business owners who promote fairness, altruism, generosity, care, and kindness are more likely to experience negative sales growth. This finding is unexpected because, one would expect

those values to lead to superior organizational performance. Because when employees are treated well, it is generally expected that they will go beyond and above their assigned duty to help the organization achieve its goal. In this case, we could expect higher sales growth. But this is not the case for entrepreneurs who took part in this study. The results also suggest that there is a negative relationship between gender and sales growth. What we can deduced from this negative relationship is that Small and medium-size business own female experience higher growth than those owned by their male colleagues. From the regression analysis we can also see that age positively impact sales growth. This implies that businesses owned by older entrepreneurs are more likely to experience higher sales growth than those owned by their younger peers.

Variable	Coefficient
Uncertainty avoidance	0.004
Power Distance	0.039
Collectivism	0.04
Assertiveness	-0.043
Future Orientation	0.058
Humane Orientation	-0,048
Gender	-0.054
Age	0.254
Tenure	0,244
Adj R ²	.167
Change in R ²	.208
F	5.07
Sig. F change	0.000
N	207

Table 8: Regression

Chapter V:

RESULTS

5.1 Introduction

In this chapter, the author discusses the finding presented in Chapter 4. The researcher begins by discussing the research question. Which is: How does a business owner culture orientation influences Small and Medium-size enterprises growth in Liberia.

5.2 Discussion of Research Question

The research questions that this study aims to answer is: How does business owner's culture orientation influence Small and Medium-size Enterprises Growth? In order to answer this question, the author put forward six hypotheses. Corresponding to six culture orientations as indicated by the GLOBE Study. They are Uncertainty Avoidance, Power Distance, Collectivism, Assertiveness, Humane Orientation, Future orientation.

In chapter 4, the researcher tested the hypotheses that were put forward. H2, H3, and H6 were all supported. The research successfully established that Power Distance, and Collectivism and future orientations lead to higher sales growth among Small and medium Size Enterprises in Liberia. However, H1, H4, and H5 were all rejected. The researcher failed to show that Uncertainty avoidance among business owners negatively impact sales growth among SMEs in Liberia. The researcher also failed to establish that

Humane orientation among business owners lead to higher sales growth among SMEs in Liberia.

Finally, the researcher found no evidence that support the theory that Assertiveness orientation leads to higher sales growth among SMEs in Liberia. As in the case of any empirical research, failing to reject the null hypothesis does not necessarily mean that researcher did not learn anything new. In this section of the paper, the researcher presented and discussed the lesson learned. The author will further explain possible reasons why the null hypotheses were not rejected.

When testing hypothesis there are possible reasons why this could happen. One reason for this could be that the theory which states that uncertainty avoidance among business owners is more likely to lead to high sales growth is in error, or the researcher observation about the link between uncertainty avoidance and sales growth is in error. Another possible reason could be that the researcher interpretation of the observations and theory were in error. Or more broadly speaking, the evidence that support the hypothesis was available but was not present among the sample size.

In the case of this study, the researcher believes that the failure to reject the above null hypothesis was due to error in the theories that suggest that uncertainty avoidance among business owners negatively impact sales growth among Small and Medium-size enterprises. Similarly, the researcher believes that the theories that states that Humane orientation and Assertiveness Orientation positively impact sales growth are in error.

As discussed in the literature review, previous studies done on the relationship

between business owners culture orientation and organizational performance has mainly been done in in developed countries in Europe, North America, and Asia. There have been no empirical studies on the how business owners culture orientations impact business performance in small least developed countries in Africa. As such, the researcher failure to reject the null hypothesis could be due to the theories' inability to capture the phenomena in Africa. This could be due to context specific issues that are not available in the developed countries in Europe and North America. Findings from this study significantly contribute toward the debate regarding expanding entrepreneurship research to small least developed countries in Africa. Most importantly, it expands the current body of research on firm growth by contextualizing a western theory to an African environment.

Chapter VI:

SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

6.1 Summary

The body of research on factors that influence Small and Medium-size Enterprise (SMEs) growth has drastically increased over the past years (e.g., Davidsson et al., 2006; Dobbs and Hamilton, 2007; Gibb and Davies, 1990; Moreno and Casillas, 2007, 2008; Parry, 2010; Rauch et al., 2005). In spite of the volume of research on firm growth, our understanding of how business owner's cultural orientation influences firm growth remains very limited. The aim of this study was to fill in that gap by examining the influence of business owner culture orientation of the growth of SMEs in Liberia.

Theory suggests that a business owners culture orientation influences the growth of their business. In order to test the relationship between business owners culture orientation and SMEs growth, the author put forward six hypotheses, representing six of the nine culture dimensions of GLOBE study. They are: Power Distance, Humane Orientation, Collectivism, Assertiveness, and future orientation.

Finding from this study suggest a business owner's culture orientation have both negative and positive impact on SMEs growth. The researcher successfully established that entrepreneurs in Liberia who express preference for cultural practices that demonstrate Power Distance, and Collectivism and Future orientations, are more likely to report a higher growth rate than those who don't. Findings from this study also suggest that business owners who express preferences for cultural practices that demonstrate

Uncertainty avoidance are more likely to experience negative sales growth. Finally, the results show that there is no empirical evidence linking Assertiveness orientation to higher sales growth among SMEs in Liberia.

6.2 Implications

The study has made many significant contributions towards the debate on firm growth. Those contributions have both theoretical and practical implications. In this section of the thesis, both the theoretical and practical contributions will be presented and discussed. The theoretical implications will be presented first, follow by the practical implications.

6.2.1 Theoretical Implication

This thesis has many theoretical implications. First It addresses the problem of lack of empirical studies on firm growth in smaller least developed countries in Africa. A vast majority of studies done on SMEs growth in Africa exclusively focus on bigger economies such as Nigeria, South Africa, Tanzania, etc. (e.g., Eijdenberg et al., 2015; Isaga, 2012). Empirical studies on SMEs growth in smaller least developed countries in Africa is very rudimentary. This underrepresentation of smaller least developed countries in scholarly literature makes it hard for policy maker to used empirically tested context specific approach to SMEs growth initiating activities.

The second implication of this study is that it adds to the discussion about the need for context specific entrepreneurship theory. As indicated by Karatas-Ozkan et al., (2014), “entrepreneurship is a complex, dynamic and emergent process, and the interplay

between actors, process and context.” As such, it is important for scholars aiming to develop an entrepreneurship theory that can be generalized to different parts of the world. One way to do that is by doing cross cultural research seeking to understand an entrepreneurial phenomenon from a different perspective. This finding from the study, unlike other studies done on the SMEs growth in the past, provide additional information on how business owners, using culture as a moderating factor, can growth their business in a least develop country in Africa. Evidence provided in this study will be used to accelerate and refine the development of a universal entrepreneurship theory.

Notion of context is important when it comes to understanding entrepreneurship in less developed countries in Africa because it helps explains how entrepreneurial decision are made. For example, while most people in Africa become an entrepreneur out of necessity to generate desperately needed income, those in developed western countries become entrepreneurs as a means of changing careers or becoming self-employed (Isaga, 2012). As such, it is important to empirically examine factors that influence SMEs growth at different levels in different countries, including Liberia, a country with high youth unemployment, and a high rate of extreme poverty (Backiny-Yetna et al., 2012). As indicated by Muriithi (2017), in most of those countries, SMEs constitutes almost 90% of the business. Finding from this thesis does not only provide context specific empirical evidence that will help scholars develop context specific entrepreneurship theories for smaller least developed countries, it also provides policymakers with additional options when it comes to SMEs growth and poverty alleviation strategy formulation. Unlike previous studies (e.g., Davidsson et al., 2005; Eijdenberg et al., 2015;

Rafiki, 2020; Williams & McGuire, 2010), this study has expanded the current body of empirical studies on SMEs growth by applying different approaches to measuring firm growth.

6.2.2 Practical implication

The first practical implication is that financial institutions such as banks and credit union may need to consider other factors when making decision about giving loans to entrepreneurs in Liberia. Currently the main selection criterion for giving a business owner a loan are past experiences, education level, and the entrepreneur's ability to demonstrate that he has been in business for at least 6 months. A discussion I had with lending institutions in Liberia shows that financial institutions are becoming hesitant to give business loans because most loan recipients default. Finding from this study suggest that there is a need for additional criteria for making investment decisions in Small and Medium-size business in Liberia. Banks and venture capitalists must also seek to take into consideration practices that owners apply in their businesses.

As indicated by Kong et. al (2012), "the practices that owners apply in their business provide a starting point for their organizational culture" and organizational culture influences organizational performance.

While it is true that a business owner alone may not be able to dictate what organizational culture his business adopts, he can significantly influence the business culture through the managerial practices he finds attractive. Studies shows that business owners will support organizational practices that lead to superior organizational

performance (Ogbonna and Harris 2000; Schein 1987). As indicated by Schein (1987), the practices that a business apply in their businesses may or may not be in accordance with their personality traits. For instance, an owner who is personally low on humane orientation may nevertheless apply humane-oriented practices if she expects humane-oriented organizational cultures to foster superior organizational performance (Kong et al, 2012). In a sense, culture orientation among business owner is not something that is static. It is dynamic, and changes bases on the owner's perception of it as a source of strategic competitive advantage.

The results of this study provide strong empirical evidence there are many factors that determines a business success, and a business owner's culture orientation is one of those. As such, venture capitalist and financial institutions should include the business owner culture orientation in the selection criterion when making investment decision in Liberia. The researcher posits a business owner's cultural orientations such as, power distance, collectivism, humane orientation, assertiveness, and future orientation should be included when making investment decision.

The practical implications of finding from this study goes beyond financial institutions and venture capitalists. Finding from this research also have practical implication on those contemplating on going to business for themselves in Liberia. The results suggest that those interested in starting and managing their own business in Liberia may need to evaluate their own cultural orientations and use the information presented in this study to decide whether they have the right culture orientation to start, and successfully manage a business in Liberia. The findings from this study does not

mean that those without the culture orientation shown to leads to successful SMEs growth in Liberia should be exclude from doing business in Liberia. However, the results suggest that future entrepreneurs who lack Power Distance orientation, Collectivism orientation and Future Orientations may need to alter their cultural in line with the empirical evidence presented in this study or consider forming partnership with other entrepreneurs that would compensate their weaknesses.

Alongside the practical implications that this study has on investment decision makers and future entrepreneurs, is its impact on public policymakers and ordinary Liberians. For instance, unemployment remains a huge problem for the Liberian government and its international partners (Ministry of Commerce and Industry, 2011). This problem was recently exacerbated by the government of Liberia, the biggest employer in the country, to freeze all external recruitment due to its inability to continue absorbing additional labor force. This policy has led to huge youth employment.

The government and its partners have sought to solve the problem of huge youth unemployment by undertaking activities that would lead to stronger growth among SMEs in. The assumption is that with growth in private sectors would lead to job creation and subsequently reduce the rate of unemployment. However, most of the reform done so far have almost exclusively focused on institutional reform in area such as restructuring tax rates and examining tax incentives in ways that reflect SME constraints. As well as simplifying credit reporting system that makes it easy for business owners to apply for corporate loans. None of the reform initiatives has sought to access how the practices that business owners apply in their business influences the growth of their business. A key

takeaway from this study is that there is a need for the individual business owner's development to form parts of structural reforms aim as growing the SMEs sector in Liberia.

6.3 Recommendations for Future Research

While it is true that this study makes several significant contributions towards entrepreneurship and firm growth literature, it also has some limitations that serve as an opportunity for future researchers. The first limitation is that the data used for this study was collected from six sectors (General Merchandise, Health Care, Information technology, Tourism and Hospitality, Transportation and Logistics, and Utility) in Liberia. As such, the degree to which results from this study can be applied to others sector is not known. In order to find out if the results are applicable to other business sectors, future research should include other business sectors as well. Additionally, the six-business sector used for this study may have influenced the out of this study. As such, it would be great for future research to used one business sector and compare the result to this study.

The second limitation of this study is the sample was selected from urban areas of two of the 15 counties in Liberia. While it is true that the descriptive statistics suggests that the sample is likely to represent the SME sector in Liberia, it is possible to produce biased result using such assumption. The author recommends that future research seeking to determining the relationship between business owner culture orientation and SMEs growth in Liberia should also incorporate other counties.

The third limitation of this study is that it used non-probability sampling method. This means that the extent to which finding from this study can be generalized to the rest of the entrepreneurs in Liberia is very limited. For future research, a probability sampling method should be used. The fourth limitation of this study is that the data used was collected directly from the participants who mainly relied on their memory. Because of that, the data may be bias or inaccurate. In order to overcome these limitations, the researcher used multiple items to measure each construct. The results of the factor analysis suggest that most of these items are consistent. The researcher also used different approaches to measure firm growth. By including different means to measure SMEs growth, the author is confident that he has captured the most important aspects of SMEs growth. For future research, it would be good to used data from the Liberia Revenue Authority and compare the data with the information provided by the entrepreneur.

6.4 Conclusion

The aim of this study was to analyze the relationship between business owners culture orientation and Sales growth in Liberia. A model was developed on the basis of existing theory in this area. Survey questionnaires were distributed among business owners in two of the biggest cities in Liberia. The main result of this study suggests that business owner's culture orientation does influence sales growth among SMEs. Findings from the study also suggest that business owner with express preference for cultural practices that demonstrate Power Distance, Collectivism and future orientations are more likely to experience high sales growth. Basically, what this implies is that a business owner who want to growth his business in Liberia will need to adopt one of those culture

orientations or be willing to go into partnership with someone who would compensate their weakness.

In time of declining sales growth, it might be good for business owners to assess themselves and see how their culture orientations might be negatively impacting employees and organizational performance. Result of this study shows that there are cost effective way to initiative business growth. By understanding the moderating role of culture in business growth, policy makers and entrepreneurs can growth the SMEs sector in Liberia and help eradicate extreme poverty by creating jobs in the private sectors.

APPENDIX A

SURVEY COVER LETTER

Dear Sir/Madam,

My name is Aaron Nyanama. I am a Liberian, and a Doctoral Researcher at the Swiss School of Business and Management in Geneva, Switzerland. I am currently doing research for my Doctoral thesis on Factors that determine Small and Medium-sized Enterprises (SMEs) growth in Liberia. The objective of this study is to understand why some businesses grow while others stagnate.

You have been selected to participate in this survey because of your potential to provide the required information. I am aware that you are very busy, but I would be grateful if you could please take a few minutes to answer this questionnaire.

I will maintain absolute confidentiality about your specific business operations. In this regard, I will treat your answers in the strictest confidence and use the information only for this research.

I would like to thank you in advance for your time and participation in this research.

Thank you,

Aaron Nyanama

Doctorate candidate

APPENDIX B Survey Questionnaire

Section 1: Characteristic of entrepreneurs and firms

1. When was your business established?
 - a) 1-5 years ago
 - b) 5-10 years ago
 - c) 10-15 years ago
 - d) 15-20 years ago
 - e) More than 25 years ago

2. What is your business main sector?
 - a) Healthcare
 - b) Tourism and hospitality
 - c) Construction
 - d) Information technology
 - e) Utility
 - f) Transportation and logistics
 - g) Other (Please specify): _____

3. How many employees were there when the business started, including owners and relatives working for the business

4. Please indicate the business's total number of employees as stands on January in each of the following years.

	Full-time	Part-time
January 2017		
January 2018		
January 2019		
January 2020		

5. Which of the following describes your firm legal status?
 - a) Sole proprietor
 - b) Partnership
 - c) Other (please specify): _____

6. If your firm is not a sole proprietorship, which of the follow statement describes the firm's ownership structure?
 - a) the firm has one main owner owning more than 50%
 - b) the firm has one main owner owning less than 50%

7. Where is your firm located?
 - a) Monrovia
 - b) Ganta

8. would you describe your business sales turnover in the last three years?
 - a) Has increased
 - b) Has remained the same
 - c) Has decreased

9. If your business sales turnover has increased over the last three years, which of the following percentage best describes the increment?
 - a) 0-10%
 - b) 11-20%
 - c) 21-30%
 - d) 31- 40%
 - e) over 50%

10. If your business sales turnover has decreased over the last three years, which of the following percentage best describes the decrease?
 - a) 0- 10%
 - b) 11-20%
 - c) 21-30%
 - d) 31-40%
 - e) over 50%

11. How would you describe your business sales turnover in the last five years?
 - a) Has increased
 - b) Has remained the same
 - c) Has decrease

12. If your business sales turnover has increased over the last five, which of the following percentage best describes the increment?
 - a) 0-10%
 - b) 11-20%
 - c) 21-30%
 - d) 31-40%
 - e) over 50%

13. If your business sales turnover has decreased over the last five years, which of the following percentage best describes the decrease?
 - a) 0-10%
 - b) 11-20%
 - c) 21-30%
 - d) 31-40%
 - e) over 50%

Section 2: Scales Measuring Cultural Orientations of Business Owners

Uncertainty avoidance (UA 1, UA 2, UA 6)

Imagine that one of your employees comes up with a new idea. His idea sounds promising, but its implementation would necessitate considerable changes in your business routines. What do you do?

You encourage your employee to try out his idea.		You refuse to implement your employee's idea. Changing your business routines is too risky to you.
--	--	--

Imagine that one of your clients asks you to work on a project. Since neither you nor your employees have any experience in this field, working on the project would be a big challenge for your business. What do you do?

You accept the project. Exploring new fields will help to improve your business.		You reject the project. Sticking to fields in which you are experienced is much more sensible to you.
--	--	---

Imagine that one of your employees suggests extending your business to new areas in which you are not experienced yet. What do you do?

You implement your employee's suggestion. Extending your business to new areas will help to increase your competitiveness.		You reject your employee's suggestion. Extending your business to new areas is too risky to you.
--	--	--

Power distance (PD 1, PD 2, PD 3, PD 4, PD 6)

Imagine that one of your employees challenges a rule you established in your business. What do you do?

You ask your employee to make suggestions about how to change the rule.		You tell your employee to accept the rule.
---	--	--

Imagine that you are faced with a difficult problem in your business. You are not sure how to solve it. What do you do?

You tell your employees about the problem and ask them for their help.		You don't tell your employees about the problem and try to solve it by yourself.
--	--	--

Imagine that one of your employees criticizes the way you run your business.

What do you do?

You ask your employee to make suggestions for improvement.		You tell your employee to stop his criticism.
--	--	---

Imagine that you have to make a decision that has important consequences for your business. What do you do?

You make the decision after having consulted your employees.		You make the decision without consulting your employees before.
--	--	---

Imagine that one of your employees refuses to follow an instruction you gave him. What do you do?

You ask your employee for the reasons for his refusal.		You reprimand your employee for his refusal.
--	--	--

In-group collectivism (C 5, C 7)

Imagine that you want to employ a new secretary who has at least three years of work experience. Now your best friend's wife applies for the job. She is well qualified but has only been working for one year. What do you do?

You stick to your requirements and don't employ your best friend's wife.		You make an exception to your requirements and employ your best friend's wife.
--	--	--

Imagine that your nephew asks you to employ him in your business. You don't consider him to be sufficient qualified. What do you do?

You don't employ your nephew due to his poor qualification.		You employ your nephew regardless of his poor qualification.
---	--	--

Assertiveness (A 3, A 5, A 6)

Imagine that one of your employees is very aggressive. He verbally attacks his co-workers whenever they don't agree with him. What do you do?

You tell your employee to change his behavior.		You tolerate your employee's behavior.
--	--	--

Imagine that one of your employees is very dominant. He gives orders to his co-workers although he is not authorized to do so. What do you do?

You tell your employee to change his behavior.		You tolerate your employee's behavior.
--	--	--

Imagine that one of your employees is very aggressive. Whenever he wants to achieve something, he bullies his co-workers. What do you do?

You tell your employee to change his behavior.		You tolerate your employee's behavior.
--	--	--

Future orientation (FO 2, FO 4, FO 6)

Imagine that one of your employees asks you to give him general advice about how to work on a challenging project. What do you do?

You advise your employee to think about things as he goes along.		You advise your employee to plan ahead.
--	--	---

Imagine that one of your employees suggests having regular meetings to plan for the future of your business. What do you do?

You tell your employee that too much planning for the future just distracts from current business.		You are pleased with your employee's suggestion and implement it.
--	--	---

Imagine that one of your employees asks you what to consider prior to starting a project. What do you do?

You advise your employee to start the project right away without considering its long term implications.		You advise your employee to consider the long term implications of the project.
--	--	---

Humane orientation (HO 1, HO 3, HO 4, HO 5)

Imagine that one of your employees who always used to do his work properly suddenly makes a lot of mistakes. You find out that things are not going well for him in his private life. What do you do?

You are not willing to show any consideration for your employee's personal problems. You just tell him to get on top of them.		You feel sorry for your employee and offer him your help.
---	--	---

Imagine that one of your employees asks you for special leave due to unexpected strains in his private life. What do you do?

You don't care about your employee's bad mood.	<p style="text-align: center;">←—————→</p> <p style="text-align: center;">(1) (2) (3) (4) (5) (6)</p> <p style="text-align: center;">extremely very somewhat somewhat very extremely</p> <p style="text-align: center;">true of me true of me</p>	You try to find out the reasons for your employee's bad mood.
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Imagine that one of your employees seems to be in a bad mood. What do you do?

You refuse to grant your employee special leave.	<p style="text-align: center;">←—————→</p> <p style="text-align: center;">(1) (2) (3) (4) (5) (6)</p> <p style="text-align: center;">extremely very somewhat somewhat very extremely</p> <p style="text-align: center;">true of me true of me</p>	You grant your employee special leave.
--	---	--

Imagine that one of your employees is a single father. He has problems balancing the education of his children and his work. Therefore, he asks you to exempt him from working overtime. What do you do?

You refuse to exempt your employee from working overtime.	<p style="text-align: center;">←—————→</p> <p style="text-align: center;">(1) (2) (3) (4) (5) (6)</p> <p style="text-align: center;">extremely very somewhat somewhat very extremely</p> <p style="text-align: center;">true of me true of me</p>	You exempt your employee from working overtime.
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