DOCTORAL DISSERTATION

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UNIVERSITY OF PÉCS

Pécs, Hungary, 2023

Uncovering the Effect of Corporate Governance, Competitiveness, and Distinctive Competence on SMEs Performance in Emerging Countries

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Doctor of Philosophy
By

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Supervisor:
Professor László Szerb

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Declaration of Originality

I hereby declare that this dissertation in its entirety has been prepared and written by me and is the result of my own work. To the best of my knowledge and belief, this work does not contain any material previously published or written by others, except where due references is made. In addition, the work has not been submitted for any other degree or professional qualification institutions other than specified here to the University of Pécs.

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Muhammad Masyhuri Pécs, 2023

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List of Acronyms and Abbreviations

ADB	Asian Development Bank
AGFI	Adjusted Goodness of Fit Index
AVE	Average Variance Extracted
AMOS	Analysis of Moment Structure
ASEAN	Association of South-East Asian Nations
BOD	Board of Directors
CB-SEM	Covariance-Based Structural Equation Modelling
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CG	Corporate Governance
CR	Composite Reliability
DC	Distinctive Competence
DV	Dependent Variable
EFA	Exploratory Factor Analysis
EMDEs	Emerging Markets and Developing Economies
EU	European Union
FC	Firm Competitiveness
FP	Firm Performance
GCG	Good Corporate Governance
GDP	Gross Domestic Products
GFI	The Goodness of Fit Index
GOF	Goodness of Fit
IDR	Indonesian Rupiah
IFC	International Finance Corporation
IMF	International Monetary Fund
IODSA	Institute of Directors of South Africa
IV	Independent Variable
KMO	Kaiser-Meyer-Olkin
LACs	Latin America and the Caribbean countries
LEs	Larger Enterprises
MGA	Multi Group Analysis
MLE	Maximum Likelihood Estimator
MSV	Maximum Shared Variance

MXN	Mexican Peso
NFI	Normed Fit Index
NPD	New Product Development
OECD	Organisation for Economic Co-operation and Development
PCA	Principal Component Analysis
PPP	Purchasing Power Parity
RBV	Resource-Based View
RMC	R&D and Marketing Collaboration
RMSEA	Root Mean Square Error of Approximation
R&D	Research and Development
ROE	Returns on Equity
ROI	Returns on Investment
RQs	Research Questions
SEM	Structural Equation Modelling
SMEs	Small Medium-size Enterprises
SPSS	Statistical Package for Social Sciences
SRMR	Standardized Root Mean Square Residual
TLI	Tucker Lewis Index
UK	the United Kingdom
US$	US Dollar
VIF	Variance Inflation Factor
VRIN	Valuable, Rare, Inimitable, and Non-substitutable
VRIO	Valuable, Rare, Inimitable, and Organisation

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ABSTRACT

The purpose of this study is to investigate and analyze the impact of small medium enterprises' (SMEs) corporate governance (CG) practices on the firm's competitive factors, distinctive competence, and firm performance in three emerging economies on three continents, namely Hungary, Indonesia, and Mexico. A total of 531 completed questionnaires were analyzed (Hungary 218, Indonesia 161, and Mexico 152). The study applied the conceptual model and tested it using covariance-based structural equation modeling (CB SEM).

The results have shown that the direct and indirect relationships found in this study between corporate governance practices, distinctive competence, firm competitiveness, and firm performance, as well as the multiple-group analysis (MGA) comparison, contribute to the body of knowledge on understanding the SMEs characteristic performance within the emerging markets. This study also provide a significant theoretical contribution and outlines practical implications for corporate governance to improve the understanding of the relationship between corporate governance and the operational performance of SMEs in emerging markets.

There are that three main important implications factors contributed for this study. First, this study extends the two variables used in the previously theory to explain the relationship between corporate governance and firm performance. Second, this study conducted a mediation effect analysis among the construct variables to investigate and better understand the factors that influence corporate governance and firm performance in SMEs by expanding the new construct variables. Third, the study examined the MGA comparison between the three emerging economies and other SME groups provides a clear and deeper understanding of the need to understand the different influencing factors in different countries.

Keywords: SMEs, corporate governance, firm performance, distinctive competence, firm performance, MGA, CB-SEM

JEL classification:
C30, C52, D40, G34, L25, L26, M13, O57

I. INTRODUCTION

1.1 Research Background

In the last twenty years, the study of corporate governance (CG) has become a topic of interest to scholars and business societies, especially among larger corporations and large publicly traded companies worldwide (Abor & Adjasi, 2007 and Durisin & Puzone, 2009). CG can be defined as a system by which companies can be directed and controlled (Cadbury, 1992). It is a way of governing the company from the employee to board level with its well-defined policies, culture, and practices, and it includes the mechanisms and processes that companies use to protect their various business interests (Kang et al., 2007; Khan et al., 2013; Kroll et al., 2008). In addition, Abor & Biekpe (2007) defined CG as the process and structure used to manage and administer the company's business affairs in order to improve business performance and corporate responsibility, with the goal of achieving long-term shareholder value while considering the interests of other stakeholders. Based on the OECD Principles of CG recommendations there are six key areas that should be covered by the organisation, namely ensuring the basis for an effective corporate governance framework; the rights of shareholders; the equitable treatment of shareholders; the role of stakeholders in corporate governance; disclosure and transparency; and the responsibilities of the board (OECD, 2004). By adhering to these principles, the company is most likely to perform well, both financially and operationally.

Following the major collapses of recent corporate failures and crises, such as Enron, Parmalat, Arthur Andersen, and others, CG has become paramount issues in both developed and emerging economies (OECD, 2004; Sharp & Stock, 2005; Singh & Pillai, 2022). In examining the sensational mismanagement of larger enterprises (LEs), it was found that one of the main reasons for the collapses was the inefficient corporate governance structure of the companies. Therefore, the existence of an organisation in today's business environment is not possible without adherence to basic corporate governance requirements (Rehman & Hashim, 2020). Naturally, the basic concept of CG is to improve accountability in the company. According to Busrai (2019), a good structure of CG in a company works to the advantage of all stakeholders by promoting ethical standards, fair practices, and compliance with laws. It has also been shown that companies that best implement CG practices benefit from improved performance (Chugh et al., 2011; Ho, 2005; International Finance Corporation, 2016; Raja & Kumar, 2007; Rashid & Lodh, 2011; Vo & Nguyen, 2014;

Wyman, 2014). On the other hand, a bad and lack of CG is considered as an uncertain, non-compliant, and poor governance that can lead to damage of the company's reputation or the financial image of the company (Adinehzadeh et al., 2018; Kyere & Ausloos, 2021).

Meanwhile, the role of small and medium enterprises (SMEs) has contributed to generate a significant impact on the sustainability of economies around the world, as opposed to large enterprises (LEs), in both in developed and emerging economies, especially during the current pandemic and economic crisis. According to a World Bank (2019) report on economic performance, formal SMEs in emerging economies contribute up to 40 percent of national income (GDP) in emerging economies, and these figures are much higher when informal SMEs are included. In addition, there are more than 25 million formal SMEs in the European Union (EU), which account for nearly 100 percent of all businesses, create about 66 percent of jobs, and provide more than 50 percent of EU GDP (European Commission, 2019; Srebalová & Vojtech, 2021). According to a report by the International Finance Corporation (IFC, 2019), there are more than 300 million SMEs worldwide with an average growth rate of three percent per year, which could create about three million jobs per month by 2030 to serve the growing labour force in emerging markets. In the Asian region, for example, SMEs account for more than 33 percent of total SMEs globally (IFC, 2019) and generate more than one-fifth of Asia's GDP (Yoshino, Naoyuki; Taghizadeh-Hesary, 2017). Similarly, in Latin America, SMEs account for nearly 99 percent of enterprises in the region, with about 90 percent classified as microenterprises, and create more than 60 percent of formal jobs (OECD, 2019). Nevertheless, due to the Covid19 pandemic, 30 percent of small business jobs will be eliminated globally in 2019 and 2020, particularly in emerging economies, including Europe, Central Asia, and the Mediterranean regions, impacting more than 60 percent of the service sector workforce and leading to a potential loss of about 20 percent of U.S. wholesale and retail jobs (Bircan et al., 2020; K. Dube et al., 2021; Monitor, 2020).

Although the contribution of SMEs to the economic development of countries is indispensable, SMEs, especially young start-ups, consistently struggle to compete and improve their performance (Abdullah et al., 2019; Meyer & Meyer, 2017; Umadia & Kasztelnik, 2020). Challenges that hinder the performance of such SMEs include access to finance, developing international trade relations, developing an entrepreneurial culture, and creating competitive advantage for a company (Roóz, 2011; Shinozaki, 2014; Wyman, 2014). In some advanced countries, such as the United Kingdom, Japan, Hong Kong, and South Korea, the capital market is recognized as playing an important role in overcoming

these difficulties by providing alternative sources of financing for SMEs (Asian Development Bank., 2015; The Growth and Emerging Markets Committee of the International Organization of Securities Commissions, 2015). However, in order to be listed on the capital market and benefit from business opportunities and sustainability, SMEs need to follow sound corporate governance and principles and practices as recommended by the Institute of Directors of South Africa (Institute of Directors in Southern Africa, 2011) and the Institute of Dubai SME-Hawkamah for Corporate Governance (Dubai, 2011). In other words, as stated by Cantele & Cassia (2020); Le & Ikram (2022); Momaya (2019) and North & Varvakis (2016), these performance problems of SMEs are related to lack of corporate governance practices (CG) and competitiveness which affect the lack of firm performance to survive in business operations (Clarke, 2006; Hove-Sibanda et al., 2017; Mahzan & Yan, 2014). Therefore, studying the impact of CG on SMEs' performance of business operations is of utmost importance in order to design a framework policy for improving their sustainability as a country's economic powerhouse, especially in an emerging economy.

1.2 The motivation of the research

According to international guidelines, implementing good corporate governance (GCG) can improve firm performance and ensure corporate accountability. However, there are at least three important issues that are repeatedly raised referring to the appropriateness of corporate governance in the real business world, as follows: (1) Is the implementation of CG appropriate only for larger enterprises or also for SMEs and only for advanced countries and not for emerging economies? (2) Are CG practices also necessary for private family own businesses or only for listed companies? and, (3) Do CG practices have resemblances with competitive factors?

(1) *Is the implementation of CG appropriate only for LEs or also for SMEs and only for advanced countries and not for emerging economies?*

This issue has been addressed by numerous researchers from advanced and developing countries (Abor & Adjasi, 2007; Abor & Biekpe, 2007; Armitage et al., 2017; Arthur, 2016; Claessens & Yurtoglu, 2013; Clarke, 2006; I. Dube et al., 2011; Durisin & Puzone, 2009; Hove-Sibanda et al., 2017; Iqbal, 2015; Tambunan, 2008; Wilkin et al., 2016; Young et al., 2008). Abor & Adjasi (2007) and Clarke (2006) argue that given the widespread globalisation, the implementation of CG should not only apply to large and listed companies, but can also be applied to SMEs to enhance their long-term advantages, as it is an

indispensable key to determine the real values of a company regardless of its size. Wilkin et al. (2016) also found that companies, large or small, that adopt practises from CG achieve the same benefits and positive impact on their performance. As Claessens & Yurtoglu (2013) found, all companies that adopt good CG practises can achieve at least five important benefits regardless of company size, namely (1) improving the external funding accessibility, (2) reducing the cost of capital and thus increasing company valuation, (3) refining operational performance of resource allocation and better management, (4) mitigating the financial risks of crises, and (5) stakeholders relationships improvement. As Hove-Sibanda et al. (2017) point out, the CG application in SMEs has raised significant concerns globally due to its pivotal role in some countries, particularly in emerging countries.

(2) Are CG practices also necessary for private family businesses or only for listed companies?

Owing to the International Finance Corporation (2018), private family businesses account for nearly 70 percent of total business volume in most countries around the world and contribute to economic growth and job creation, from SMEs to large enterprises (LEs). However, most small and medium-sized private family businesses are short-lived because successive generations do not usually control the family (Flören, 2010). In short, they have less or no CG knowledge, guidance, and practices in running their businesses (Kumar & Zattoni, 2016). Therefore, as Miller & Le Breton-Miller (2006) and Van den Berghe et al. (2002) have noted, it is undeniable that CG characteristics and applications are also essential for private or public family businesses to ensure their business performance and existence in the long run.

(3) Do CG practices have similarities with competitive factors?

Through an applying the resource-based view (RBV), the CG concepts and competitiveness can be described (Lafuente, et al., 2020), nevertheless, this concept has also always been inconsistent and inconclusively understood (Ho, 2005). As evidenced by many scholars, which can be confirmed by the many empirical studies that CG and competitive factors are dissimilar, and has been found that CG practices have positively influenced the competitiveness of the company (Erasmus Research of Institute Management, 2019; Gregoric et al., 2009; Jocović & Milović, 2013). As a result, CG can be considered as a factor that increases the competitiveness of companies in order for them to perform in business operations.

Meanwhile, competitiveness and distinctive competence have also become buzzwords worldwide, which are believed to improve the operational performance of enterprises for both LEs and SMEs (Bhawsar & Chattopadhyay, 2015; Goshu & Kitaw, 2017). In terms of the firm context, Chikán (2008) defines a firm's competitiveness as the capability of a firm to sustainably fulfill its dual purpose of meeting customer demands while making a profit. This capability can be realized by offering goods and services that are valued more highly by customers than those offered by competitors. Furthermore, Lafuente, et al. (2020) describe that firm competitiveness can be defined as a dynamic system model and combined with the interdependent bundle of resources and capabilities that enable the creation or development of valuable competencies. In other words, a firm's competitiveness is based on its adaptability and its ability to generate long-term profits. Distinctive competencies, on the other hand, can be defined as superior characteristics, strengths, or qualities of a firm that distinguish it from its competitors and that relate to both tangible and intangible possessions of the firm (Mooney, 2007). The studies by Lii & Kuo (2016) have shown that stronger and more appropriate corporate governance and competitive factors as well as distinctive competence can improve firm performance.

1.3 The nature of the research problems, novelty and contribution of the study

Although the literature on the relationship between corporate governance and corporate financial performance has grown immensely worldwide (Jackling & Johl, 2009), most corporate governance research has been conducted on large public companies of LEs, particularly in Anglo-American countries, with relatively little research on other contexts. It is important to note that the majority of companies worldwide are among the less researched contexts. In addition, the majority of companies worldwide are privately owned and could be considered small or medium-sized (SMEs) in terms of size.

In reality, SMEs need guidance on the required structure of CG in their companies according to the nature and size of their businesses to achieve better business performance. While several studies have been conducted on CG and corporate performance, few studies have examined the impact of corporate governance measures on the corporate performance of SMEs. The impact of an ineffective corporate governance structure has been demonstrated worldwide in the form of corporate failures, so guidance is critical. Considering the overall

contribution of SMEs, CG guidance for their businesses is necessary and required to avoid future crises.

Although extensive research has been conducted on corporate governance, there are few studies that examine the impact of CG on firm performance of SMEs, especially for studies in emerging economies (Abor & Adjasi, 2007; Afrifa & Tauringana, 2015; Iqbal, 2015; Nasrallah & El Khoury, 2022). In addition, most studies on the impact of CG on SME performance use only apply single variable: on the one hand, CG as the independent variable (IV) and on the other hand, SME firm performance (FP) as the dependent variable (DV) with an applying a direct relationship approach using the multilinear regression method. Moreover, they were conducted research only in a single country. For instance, Afrifa & Tauringana (2015) investigated the impact of CG on the financial performance of listed SMEs in the United Kingdom. Hakimah et al. (2019) studied the relationship between CG and SME financial performance in Indonesia; La Rosa & Bernini (2018) examined the impact of CG on the gaming performance of Italian SMEs; and Nasrallah & El Khoury (2022) researched the impact of CG on the performance of Lebanese SMEs. All these studies showed significant results between CG and firm performance of SMEs in the respective countries with a different direction from CG indicators. Both Hakimah et al. (2019) and La Rosa & Bernini (2018) found that high percentage of family ownership as part of CG indicators has a significant negative impact on firm performance; however the CG board size number has a positive significant impact on SMEs firm performance. Afrifa & Tauringana (2015) found opposite results which the CG board size has a significant negative impact on the SMEs firm performance. Meanwhile, Nasrallah & El Khoury (2022) found that all CG indicators have a positive significant effect on firm performance.

So far, only one study has used three variables to investigate the impact of CG (as an independent variable) on SMEs' firm performance (as a dependent variable) and competitiveness (as an independent variable) in Ghana (Hove-Sibanda et al., 2017). Furthermore, they suggested that future studies should compare the performance of SMEs in different regions and also focus on the other non-financial performance of SMEs, as well as examine the indirect effect of firm competitiveness between CG and firm performance.

Based on the previous explanation, it is therefore appropriate to study and analyze CG practices, their competitiveness, competence and performance in the SME sector in the context of emerging nations. Therefore, there is a need to extend the CG study by considering other related variables, namely competitiveness and distinctive competence and also to apply a cross-country comparison in order to broaden the understanding and knowledge and to

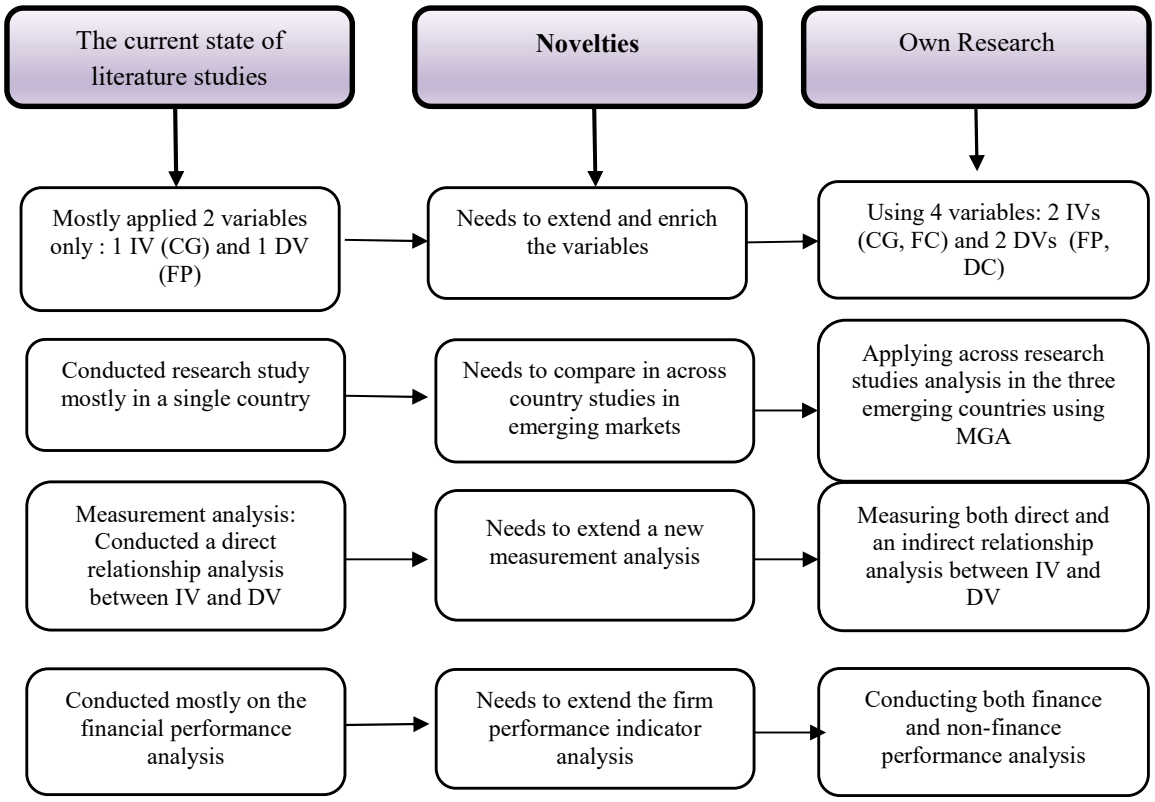
capture the actual performance of SMEs to be sustainable in emerging markets. As a result, this study will include competitiveness and distinctive competence as additional variables in the framework study model. In addition, the study will evaluate the mediating effect of competitiveness and distinctive competence on the relationship between CG and SMEs firm performance. Furthermore, to the best of the author's knowledge, there is no previous study that has examined the indirect effect of competitiveness and distinctive competence on the relationship between CG and SMEs firm performance by comparing in a more two different countries. Thus, this study fills the literature gap in this regard.

The question is which variables and indicators that have a significant impact on CG practices and to what extent the implementation of CG affects the competitiveness, competence and performance of firms in the SME sector of different regions is the main core of the study and the motivation for the entire research study.

The novelty of this study lies in the gaps that exist in previous literature studies. First, this study enriches the classic of CG framework analysis by adding two variables, firm competitiveness (FC) and distinctive competence (DC), to it, thus proposing a new framework CG model. Second, to the best of the author's knowledge, there has been dearth of cross-country comparison of these thematic variables from three different continents (mostly only one country be analyzed) by using multiple group analysis (MGA). Third, this study investigates an indirect effect of competitiveness and distinctive competence on the relationship between CG and SMEs firm performance in order to examine the direct or indirect effect among variables, which is a new research measurement approach for this study. Fourth, this study examines firm performance using both factors, financial and non-financial factors (usually only financial factors have been investigated). Figure 1.1 depicts summarise the novelty of this research study.

The following figure describes the current gap analysis that this study is trying to fulfil by proposing four areas that involve: the use of more variables by adding two variables, namely firm competitiveness and distinctive competence; the addition of measurement analysis, both direct and indirect relationship analysis between variables; the addition of non-financial indicators of a firm performance, besides the current financial indicators; and the application of cross-country analysis in different continents by analysing the three different emerging countries, i.e., Hungary, Indonesia, and Mexico by applying MGA. In other words, this study seeks to uncover the factors that affect the performance of SMEs, namely CG, firm competitiveness and distinctive competence, especially in an emerging

markets, in order to obtain more information and a deeper understanding of this phenomenon.



Source: Author's construct

Figure 1.1 The novelty of the research study

From the above explanation, at least there are two major significance and contributions of the research study. First, the study could fill the literature and study gap in analyzing and evaluating CG practices of SMEs in emerging economies and in different continents. Second, the study will provide an integrative framework for business performance based on CG practices, competitive characteristics, and distinctive competencies of SMEs.

1.4 Reasons selected for the three emerging countries – Hungary, Indonesia and Mexico

According to the IMF study, although there is no formal definition, emerging markets or emerging countries are generally identified by countries that sustained their market access, progress in reaching middle-income levels, and stronger global system presence, including the size of the country's economy (nominal GDP), its population, and its share of exports in global trade (Duttagupta & Pazarbasioglu, 2021). Based on the IMF 2021 report, there are

20 emerging countries which currently account for 34 percent of the world's nominal GDP and 46 percent in purchasing power parity (PPP) terms, namely: Argentina, Brazil, Chile, China, Colombia, Egypt, Hungary, India, Indonesia, Iran, Malaysia, Mexico, the Philippines, Poland, Russia, Saudi Arabia, South Africa, Thailand, Turkey, and the United Arab Emirates (Duttagupta & Pazarbasioglu, 2021).

The three emerging economies, namely Hungary, Indonesia, and Mexico, were deliberately selected for this study. The reason for selecting the three countries is based on the three main considerations. First, the similar categorization of emerging economies based on the IMF report (Cherif & Hasanov, 2015; Duttagupta & Pazarbasioglu, 2021; IMF, 2022; Internacional & Melas, 2019). In this case, Hungary, Indonesia, and Mexico are counted as emerging markets. For this study, Hungary is a representative emerging country of the European continent, while Indonesia is a representative emerging country of the Asian continent and Mexico is a representative country of the American continent. Second, the three countries are classified as middle-income countries with growing economies in the global competitiveness index and are ranked closer to each other. As for the competitiveness index, Hungary is ranked 47th, Mexico is ranked 48th, and Indonesia is ranked 50th (Klaus, 2019). Third, the reason for the special circumstances regarding the availability of primary data from these countries where the study survey was conducted during the pandemic. Next, will summarise description of the chosen emerging countries.

Hungary is a landlocked country in Central Europe of European continent, covering 93,028 square kilometres and bordered by Slovakia to the north, Ukraine to the northeast, Romania to the east and southeast, Serbia to the south, Croatia and Slovenia to the southwest, and Austria to the west. Hungary has a population of 9.7 million (2023 estimate) and is classified as an upper middle-income country, a member of the OECD, with the real GDP per capita of $33,600 (CIA, 2023a; Schwab, 2019). According to preliminary data from the Hungarian Central Statistical Office, more than 800 thousand enterprises were operating in Hungary at the end of 2019, of which about 98 percent were classified as SMEs (OECD, 2022). During the Covid19 pandemic, Hungarian SMEs were severely affected in 2020, with the two most affected sectors, i.e. the accommodation and food services sector, with a 40 percent decrease in SME value added, and the administrative and support services sector, with a 15 percent decrease in SME value added. However, employment in SMEs increased in construction (4 percent) and professional, scientific and technical activities (3 percent). Although SMEs play an important role in the Hungarian economy, the average productivity

of SMEs, defined as value added per employee, was EUR 19,800 in 2020, well below the EU average of EUR 40,000 (OECD, 2022).

Indonesia lies on the Asian continent in Southeast Asia and Oceania between the Indian and Pacific Oceans. It consists of over 17,000 islands covering an area of 1,904,569 square kilometres and has a population of approximately 280 million (CIA, 2023b). This makes Indonesia the fourth most populous country in the world and the most populous Muslim-majority country. The Indonesian economy is the 16th largest in the world in terms of nominal GDP and the 7th largest in terms of purchasing power parity (PPP) (Woetzel et al., 2018). The country is a regional power within the Association of South-East Asian Nations (ASEAN) and is considered a middle power in global affairs and is classified as a lower middle-income country with the real GDP per capita of $11,900 (CIA, 2023b). According to the Ministry of Cooperatives and SMEs of the Republic of Indonesia, there were more than 64 million SMEs in 2019, accounting for 99 percent of the total business population and employing 97 percent of the total labour force (OECD, 2022). Access to finance remains difficult for most SMEs in Indonesia. Especially during the pandemic COVID -19, many SMEs were affected by financial problems.

Mexico is located in the American continent in the southern part of North America and is the thirteenth largest country in the world with an area of 1,964,375 square kilometres; it is the tenth most populous country with over 129 million people and has the largest number of Spanish-speaking residents (CIA, 2023c). As of April 2018, Mexico had the 15th largest nominal GDP ($1.15 trillion) and the 11th largest by PPP ($2.45 trillion) and is classified as an upper middle-income country with the real GDP per capita of $19,100 (CIA, 2023c; Schwab, 2019). Mexico had more than 4.86 million SMEs before the pandemic, of which about 97 percent were microenterprises, generating 15 percent of the national GDP and employing almost 50 percent of the labour force. As a result of the lockdown measures due to the Covid-19 pandemic in 2020, many businesses were forced to suspend operations and even close permanently. Despite the disruption, some companies found economic opportunities to reorganise their activities and adapt to the new circumstances (OECD, 2022).

1.5 Research Objectives

The main objective of this study is to investigate and analyze the impact of CG practices on the firm competitiveness, distinctive competence and firm performance of SMEs and to

examine differences between the comparative models in the three emerging countries Hungary, Indonesia and Mexico.

Based on the above explanations and justifications as well as the extensive literature review, the research objectives for this study can be proposed as follows:

1. To investigate the direct effect of corporate governance practices to the SMEs firm performance in the three emerging countries.
2. To investigate the indirect effect of firm competitiveness and distinctive competence on the relationship between corporate governance practices and firm performance for the SMEs in the three emerging countries.
3. To investigate and compare the differences between corporate governance practices affecting firm performance of the SMEs based on the three emerging countries, the firm size, the firm existence, the firm business type and the gender levels.

1.6 Research Questions

In order to achieve the above research objectives, the following research questions were formulated based on the literature review and the conceptual framework of the study:

1. What corporate governance practices directly affect firm competitiveness, distinctive competence and SMEs firm performance in the three emerging countries?
2. What corporate governance practices indirectly affect the SMEs firm performance in the three emerging countries?
3. Are there any differences comparison in terms of corporate governance practices affecting the SMEs firm performance between the three emerging countries?
4. Are there any differences comparison in terms of corporate governance practices affecting SMEs firm performance in the three emerging countries based on the firm size, the firm existence, the firm business type and the gender levels?

1.7 The structure of the dissertation

The dissertation consists of five chapters (Figure 2).

Chapter one provides an introduction and overview of the entire dissertation. It includes the research background, research motivation, nature of the research problems, novelty of the study, important contribution of the study, reasons for choosing the three emerging countries, research objectives and research questions, and the structure of the dissertation.

Chapter two describes a literature review for the research study. The purpose of this chapter is to provide an overview of the theoretical constructs and concepts and to explain

the variables that affect the business performance of SMEs. It covers the terms and concepts of SMEs, the methodology of the literature review, the literature on firm competitiveness, corporate governance, firm distinctive competence and firm performance, including the key indicators for each variable, and the review of the gap between the research study CG and the performance of SMEs in the selected study countries. The literature review helps to establish a solid conceptual framework for the research.

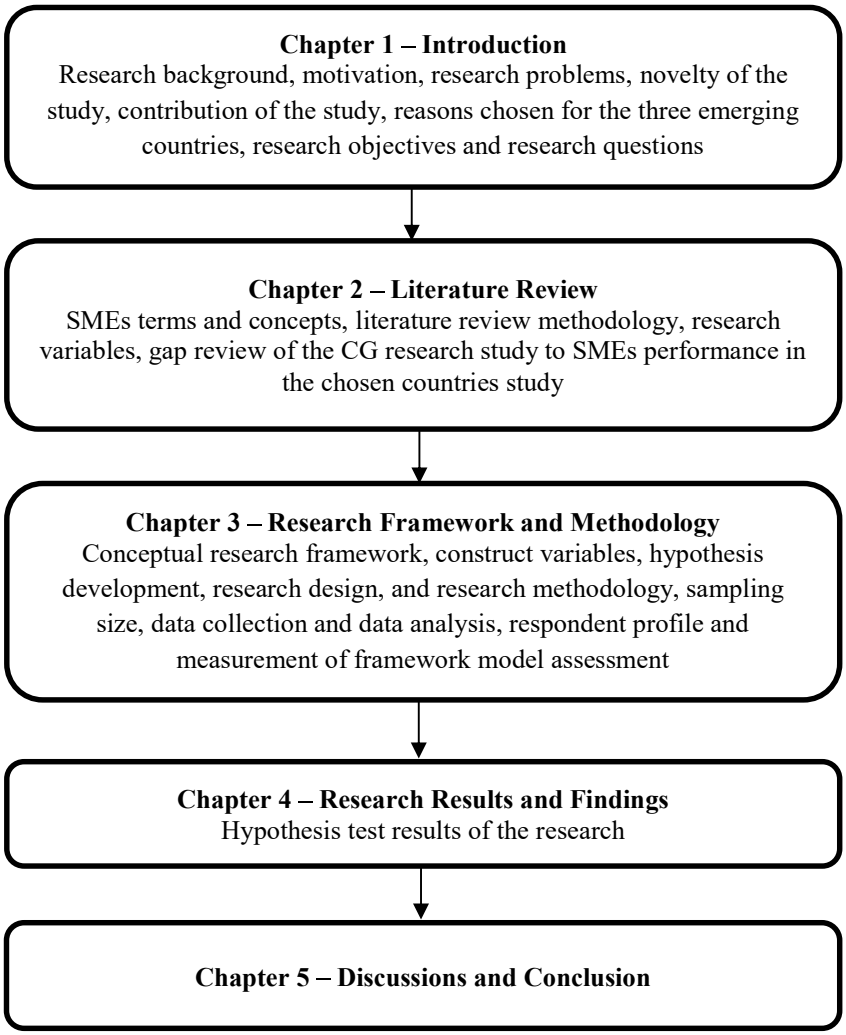


Figure 1.2 The Dissertation Structure

Chapter three aims to propose a new research framework for the study to answer the research objectives and research questions. The chapter addresses the conceptual research framework, the study of construct variables, hypothesis development, research design, and research methodology, including sampling size and data collection and analysis, respondent profiling, and measurement of framework model assessment.

Chapter four presents the research findings and results through charts and tables. The chapter describe the results of the estimation of the structural equation model (SEM) and the hypothesis test results of the study.

Chapter five focuses on the discussion and conclusion, which presents the theses statements, their implications for theory and practise, and recommendations for future research.

II. LITERATURE REVIEW

2.1 Introduction

The previous chapter noted that while the role of SMEs in a country's economic sustainability is important, empirical evidence and theoretical frameworks for analysing the corporate governance (CG) practises that affect SME business performance in various emerging economies have not been fully explored. For example, Hove-Sibanda et al. (2017) investigated the impact of CG on firm performance of SMEs in South Africa; Nasrallah & El Khoury (2022) investigated the impact of CG on firm financial performance in Lebanon; Ciftci et al. (2019) analysed the impact of CG on firm performance in Turkey. However, these studies only validated existing theoretical models in different contexts without proposing or adding new variables that can improve our understanding of firm performance (both financial and non-financial approaches) in the context of SMEs, and they only analysed a single country without making a cross-country comparison in different countries. Therefore, the literature review is needed for new research to expand the existing knowledge and provide a better framework for understanding the variables that rigorously affect business performance in the SMEs context. In this chapter, the predominant themes explored in previous research, namely CG, firm competitiveness, distinctive competence and firm performance are reviewed, the theories and frameworks used as research lenses were also reviewed, and suggestions were made to improve some of the models. This type of analysis and review is important to deepen our understanding of the variables in the literature. It also uncovers research gaps in previous studies that served as the basis for this study.

The purpose of this chapter is to provide an overview of the theoretical constructs, concepts, and describe variables that affect firm performance of the SMEs business operations by examining and reviewing relevant books, journals, and other publications in the fields of economics, management, and other relevant disciplines. The chapter first addresses the terms and concept of SMEs as the basis for the entire subject area of the study. It then uses a literature review method to identify all related variables that affect the performance of SMEs' operations. Inclusion and exclusion criteria are applied to the selected data sources and study selection, including the distribution of articles by year of publication, by country studied, and by research topic and method. The chapter ends with a summary.

2.2 Small and Medium Enterprises (SMEs) Definitions

It should be noted that the definitions of small and medium-sized enterprises (SMEs) vary widely across countries and that there is no single definition and concept of SMEs, which often depend on country-specific standards (Berisha & Pula, 2015), or mainly on the economic growth of the country (Wach, 2015). Consequently, SMEs can be defined based on qualitative and quantitative criteria.

The qualitative criteria for SMEs consider various aspects of the business, such as ownership structure, management style, market presence and entrepreneurial spirit (Gibb, 2004; Wach, 2015). The ownership structure of SMEs is usually characterized by the fact that they are independently owned and operated. They may be unlisted and often have a single owner or a small group of owners (Gibb, 2004; Gunasekaran et al., 2011; Hillary, 2017; Mircevska, 2015; Wach, 2015). Meanwhile, the management style of SMEs is often characterized by more informal and flexible management structures as well as more direct and less bureaucratic processes compared to LEs (Gunasekaran et al., 2011; Hillary, 2017; Mircevska, 2015; Wach, 2015). In terms of market presence, SMEs may serve niche markets or operate in specific industries, and they may have a regional or local focus rather than a global presence (Acs et al., 1997; Fletcher, 2004). However, as Dimitratos et al. (2003) argue, more and more SMEs are currently tending to expand abroad and face the challenges of global competition. SME entrepreneurship is often associated with a strong entrepreneurial spirit, where owners and managers are actively involved in the day-to-day running of the business (Hill & Tiu Wright, 2001; Hillary, 2017).

Quantitative criteria for SMEs are based on specific numerical measures such as the number of employees, annual turnover, sales or total assets (Gibb, 2004; Wach, 2015). These criteria can vary from country to country and are often adapted to the economic and industrial context. Nevertheless, most country-specific institutions worldwide agree that SMEs include three different business classifications, namely micro, small and medium-sized enterprises, which are categorised into different classes based on the number of employees, turnover (annual sales) and total assets (Badan Pusat Statistik, 2019; European Commission, 2019; IFC, 2019; OECD, 2013, 2018; Tambunan, 2019; World Bank, 2019).

In defining the number of employees for the micro size of SMEs, most international institutions (World Bank, European Union, and Mexico) apply similar criteria, i.e., less than 10 persons for a micro enterprise, while Indonesia applies a very different criterion, i.e., only four employees for a micro enterprise. For small SMEs, both the World Bank and the EU apply similar criteria, i.e., an enterprise with only 10 to 49 employees, while Mexico and

Indonesia apply slightly different criteria for the number of employees, namely 11 to 30 employees and 5 to 19 employees, respectively. And for the medium size of SMEs, both the EU and Mexico apply similar ceilings of 49 employees in the enterprise, while the World Bank and Indonesia apply different criteria, not exceeding 300 and 99 employees, respectively. However, with respect to the criteria of turnover level and total assets, different values apply to all countries, with the EU applying the highest amount values compared to the other countries. It is likely that the turnover level of EU members is already higher on average, as most EU members are classified as OECD members and have higher GDP. For this study, the author applies the EU and OECD criteria to determine SMEs based on the number of employees that more acceptable and agree by the majority countries (Berisha & Pula, 2015; European Commission, 2021). Table 2.1 provides an overview of the quantitative SME definition criteria of the various institutions.

Table 2.1. Quantitative SMEs definition by categorisation

Institutions	Items	Micro SMEs	Small SMEs	Medium-sized SMEs
IFC, World Bank	Employees (person)	< 10	10 - 49	50 - 300
	Turnover level (USD)	100K	100K – < 3 Million	Million – 15 Million
	Total Assets (USD)	< 100K	100K – < 3 Million	3 Million – 15 Million
European Commission (EU)	Employees (person)	< 10	10 - < 50	50 - < 250
	Turnover level (EUR)	< 2 Million	< 10 Million	< 50 Million
	Total Assets (EUR)	< 2 Million	< 10 Million	< 43 Million
Mexico (OECD)	Employees (person)	< 10	11 - 30	31 - 250
	Turnover level (MXN)	< 4 Million	4.01 – 100 Million	100.01-250 Million
Badan Pusat Statistika & UU No 20, 2008 (Indonesia)	Employees (person)	1 - 4	5 - 19	20 – 99
	Turnover level (IDR)	< 300 Million	(300 – 2,500) Million	(2.5 – 50) Billion
	Total Assets (IDR)	< 50 Million	(50 – 500) Million	(0.5 – 10) Billion

Sources: (Badan Pusat Statistik, 2019; European Commission, 2019; IFC, 2019; ; OECD, 2013; OECD, 2018; Tambunan, 2019; World Bank, 2019)
Notes: US$ = US Dollar; IDR = Indonesian Rupiah; MXN = Mexican Peso

The most commonly used criterion for classifying SMEs is undoubtedly the size of employment, as it is simple and facilitates data collection (Gibb, 2004). According to the OECD (2005), quantitative definitions of SMEs should only be used as a measure of the approximate number of SMEs, as qualitative criteria are difficult to capture by statistics. Quantitative characteristics should therefore also take into account the organizational aspects of a company.

It should also be noted that these definitions can vary greatly from country to country or from organization to organization and may change over time. In addition, the specific criteria used to classify companies as SMEs can have an impact on eligibility for various forms of government support, tax incentives and regulatory requirements. Therefore, the definitions are important for policy and statistical purposes (Wach, 2015).

For more than two decades, a rapidly growing body of research has attempted to determine the dimensions of business operations performance of small and medium-sized enterprises (SMEs). However, most of the research on the SMEs operations performance is concerned only with single or partial analysis rather than holistic or multidimensional dimensions. In this literature review, the author focuses on factors that influence the performance of small and medium-sized enterprises (SMEs) as opposed to larger firms for three reasons: First, SMEs are the pillars of economies worldwide, donating substantially to economic growth and job creation while having the potential to drive comprehensive growth as economies adjust to key economic trends. Second, SMEs have been disproportionately affected by the 2008-2009 financial crisis, which also marks the widening gap in productivity growth between SMEs and large firms. Third, SMEs face special constraints that make growth and productivity gains more difficult than in larger firms.

2.3 The Method of Literature Review

According to Siddaway (2014), a literature review can be defined as a review of a clearly stated research question that uses orderly and explicit methods to identify, select, and critically appraise relevant research and collect and analyze data from studies included in the review. Thus, the goal of the method of literature review is to develop and minimize subjectivity and provide an unbiased summary of empirical research studies that is characterized by being methodical, comprehensive, transparent, and replicable (Isensee et al., 2020; Siddaway et al., 2019).

This methodology aims to identify the main dimensions that have influence to studies of SME operational performance in emerging economies and to present and discuss their findings descriptively. The methodological approach for the review was adapted and modified to the sub-steps proposed by Saad et al. (2021) and Tukamuhabwa et al. (2015), which include the criteria for searching relevant literature and the search terms used, which increases transparency and avoids replication. These are: (1) sourcing and searching the articles, (2) screening the articles, and (3) analyzing and synthesizing the articles. Figure

2.1 depicts this stage which summarize the literature review process structured from sourcing/searching, screening and analysing/synthesizing the articles.

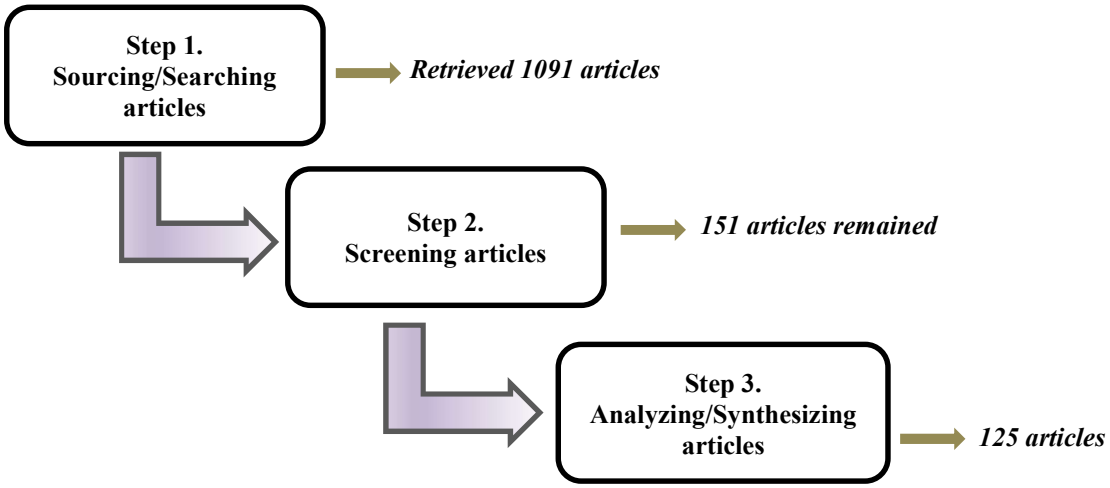


Figure 2.1 Structured Literature Review Process

2.3.1 Sourcing and Searching the Articles

Obtaining and searching the literature is the first step in gathering relevant work for analysis and then gaining insight. The first important step is to set clear boundaries to exclude the articles that are not directly related, using keywords for the search, namely:

- 'SMEs and determinant dimensions',
- 'dimension of SMEs firm performance',
- 'SMEs and firm performance',
- 'SMEs and firm competitiveness',
- 'SMEs and corporate governance', and
- 'SMEs and distinctive competence'.

The second step is to apply these search terms by tracking publications from these different sources, using only articles from peer-reviewed academic journals in English. We conducted a structured keyword search in the three academic journal databases Science Direct, EBSCO discovery services and JSTOR and obtained access to 76 peer-reviewed journals. To obtain a high-quality outcome of the research studies, we also measured the impact of the journals criteria using the Scimago Journal Rank (SJR), which has at least point above 1.0 and has at least 50 Scimago H-index and at least 50 average citations per year (Bornmann & Daniel, 2009). In a third step, we considered all articles published between 2000 and 2020 that contained the keyword combinations and included empirical and theoretical studies. A

selection of articles covering the period of 20 years, based on the consideration that this topic is still relevant and has an important impact on business performance around the world, both in developed and developing countries (Kiranmai & Mishra, 2022). A final total of 1091 articles were selected in this phase.

2.3.2 Screening the Articles

At this stage we carried out three steps. First, we checked and excluded duplicate publications, as most of them were combined from several sources. Second, we reviewed the titles, abstracts and keywords of the publications and selected those that dealt with research on the operational performance of SMEs. We went further and examined each paper in more detail to assess it in terms of definitions, measurements and factors influencing SME performance. That is, we excluded papers that did not contain terms that were relevant to this research study. Third, we excluded special issues of journals that were not relevant to the articles we examined, i.e. papers that did not specifically include SMEs and determinant variables directly. This screening process resulted in 151 relevant articles.

2.3.3 Analyzing and Synthesizing the Articles

In this phase, we extracted and documented information from 151 articles and conducted content analysis to ensure that valid inferences could be drawn from the texts to the context of their use by downloading a complete document. We also conducted analysis and synthesis from the full papers obtained by applying a sceptical thinking question to be answered from the respected papers, addressing the following questions: In which year and in which journal was the article published? What kind of dimensions of latent constructs were identified in the article? Which country is included in the research context? and, Does the article refer to SMEs as the main focus? After the iterative analysis process, a total of 125 articles were selected as the final sample.

2.3.4 Distribution of articles by year of publication and by journal classification

Overall, Figure 2.2 shows that the interest in our research topic increased from 2000 to 2020, especially after the 2008-2009 period when the global financial crisis began, which served as a trigger for increasing attention to the study of business competitiveness in the context of SMEs. Most publications occurred between 2015 and 2020, with 58.91 percent of articles, compared to the fewest publications between 2000 and 2010, with only 18.60 percent of articles. It is expected that this increasing research trend on SMEs performance

will be even stronger after 2020, given the importance of the role of SMEs in overcoming the current pandemic and economic crises in most countries around the world.

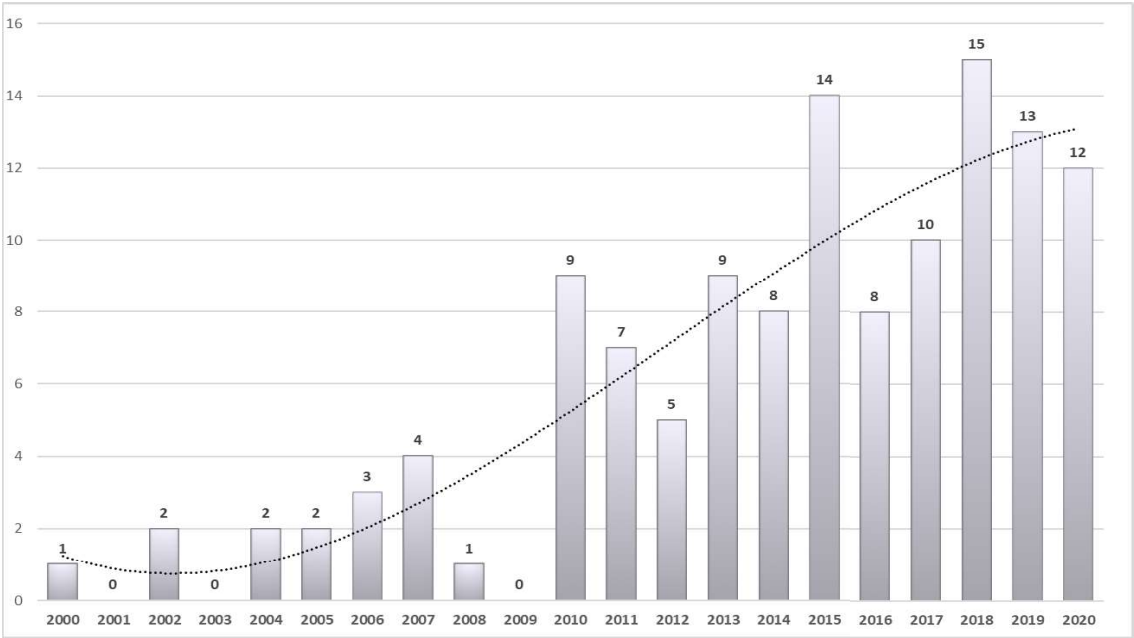


Figure 2.2 Distribution of articles by year of publication

Regarding journal rank and impact factors, most of the selected articles are in quartile-1 (Q1) of journals with Scimago h-index and Scopus journal rank (SJR) impact with higher average citations per year. Table 2.2 shows that the journal *Small Business Economics* contributed 10 articles, followed by the *Journal of Small Business Management* (8 articles), *Industrial Marketing Management* (5 articles), *Corporate Governance* (3 articles), and *Corporate Governance: an International Review* (3 articles). It indicates that the topic of the research study is still paid attention to by scholars and is still a lucrative topic that should be discussed and is relevant.

Table 2.2. Distribution of articles by journal rank, impact factors and citations

Journals	Number of documents	Journal Rank		Citations
		Scimago Quartile (H Index)	Scopus SJR 2020	
Small Business Economics	10	Q1 (HI-112)	2.202	1048
Journal of Small Business Management	8	Q1 (HI-112)	1.683	491
Industrial Marketing Management	5	Q1 (HI-136)	2.022	263
Corporate Governance	3	Q1 (HI-58)	1.634	159
Corporate Governance: An International Review	3	Q1 (HI-85)	1.866	82
Journal of Business Ethics	2	Q1 (HI-187)	2.209	1095
Management Decision	2	Q1 (HI-98)	1.923	333
International Journal of Operations and Production Management	2	Q1 (HI-138)	2.158	232
Innovation Management Policy and Practice	2	Q1 (HI-30)	1.377	232
Journal of Manufacturing Technology Management	2	Q1 (HI-70)	1.290	170
International Entrepreneurship and Management Journal	2	Q1 (HI-55)	1.338	149
Journal of Business Venturing	1	Q1 (HI-182)	7.107	2082
Research Policy	1	Q1 (HI-238)	3.666	1851
Strategic Management Journal	1	Q1 (HI-286)	11.035	1106
Others	81			
Total	**125**			

Source: Author's own construct

2.3.5 Distribution of articles by region and countries investigated

In terms of distribution of articles by region, about 64 percent of the research studies on SME business performance were conducted in advanced or developed countries, while the rest were studied in emerging or developing countries. Seventy-one percent of the articles were on a single country, and only about seven percent examined a cross-country analysis, and around 22 percent did not mentioned of the country analysis study (undefined country) (Figure 2.3).

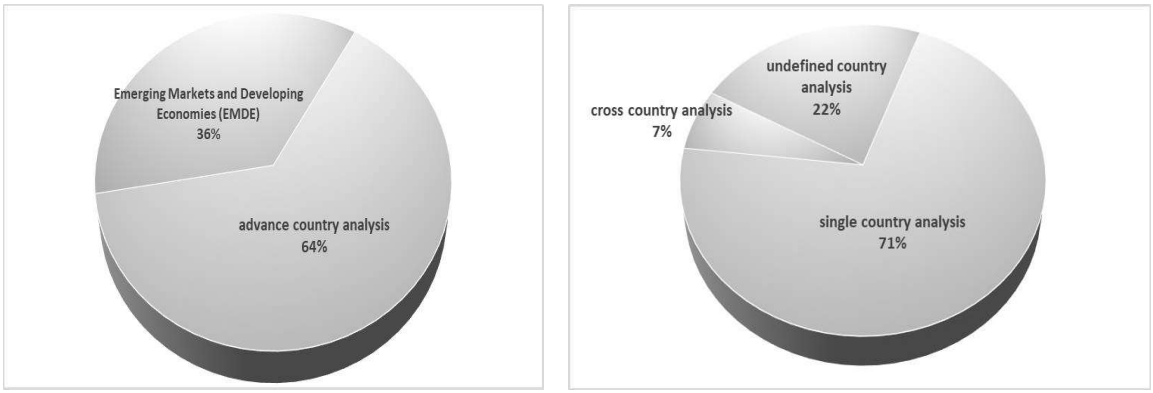


Figure 2.3. Distribution of articles by region

Of the seven percent of cross-country analyzes, it was found that most surveys were conducted within the same regions and continents and focused mainly on describing the performance of specific SMEs rather than making detailed comparisons across countries. For example, Siu et al., (2006) investigated the importance of new product development (NPD) on the performance of SMEs in three different Chinese regions, namely China, Hong Kong, and Taiwan, and found that Chinese and Taiwanese have similar characteristics of the behavior of SMEs that actively develop their NPD to compete in the economic market, compared with Hong Kong. In addition, Tvrdoń & Bernatík (2010) provide only a descriptive analysis of the performance of SMEs in the Visegrad Group countries during the crisis and describe the importance of export orientation for the existence of SMEs. Moreover, two studies were conducted in Latin American and Caribbean countries (LAC). Williams & Ramdani (2018) examined the key characteristics of SMEs to be successful, namely the entrepreneur's strategic leadership, networks, and in-depth knowledge of products and business operations, as well as corporate strategy, while Yang (2017) described the differences between SME innovators and non-innovators as the cause of the governance environment for SME performance. Finally, Islam et al., (2018) conducted a study on the use of mobile money applications to increase investment for SME improvement in East African countries (Kenya, Uganda, and Tanzania). Table 2.3 provides summaries of the cross-country analyzes.

Table 2.3. Cross-country analysis main findings

Title and Authors	Cross Country Analysis	Main Findings
An institutional analysis of the new product development process of small and medium enterprises (SMEs) in China, Hong Kong and Taiwan (Siu et al., 2006)	China, Hong Kong, Taiwan	SMEs in China, Hong Kong, and Taiwan have used NPD practices. 72% of Taiwanese and 65.1% of Chinese SMEs actively develop and market new products to their competitors, but 64% of Hong Kong's SMEs take no action or only imitate their competitors.
Economic Crisis and Its Impact on SMEs: the Case of Visegrad Group Countries (Tvrdoń & Bernatík, 2010)	Visegrad group (Czech Republic, Slovakia, Hungary and Poland)	Descriptive analysis rather than comparison among the Visegrad Group countries. An analysis of the development of SMEs in the countries of the Visegrád Group. The existence of SMEs seems to be an important driver of exports.
Exploring the Characteristics of Prosperous SMEs in the Caribbean (Williams & Ramdani, 2018)	Caribbean countries	The prosperity of SMEs in the Caribbean seems to depend on a combination of certain characteristics, namely the strategic leadership of the entrepreneur, its networks and in-depth knowledge of products and business operations, and the company's strategy for branding and market diversification.
Does Mobile Money Use Increase Firms' Investment? (Islam et al., 2018)	Kenya, Uganda, and Tanzania	The focus only mobile money application mainly serves the informal sector and therefore can help micro and small entrepreneurs. However, mobile money significantly reduces financial costs and liquidity and increases the creditworthiness of formal businesses, and its existence has a positive impact on various outcomes. This study provides some evidence for the latter by documenting the positive correlation between mobile money use and investment.
The governance environment and innovative SMEs (Yang, 2017)	Latin America and Caribbean (LAC)	The impact of the governance environment on SME performance, focusing on differences between innovators and non-innovators. Latin America and the Caribbean suffer from too little competition and too few innovators. SMEs that innovate are more adversely affected by poor governance than their counterparts that do not innovate. Governance and institutions are especially important for SME innovators. SME innovators tend to have higher sales and profits when the courts are perceived as strong. However, the governance environment does not have a differential impact on the performance of large innovative and non-innovative firms.

Source: Author's own construct

From the emerging markets and developing economies (EMDEs), China dominated with eight papers, followed by Malaysia (five papers) and Ghana (four papers). Among developed countries, Italy, Spain, and the United Kingdom dominated with ten and nine papers, respectively (Table 2.4).

Table 2.4 Distribution of articles by countries

Country Name	Number of Articles	Percentage
Italy	10	8.0%
Spain, the UK, USA	9	7.5%
China	8	6.4%
Australia, Malaysia	5	4.0%
Ghana	4	3.2%
Germany, Hungary, Indonesia, Poland, Portugal	3	2.4%
Belgium, Brazil, Caribbean, Columbia, Czech Rep., India, Mexico, South Africa, South Korea, Turkey, UAE	2	1.6%
27 countries	1	0.8%
Total	125	100.0%

Source: Author's construction

This shows that most research on SME performance has been conducted in developed countries and examined in a single country context. Therefore, given the paucity of research in developing countries, it is important to conduct a further study in this region to better understand the phenomenon of SME business performance. As a contribution, this current research study is conducted in an emerging country and applied a cross-country analysis by comparing three countries on different continents, namely, Indonesia (Asia continent), Hungary (European continent), and Mexico (American continent). The chosen of the respected countries based on the Cherif & Hasanov (2015), IMF (2022), and Melas (2019) that classified those three countries as emerging market and developing economies (EMDEs).

2.4 Distribution of articles by research focus themes

From the selected articles on the research focus areas, it appears that four themes variables dominate the literature on the context of SME business operations (Figure 2.4). These are firm performance (56 articles, or 32% of the articles studied), followed by firm competitiveness (51 articles, or 29% of the articles studied), corporate governance (45 articles, or 26% of the articles studied), and distinctive competence (23 articles, or 13% of the articles studied).

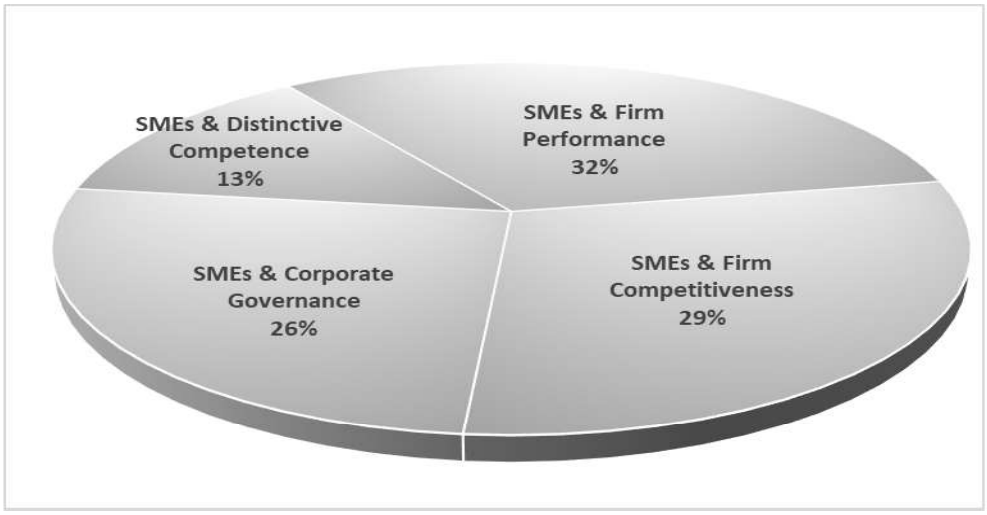


Figure 2.4 Distribution of articles by research focus themes

To identify the most frequent keywords in the studied articles, we analysed the occurrence of the keywords using VOSviewer. We used a co-occurrence analysis, and the unit of analysis was author keywords with a minimum of two occurrences per keyword. In total, we obtained 61 out of 409 keywords. The most frequent keyword was SME with 52 occurrences, followed by firm performance (24 occurrences), competitiveness (11 occurrences), family firms and corporate governance with 10 and 9 occurrences, respectively. The data for selected keywords and their occurrences can be seen in Figure 2.5 and are illustrated by the VOSviewer visualisation in Figure 2.6.

Create Map

Verify selected keywords

Selected	Keyword	Occurrences	Total link strength
☑	smes	52	222
☑	firm performance	24	102
☑	competitiveness	11	45
☑	family firms	10	40
☑	corporate governance	9	35
☑	performance	8	29
☑	entrepreneurial orientation	5	23
☑	marketing capabilities	4	23
☑	innovation	5	22
☑	china	4	19
☑	export performance	4	19
☑	small to medium-sized enterprises	4	19
☑	new product development	3	17
☑	network	4	16
☑	trust	3	16
☑	australia	3	15
☑	internationalization	5	15
☑	small and medium enterprises	3	15
☑	strategy	3	15
☑	european union	3	14

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Figure 2.5 Occurrence of selected author keywords

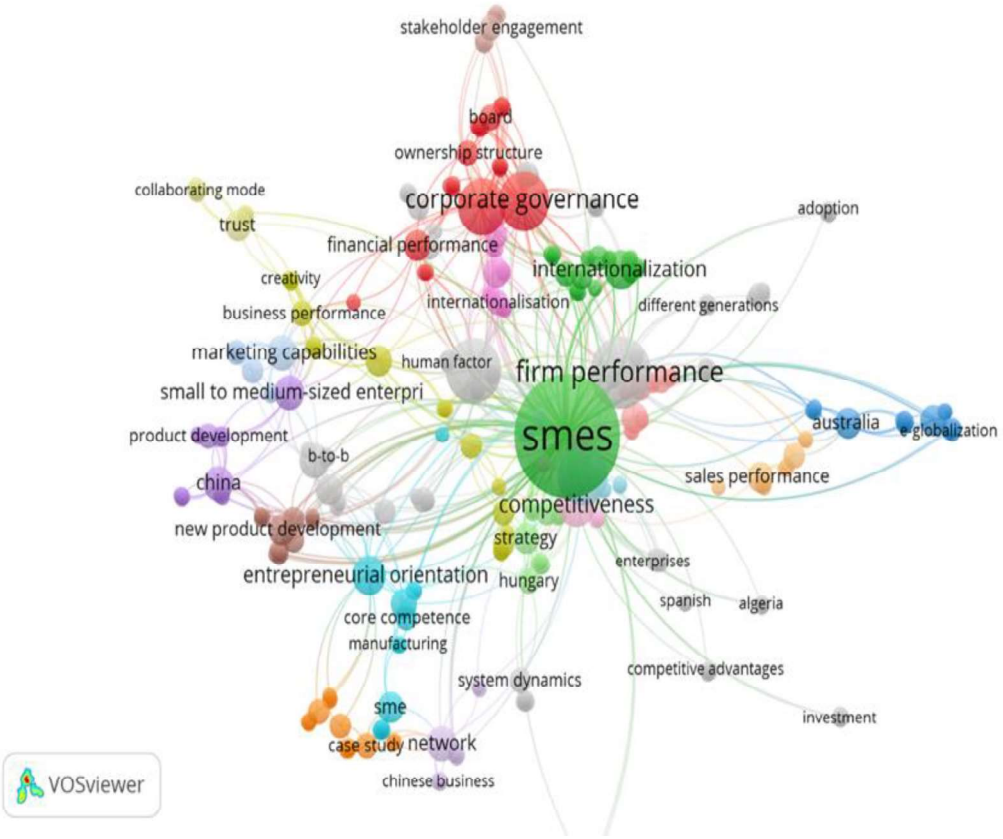


Figure 2.6 Keyword visualization and connections

From the above results, it proven that besides corporate governance (CG), firm competitiveness (FC) and distinctive competence (DC) are the predominant issues in the analysis of SMEs' firm performance (FP). Therefore, to fill this gap, it is of utmost importance to include FC and DC in the future research study. For this reason, FC and DC are added and extended as research variables in this study to provide more knowledge and understanding of SME business operations performance.

2.5 Distribution of articles by research methods and design

Regarding the distribution of articles by research methods, quantitative research still dominates with a share of 69%, followed by qualitative research and mixed methods with 26% and 5%, respectively. In terms of research design, survey research was the most common approach with 65%, followed by case study research with 18% and content analysis with 6% (Figure 2.7).

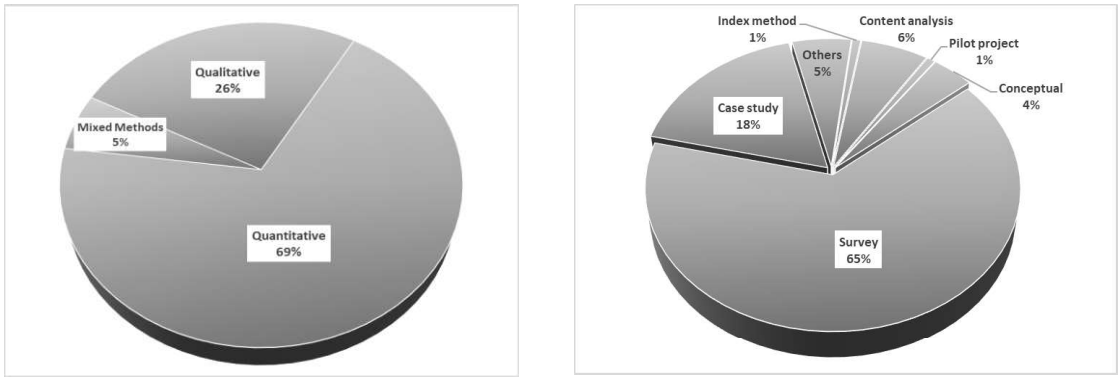


Figure 2.7. Distribution of articles by research method and research design

In the distribution of articles by level of analysis, 58% of respondents preferred a meso-firm analysis, followed by a micro/individual analysis and a macro/country analysis with 27% and 15%, respectively. In addition, for the data tool analysis, 35% of respondents chose regression analysis, followed by structural equation model analysis (SEM) at 17% and descriptive analysis at 16% (Figure 2.8).

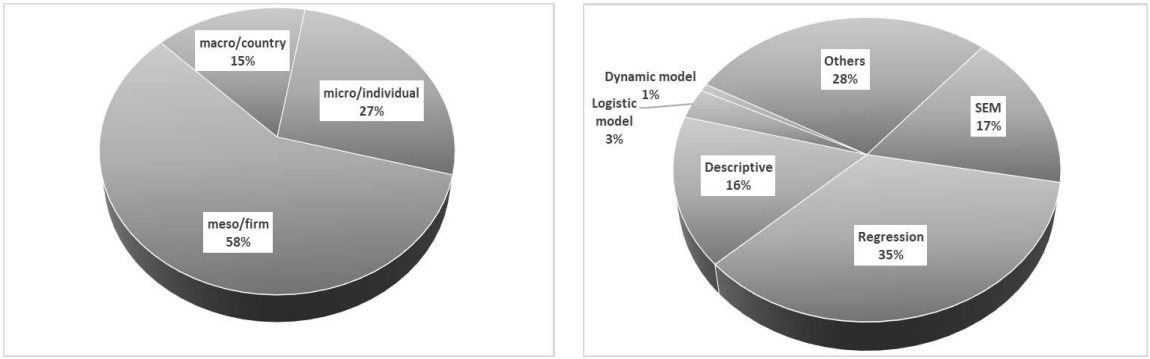


Figure 2.8. Distribution of articles by level of analysis and data tool analysis

Regarding the theory of research focus, Table 2.5 shows that the use of a single theory is still predominant in the research study, accounting for 61% of the articles, while multiple theories were used in 39%. It should be noted that of the total 125 articles studied, not all clearly indicate the theory focus that was used.

Table 2.5. Most common research focus theory

Theory Used	Number of Articles	Percentage
Single theory	57	61.29
Multiple theories	36	38.71
Total	93	100

Source: author's construction

As for single theory, most research uses the corporate governance theory approach, followed by the innovation and NPD theory approaches. In terms of multiple theories, the resource-based view (RBV) and entrepreneurial orientation theory approaches were evenly distributed across the research reviewed.

To learn more about the performance of SMEs, future research should preferably be conducted with apply mixed-methods and using case studies. However, due to the current pandemic and economic upheaval and the difficulty in obtaining the data and information, the current study employed a quantitative method by examining meso-firm analysis. In terms of the data tool analysis, this study applies the covariance-based structural equation model (CB-SEM) analysis approaches. The CB-SEM analysis method will describe in the next chapter of research framework and methodology.

2.6 Review and analysis used of key factors affecting in the study of SMEs

Based on the previous results of the distribution of articles by predominant research topics and VOSviewer analysis, which have an impact on SMEs' business operations (Figure 2.4; 2.5; and 2.6), four topics (construct/latent variables) emerge, namely firm competitiveness (FC), corporate governance (CG), firm performance (FP), and distinctive competence (DC). The next section will review and analyse the key indicators for each of the aforementioned variables that affect SME performance and the theoretical concept used.

2.6.1 Firm Competitiveness (FC)

According to Bhawsar & Chattopadhyay (2015), competitiveness is as significant as globalization today and has a multi-faceted concept. It can be defined from many angles, be it national or governmental, industrial, organizational, managerial, cultural or other. After Porter's (1990) pivotal work, *The Competitive Advantage of Nations*, the competition and competitiveness concept was strengthened. Factually, the roots of competitiveness study lie in the international economic theories of Adam Smith and his followers. In the early 1980s, as U.S. economic dominance was emulated by European and Asian nations, concerns about international competitiveness gained strong momentum (Banwet et al., 2002;

Waheeduzzaman, 2011). The two main reasons for the increased focus on competitiveness are: globalization, which has changed the role of nations in influencing competition, and the increasingly fierce competition among firms, both at the national and international levels (Chikán, 2008). Moreover, according to Siggel (2007) and Waheeduzzaman (2011), the concept of competitiveness has two dimensions - micro and macro. The macro dimension is concerned with competition between nations, while the micro dimension is primarily concerned with competition between firms within a nation.

In terms of the national context, Chang Moon et al. (1998) define national competitiveness as the ability of firms engaged in value-added activities in a particular country to sustain that value creation over long periods of time despite international competition. It is defined as the set of institutions, policies, and factors that determine a country's level of productivity (Schwab, 2015). In terms of the firm context, Chikán (2008) defines a firm's competitiveness as the capability of a firm to sustainably fulfill its dual purpose of meeting customer demands while making a profit. This capability can be realized by offering goods and services that are valued more highly by customers than those offered by competitors. According to Cetindamar & Kilitcioglu (2013), competitiveness is a capability and its potency must be realized in the daily operations of the company. From the above definitions, it can be deduced that a firm's competitiveness is based on its adaptability and its ability to generate long-term profits.

However, the concept of competitiveness must not be considered as a stagnant process, but must be combined with the resources and capabilities of the company. As proposed by Lafuente, et al. (2020) using the resource-based view (RBV), firm competitiveness can be defined as a dynamic system model and combined with the interdependent bundle of resources and capabilities that enable the creation or development of valuable competencies (Barney, 2001; Hamel & Prahalad, 1990). As a result, we propose firm competitiveness (FC) by adapting the work of Lafuente et al. (2020) to determine and analyze the key indicators that provide a more comprehensive construct variable with micro and macro analysis dimensions consisting of ten factors, namely human capital, product and competition, domestic market, networks, technology, decision making, competitive strategy, marketing, internationalization, and online presence (Table 2.6).

Table 2.6. Firm Competitiveness Constructs Variable and Key Indicators

Construct Variable	Key indicators	Literatures
Firm Competitiveness (FC) ***Chosen theoretical and conceptual framework*** **:** Resource-Based View (RBV) and configuration theory (Lafuente, et al., 2020)(Barney, 2001)	Human capital (FC1)	(Daud & Yusoff, 2010); (Hernández et al., 2013); (Martin et al., 2013); (Huang et al., 2015); (Nolan & Garavan, 2016);
	Product & Competition (FC2)	(Roxas & Chadee, 2011); (Hung et al., 2015)(Chi, 2015); (Lafuente, Szerb, et al., 2020)
	Domestic market (FC3)	(C.-L. Wu & So, 2018); (Mahajan et al., 2020); (Lam & Liu, 2020); (Lita et al., 2020); (Júnior et al., 2020); (Lafuente, Szerb, et al., 2020)
	Networks (FC4)	(Lafuente, Szerb, et al., 2020); (Cisi et al., 2020); (Spieth et al., 2019); (Hughes et al., 2019); (N. U. Rehman, 2016); (Hu & Stanton, 2011); (Lee et al., 2010); (Mackinnon et al., 2004)
	Technology (FC5)	(Lafuente, Szerb, et al., 2020); (Klimczak et al., 2020); (Cimini et al., 2020)
	Decision making (FC6)	(Lafuente, Szerb, et al., 2020); (Y. H. Xie & Suh, 2014); (Wright et al., 2013); (Williamson et al., 2006)
	Competitive strategy (FC7)	(Lafuente, Szerb, et al., 2020); (Grimmer et al., 2017); (Chi, 2015); (Mazzarol et al., 2014); (Dallago, 2011)
	Marketing (FC8)	(Lafuente, Szerb, et al., 2020); (Mahmoud et al., 2020); (Kaleka & Morgan, 2019); (Hartoyo & Daryanto, 2016); (Pérez-Cabañero et al., 2012)
	Internationalization (FC9)	(Lafuente, Szerb, et al., 2020); (Falahat et al., 2020); (Ibrahim et al., 2016); (Yu & Si, 2012); (Ciszewska-Mlinaric & Mlinarič, 2010)
	Online presence (FC10)	(Lafuente, Szerb, et al., 2020); (Mahmoud et al., 2020); (Mathews et al., 2018); (Strielkowski et al., 2015)

Sources: Author's construction

Human capital. Human capital or human resources are an important factor in a company's performance and competitiveness in many areas. Daud & Yusoff (2010) stated that human resources as part of intellectual capital have a positive impact on a company's competitiveness and performance. While Hernández et al. (2013) proved that human capital is a latent competitive resource to promote Mexican SMEs in the manufacturing sector. Moreover, human capital is an important competitive factor for the digitization process of companies (Martin et al., 2013) and an important factor for firm performance in Nigeria (Ogunyomi & Bruning, 2016). This means that human capital cannot be considered only in terms of educational background, but also has multidimensional characteristics (Lafuente et al., 2020).

Product and competition. It is assumed that without a competitive product (whether goods or services), a firm cannot be competitive and compete against its rivals. In other words, the product being sold and offered should be innovative and have unique features that cannot be easily imitated by others (Hung et al., 2015; Lafuente et al., 2020; Roxas & Chadee, 2011).

Domestic market. This indicator is of utmost importance, especially during the current pandemic and economic crises. It includes the geographic areas of the domestic market, the intent of competition within domestic competitors, and the level of competition (Lafuente et al., 2020). Certain domestic factors such as price sensitivity, cost efficiency, and even cultural differences can be an important competitive factor for a company (Lita et al., 2020; Mahajan et al., 2020; C.-L. Wu & So, 2018).

Networks. Cooperation, networking, collaboration, and partnership are all part of this indicator (Lafuente et al., 2020). The more networks a company can develop, the better it can compete and succeed. Cisi et al. (2020) proved that formalizing network contracts among Italian SMEs could improve their competitiveness and performance. Also, Spieth et al. (2019) suggested that reinventing the industrial network can improve business model innovation and firm performance. Developing configurations between networks and knowledge-based firms could improve Germany-based global SMEs (Hughes et al., 2019), and the formation of network alliances between firms could also improve the business performance of SMEs in Pakistan (N. U. Rehman, 2016).

Technology. Undoubtedly, technology is a factor that enhances business competitiveness and performance, which is usually measured by the level of technological advancement, whether domestically or internationally (Lafuente et al., 2020). It can be carried out by a firm through developing its own technologies, such as adopting Industry 4.0 technologies (Cimini et al., 2020), or by collaborating with other technology companies to reduce risk factors (Klimczak et al., 2020).

Decision making. Typically, this indicator refers to communication and the level of decision makers within the organization. The less hierarchical the level of communication, the better and faster the decision making. It includes the application of information sources, information sharing, and consultation within the organization (Lafuente et al., 2020). However, Williamson et al. (2006) argues that decision making must also consider other stakeholders and society to be competitive in the market.

Competitive strategy. It is usually consistent with the alignment of firm vision and mission, leadership characteristics, and the uniqueness of firm strategy (Lafuente et al., 2020). As stated by Grimmer et al. (2017), a company's competitive strategy depends on the capabilities and opportunities of its resources. However, not only internal factors can affect competitive strategy, but also external factors such as the business environment are important for the development of competitive strategy within a company (Chi, 2015). Interestingly, Mazzarol et al. (2014) suggested five factors that could best impact a

company's competitive strategy: entrepreneurial leadership, innovation, product, opportunity, and management practices. In other words, to develop a competitive strategy, a firm should combine and configure its internal resources with opportunities in the external business environment.

Marketing. As a rule of thumb, marketing consists of product, price, place, and promotion (4Ps) in the case of the production companies and consists of 7Ps (4Ps plus physical evidence, process and people) in the case of service oriented companies (Kotler & Keller, 2016). It means how the firm can increase and combine its 4Ps/7Ps capabilities and uniqueness to improve its competitiveness and performance (Hartoyo & Daryanto, 2016; Kaleka & Morgan, 2019; Lafuente, et al., 2020; Mahmoud et al., 2020; Pérez-Cabañero et al., 2012).

Internationalization. This indicator means how accessible and acceptable firm products are in international markets, both from the perspective of sellers and buyers (Lafuente et al., 2020). Ibrahim et al. (2016) also argued that internationalization could be a future way for companies to improve their performance and competitiveness. However, Ciszewska-Mlinaric & Mlinariè (2010) warned that in order to start internationalization, a firm should consider at least three conditions: management's attitude towards the internationalization process, knowledge about internationalization, and experience with internationalization. In addition, Falahat et al. (2020) suggested that a company going international should meet three conditions. These are: Product innovation, market intelligence, pricing, and marketing communication skills.

Online presence. For today's organization, whether it is a larger enterprise (LE) or an SME, for-profit or non-profit organization, online presence is paramount. Online presence means that an organization provides open digital access or some form of social media that provides technical and non-technical information about the organization as well as applications, such as websites, Facebook, Instagram, and others (Lafuente et al., 2020). As evidenced by Mathews et al. (2018), online presence could enhance the performance of Japanese SMEs by improving internet resources. However, as Mahmoud et al. (2020) warned, the company applying such online presence should maintain the trust aspects and promote genuine engagement with its users, both buyers and sellers.

2.6.2 Corporate Governance (CG)

CG can be defined as a system by which companies can be directed and controlled (Cadbury, 1992). It is a way of governing the company from the employee to board level with its well-defined policies, culture, and practices, and it includes the mechanisms and processes that companies use to protect their various business interests (Kang et al., 2007; Khan et al., 2013; Kroll et al., 2008). In addition, CG also be described as the process and structure used to direct and manage the business affairs of the firm to enhance business prosperity and corporate accountability with the ultimate goal of achieving long-term shareholder value while considering the interests of other stakeholders (Abor & Biekpe, 2007). For an SME, corporate governance is about the respective roles of shareholders as owners and managers (directors and other executives), i.e., it is about establishing rules and procedures for running the business and establishing checks and balances to prevent abuse of authority and ensure the integrity of financial results (Abor & Adjasi, 2007).

The corporate governance (CG) notion has been a developing area of management research, particularly among large, publicly listed firms (Durisin & Puzone, 2009). As argued by Abor & Adjasi (2007) and Clarke (2006), since the globalisation prevalent, the concern for the application of CG should not only apply to large and listed firms but also to SMEs to track their long-term performance as a compelling key to uncover the real values of a business regardless of its size. As Wilkin et al. (2016) has shown, if organisations, large or small, apply CG, they will achieve the same benefits and positive impact on their performance. The limited studies in this area related to SMEs have mainly focused on developed economies rather than developing or emerging economies.

Instead of using the OECD CG code of conduct, which is more suitable to measure the CG practices for LEs in developed countries, this study will apply and propose the theoretical and conceptual concept of CG codes for SMEs, which was developed by Dubai (2011) and is more suitable to measure CG for SMEs in developing countries; as a milestone for adapting CG for most developing countries. In addition, this theoretical concept was derived from the work of Iqbal (2015). There are six key indicators used to measure the CG construct variable: CG Policies and Procedures, Transparency and Relations with Shareholders, Board of Directors (Advisors), Control Environment, Stakeholder Relations, and Family Governance (Table 2.7).

Table 2.7. Corporate Governance Constructs Variable and Key Indicators

Construct Variable	Key indicators	Literatures
Corporate Governance (CG)	CG policies and procedures (CG1)	(Bhatt & Bhattacharya, 2017); (Makkonen et al., 2018); (Iqbal, 2015); (Dubai, 2011); (Lwango et al., 2017); (Pugliese & Wenstøp, 2007)
Chosen theoretical and conceptual framework: Corporate Governance for SMEs (Dubai, 2011) (Iqbal, 2015)	Transparency and shareholders relations (CG2)	(Dubai, 2011; Iqbal, 2015); (Zouhayer et al., 2018); (Fang et al., 2017); (Agyei-Mensah, 2016); (Ahmed & Khan, 2016); (Maseda et al., 2015); (Satta et al., 2015)
	Board of Directors (advisors) (CG3)	(Dubai, 2011; Iqbal, 2015); (Arzubiaga et al., 2018); (Samara & Berbegal-Mirabent, 2018); (González et al., 2015); (Oba et al., 2010); (Pugliese & Wenstøp, 2007)
	Control environment (CG4)	(Dubai, 2011; Iqbal, 2015); (Rubio-Andrés et al., 2020); (Ponomareva et al., 2019); (J. S. Yang, 2017b)
	Stakeholders relations (CG5)	(Dubai, 2011; Iqbal, 2015); (Vandenbroucke et al., 2019); (Arzubiaga et al., 2018); (Steijvers et al., 2017); (Maseda et al., 2015)
	Family governance (CG6)	(Dubai, 2011; Iqbal, 2015); (Sacristán-Navarro & Cabeza-García, 2019); (Broccardo et al., 2019); (Arzubiaga et al., 2018); (Bhatt & Bhattacharya, 2017); (Visintin et al., 2017); (Maseda et al., 2015); (Songini & Gnan, 2015); (Felício & Galindo Villardón, 2015); (Pindado & Requejo, 2015); (Pérez-Cabañero et al., 2012); (Oba et al., 2010)

Sources: Author's construction

CG Policies and Procedures. This indicator refers to the presence of a formal framework and succession planning procedures within the organization (Dubai, 2011). Iqbal (2015) has proven that a formal framework and succession planning procedures have an important impact on SME sustainability. More so, in terms of succession planning procedures, there is no difference whether the successor is from family or non-family members (Bhatt & Bhattacharya, 2017).

Transparency and Shareholders Relations. In order to promote transparency within shareholders, communication and information sharing and dissemination are of utmost importance in this type of indicator (Dubai, 2011). It can reduce information asymmetry within the organization (Fang et al., 2017) and manage and improve information communication in a timely manner (Satta et al., 2015; Zouhayer et al., 2018). In other words, this indicator aims to treat communication between shareholder members equally within firm (Iqbal, 2015).

Board of Directors (BOD)/(Advisors). This type of indicator aims to appoint and establish a formal board of directors or advisor (for SMEs) to monitor and evaluate the company's performance in a timely manner and in the best possible way (Dubai, 2011). It aims, as Iqbal (2015) argues, to reduce a conflict of interest when boards are elected by family members. Arzubiaga et al. (2018) showed that in Spanish SMEs, firm performance

decreases when boards are composed of family members and support gender diversity on boards to improve firm performance. However, this finding is contradicted by a study conducted by Samara & Berbegal-Mirabent (2018) in Lebanese SMEs. They found that family board members do not always bring a negative result to firm performance, sometimes the results can go in the opposite direction. In essence, the board's working style and quality are much more important factors in determining the business performance outcomes of SMEs (Pugliese & Wenstøp, 2007). Nonetheless, the appointment of family board members should be done carefully, as it may limit the visibility and sustainability of SMEs in the future (González et al., 2015; Oba et al., 2010).

Control Environment. This indicator refers to the establishment of an internal control framework to mitigate business risks and implement credible and effective accounting and financial recording (Dubai, 2011; Iqbal, 2015). A poor control environment can result in limiting SMEs' ability to innovate (Yang, 2017). This can negatively impact shareholder wealth and prosperity and affect firm performance in the future (Ponomareva et al., 2019).

Stakeholder Relations. This type of indicator includes understanding the needs and recognition of the company's stakeholders, whether they are employees, customers, suppliers, or other parties directly or indirectly involved. Therefore, a better understanding of employee attitudes, customer perspectives, and community impacts can not only mitigate risks but also identify value-enhancing opportunities for the future (Dubai, 2011). This can be achieved through the formulation and design of governance policies in terms of monitoring and measuring objectives (Iqbal, 2015).

Family Governance. Since most business forms around the world are family businesses (International Finance Corporation, 2018), there is a stuttering factor in applying the right corporate family governance mechanisms when family members are involved as directors (Visintin et al., 2017). Although this indicator seem to overlap with the BOD/Advisors, the role of family governance in the SMEs is important, as this indicator facilitates not only the vision of the family and the policies that govern the relationship between family members, which is mostly determined by the share of family shareholders, but also this indicator can provide the effective communication and coordination between family members for the continuity of business performance (Dubai, 2011; Iqbal, 2015).

Many studies have investigated that inadequate application of CG in family firms can have negative effects on firm performance (Pindado & Requejo, 2015; Sacristán-Navarro & Cabeza-García, 2019; Songini & Gnan, 2015). Therefore, the objective of this indicator is to

formulate a framework for family shareholder relations and describe the company's vision and strategies in relation to business activities (Dubai, 2011; Iqbal, 2015).

2.6.3 Firm Performance (FP)

The term of firm performance has a range of concepts and definitions, which is due to the gap in the current literature and the altering business tendencies, as well as natural, global, and technological factors that have impact on organisational dynamics, with most of the old literatures focusing only on measuring financial performance (Goshu & Kitaw, 2017). Santos & Brito (2012) state that definition of firm performance is a subset of organisational effectiveness that comprises operational and financial outcomes. Therefore, this study will provide a balanced view of financial and non-financial business performance of SMEs. For this study, the performance measurements of SME firms were adopted and modified from (Hove-Sibanda et al., 2017) works. These include exportation, sales growth, profitability (turnover), employee satisfaction and retention, investment, customer satisfaction and retention, new product development (Table 2.8).

Table 2.8. Firm Performance Constructs Variable and Key Indicators

Construct Variable	Key indicators	Literatures
Firm Performance (FP) ***Chosen theoretical and conceptual framework:*** CG & competitiveness & performance (Hove-Sibanda et al., 2017);	Exportation (FP1)	(Tvrdoń & Bernatík, 2010); (Al-Rawi & Alrawi, 2011); (Esteve-Pérez & Rodríguez, 2013); (Gashi et al., 2014); (Imbriani et al., 2014); (Hove-Sibanda et al., 2017); (Haddoud et al., 2018); (Damoah, 2018); (Rua et al., 2018); (Mahmoud et al., 2020)
	Sales growth (FP2)	(Robie et al., 2005); (Tan & Smyrnios, 2011); (Agostini et al., 2015); (Boso et al., 2016); (Hove-Sibanda et al., 2017)
	Profitability (Revenue) (FP3)	(Chong, 2008); (Tan & Smyrnios, 2011); (Leonidou et al., 2017); (Ipinnaiye et al., 2017); (Hove-Sibanda et al., 2017); (Masocha, 2019); (Williams & Ramdani, 2018); (Joensuu-Salo & Sorama, 2019)
	Employee satisfaction/retention (FP4)	(Fabi et al., 2007); (Cegarra-Leiva et al., 2012); (Huang et al., 2015); (Hove-Sibanda et al., 2017); (Querbach et al., 2020)
	Investment (FP5)	(Chiao et al., 2006); (Nunes et al., 2012); (Liu, 2012); (Heo et al., 2014); (Hove-Sibanda et al., 2017); (Islam et al., 2018)
	Customer satisfaction/retention (FP6)	(Currie et al., 2007); (Ratnasingam, 2010); (Tan & Smyrnios, 2011); (Hove-Sibanda et al., 2017); (Severgnini et al., 2018)
	New product development and innovation (FP7)	(Mosey, 2005); (Siu et al., 2006); (Wong & Tong, 2013); (Woschke & Haase, 2016); (Hove-Sibanda et al., 2017); (Oliveira et al., 2018) (Daud & Yusoff, 2010); (Lita et al., 2020); (Expósito & Sanchis-Llopis, 2019); (Hove-Sibanda et al., 2017); (Brancati, 2015); (Pauzaite & Baryniene, 2014); (X. Xie et al., 2013); (Rojas et al., 2013); (Uhlaner et al., 2013); (Terziovski, 2010); (Lahorgue & Cunha, 2004)

Sources: Author's construction

Exportation. As argued by Lu & Beamish (2001), one way for companies to be recognized in the international market is to export their products, i.e., to sell their goods and/or services worldwide. However, before entering the international market, each company should understand and know the criteria or requirements of its products and the characteristics of exporting behavior (Damoah, 2018; Gashi et al., 2014). Al-Rawi & Alrawi (2011) suggest four key criteria for exporting to be successful internationally, namely high quality products, price, competitiveness, and government support. Other scholars advocate exporting in combination with research and development (R&D) activities and human and technology factors as the best factors for successful exporting behavior of SMEs (Esteve-Pérez & Rodríguez, 2013; Gashi et al., 2014). And more recently, Haddoud et al. (2018); Mahmoud et al. (2020) and Rua et al. (2018), have suggested to use social media resources and intangible absorptive marketing capabilities in combination with export trade and promotional orientation to win export and improve SMEs' performance in the international market (Hove-Sibanda et al., 2017).

Sales growth. This key indicator is one of the criteria to determine the business performance of SMEs and needs to be improved to achieve firm sustainability (Hove-Sibanda et al., 2017). As argue by Maduekwe & Kamala (2016), this indicator can be used as one of measurement of the SMEs finance performance.

Profitability (sales turnover). The profitability of a company is one of the indicators for determining the company's performance. In this case, the firm profitability is measured by its sales turnover (Chong, 2008 and Hove-Sibanda et al. 2017).

Employee satisfaction/retention. The jargon of "putting employees first" states that the first step to business success is to put employees first (Pfeffer & Veiga, 1999). This type of indicator can be achieved by fostering the best corporate culture within the organization, such as work-life balance factors (Cegarra-Leiva et al., 2012; Huang et al., 2015) and providing workplace benefits to employees, including care benefits, status benefits, and quality of life benefits (Querbach et al., 2020). This can have a positive impact on SMEs' firm performance (Hove-Sibanda et al., 2017). Although fair wages/salaries are the most important factors in measuring the firm performance (Sule et al., 2015), obtaining such information is a sensitive issue for businesses, especially in developing countries.

Investment. It is undisputed that without investment, a company cannot grow and sustain its business in the market (Islam et al., 2018). As suggested by Chiao et al., (2006) and Nunes et al. (2012), some level of investment is necessary for any company to stay in business. Moreover, for young and small businesses such as SMEs, supportive investments are needed

from both the government and the private sector or angel investors who will invest in lucrative businesses such as e-commerce SMEs or IT-based SMEs (Scheela & Isidro, 2009; Yang et al., 2015). Interestingly, crowdfunding is currently booming and seems to be a valuable alternative to finance start-ups and SMEs by pledging money through the internet platform (Giudici & Rossi-Lamastra, 2018).

Customer satisfaction/retention. As noted marketing gurus Kotler and Keller write in their book Marketing Management (2016), successful marketers are those who carefully cultivate customer satisfaction. Szwarc (2005) explains that customer satisfaction can be defined as the way customers evaluate a company's products or services in relation to their experience with that company and in comparison to what they have heard or seen about other companies or organizations. Alam & Yasin (2010) also support this idea by stating that customer satisfaction is the result of a customer's expectations of the performance of a product or service being met. When the outcome or experience falls short of expectations, the customer is dissatisfied, and research has shown that dissatisfied customers are likely to tell more people about their dissatisfaction than satisfied customers who tell other people why they are satisfied (Szwarc, 2005). Goldstein (2009) also states that customer satisfaction is an attractive issue for all current businesses and is of constant importance for any e-commerce company to survive in business (Rakuten, 2019). In other words, customer satisfaction should be the focus of every marketer and company from the very beginning (Shah & Attiq, 2016), because it is crucial for the profit and future survival of the companies (M.-Y. Wu & Tseng, 2014). However, Yoon (2007) reminds us that a company should have capabilities and be smart about how and when to measure the difference in customer satisfaction between traditional business channels and Internet-based business channels. Smart companies, therefore, regularly measure customer satisfaction across their different business channels, as this is paramount to customer retention and business performance (Hove-Sibanda et al., 2017).

New product development and innovation. This indicator is critical for companies to improve their business results. Siu et al. (2006) argue that improving the NPD process is extremely important for SMEs to stay in business compared to their competitors. From the study, Chinese and Taiwanese SMEs are more resilient and profitable compared to their global competitors because they always actively develop NPD for market. Meanwhile the jargon "innovate or die" is also much more relevant to today's organization to stay in business in the face of fierce competition in the business world (Bai & Tian, 2020). The culture of innovation is not only necessary in large enterprises (LEs), but also in SMEs (Terziovski,

2010). Uhlaner et al. (2013) confirmed that process and product innovation can lead to an increase in sales growth in Dutch SMEs. Nevertheless, it should be noted that, as cautioned by Brancati (2015), the financial factor is the main obstacle to the development of the innovation process in the company.

2.6.4 Distinctive Competence (DC)

Many scholars believe that attention to distinctive competencies and core competencies is important to organizational success (Barney, 2001; Eden & Ackermann, 2010a; Hamel & Prahalad, 1990; Mooney, 2007). Distinctive competence refers to a superior characteristic, strength, or quality that differentiates an organization from its competitors and relates to both tangible and intangible possessions of the organization (Mooney, 2007). In addition, Eden & Ackermann, (2010) point out that distinctiveness comes most strongly from identifying (or creating) unique bundles or combinations of competencies, and that effectiveness and success can be determined by understanding and refining the links between competencies and organizational goals.

For this study, we adopt and use the work of Mooney (2007) on the concept of distinctive competence, which promotes three indicators that a company should possess to be successful in business. These are: customers visibility unique presence, superior to competitors and hard to imitate (Table 2.9).

Table 2.9. Distinctive Competence Constructs Variable and Key Indicators

Construct Variable	Key indicators	Literatures
Distinctive Competence (DC) ***Chosen theoretical and conceptual framework:*** Core competence, distinctive competence, and competitive advantage (Mooney, 2007)	Customers visibility unique presence (DC1)	(Mooney, 2007); (Battor & Battor, 2010); (Liu, 2012); (Eid et al., 2019); (Poudel et al., 2019); (Ünal et al., 2019); (Spieth et al., 2019); (Lafuente, Szerb, et al., 2020); (Mahmoud et al., 2020); (Mathews et al., 2018); (Strielkowski et al., 2015)
	Superior to competitors (DC2)	(Kotabe et al., 2002) (Adnan et al., 2018)(Mooney, 2007); (Wright et al., 2013); (Bigliardi, 2013); (Man et al., 2002); (Chatzoglou et al., 2018)
	Hard to imitate (DC3)	(Eniola & Ektebang, 2014) (O'Donnell et al., 2002); (Mooney, 2007); (Pertusa-Ortega et al., 2010); (Bhamra et al., 2011); (Dorozynski et al., 2014); (Chatzoglou et al., 2018)

Sources: Author's construction

Customer visibility unique presence. Customer visibility unique presence means that the company is fully visible and attentive to the target customers and is perceived as better than the other competitors (Mooney, 2007; Taneja & Toombs, 2014). For this indicator, customer

visibility unique presence can be determined by the length of time a company should have an interactive online presence for its customers. As shown by Lányi et al. (2021), online presence could enhance the performance of SMEs to be a more competitive against the competitors. However, as Mahmoud et al. (2020) and Wang & Emurian (2005) warned, the company that applies such online presence should maintain the trust aspects and promote genuine engagement with its users, both buyers and sellers. In other words, every product that the company sells and offers should be perceived from the customers' perspective and point of view (Spieth et al., 2019).

Superior to competitors and hard to imitate. For these two indicators, according to Adnan et al. (2018), superior and hard to imitate should have the VRIN characteristics, namely valuable, rare, inimitable, and non-substitutable. This VRIN concept is based on the RBV approaches found and recognized by (Barney, 2001). Moreover, this VRIN concept was later revised with the VRIO (valuable, rare, imitable, organisation) concept, which proves that the effect of "organisational structure" is almost identical to the effect of "distinct manufacturing capabilities", which means that "organisational structure" (an imitable capability) has almost the same contribution to "organisational performance" as the manufacturing capabilities of the organisation (a non-imitable capability) (Chatzoglou et al., 2018). By maintaining these attributes, a company can gain a competitive advantage and stay in business for a longer period of time (Eniola & Ektebang, 2014).

2.7 The Gap Review on the research study of CG to SMEs performance

To the best of the author's knowledge, there are no comprehensive and comparative studies on the factors that influence corporate governance on the performance of SMEs in the three countries studied, namely Hungary, Indonesia and Mexico.

In Hungary, research on the impact of corporate governance on SME performance has not received too much attention from scholars. Since 2000, only a few papers have investigated this topic. For example, Walsh & Whelan (2001) examined the effects of corporate governance on firm performance and political economy in the four Central and Eastern European (EEC) countries, including Hungary. Subsequently, Campbell (2002) examined the impact of ownership structure on the operating performance of Hungarian SMEs. Also, Estrin (2002) examined competition among SMEs and corporate governance in the Hungarian transition economy. However, as mentioned above, most studies use only one or at most two variables. For example, Filatotchev et al. (2007) and Hardi & Buti (2012) examined the impact of CG on the business performance of Hungarian SMEs.

Similarly, CG research on SMEs' firm performance in Indonesia has received less attention in the last decade. Few scholars attempt to examine the relationship between CG and firm performance using a simple variable. To name a few, Iqbal (2015) investigated SME governance in private Indonesian SMEs; Rekarti & Doktoralina (2017) investigated SMEs' corporate performance by improving CG disclosure report, such as financial statements and accounting; Hakimah et al. (2019) tried to investigate the impact of intrinsic CG on Indonesian SMEs' corporate performance. Overall, it seems that most studies on CG and corporate performance of SMEs in Indonesia have only paid more attention to financial performance factors and have not attempted to compare with other regions or countries.

In Mexico, the majority of studies have examined the relationship between corporate governance environment and firm performance in family SMEs (San Martin-Reyna & Duran-Encalada, 2012; Suárez, 2017; Yang, 2017b), focusing only on financial firm performance outcomes and not on non-financial performance outcomes. As a result, the actual business performance of SMEs cannot be represented.

2.8 Summary

The chapter begins with the terms and concept of SMEs as the basis for the entire research study. A literature review was used to select 125 articles for analysis. The articles were classified according to research themes, country regions, methods, research theory, analysis tools, and levels of analysis. In terms of most research themes, the research found that corporate governance, firm competitiveness, distinctive competence and firm performance dominated the literature on SME business operations during the study period. In the analysis of country regions, most of the research studies were conducted in a single country and in developed countries.

In terms of methodological approaches and the focus of research theory, it was found that survey is the predominant method to study SMEs' business performance, mostly using a one-sided theory. In terms of analytical tools, multiple regression analysis is used in the majority, while meso-firm analysis is predominant in the level of analysis.

In conclusion, in order to better understand the impact of CG on SMEs' firm performance and to fill the gap in the literature review, future research should preferably be conducted in emerging market and developing economies through cross-country analysis in different continents by adding the influential construct variable in the model, also considering the non-financial factors in the analysis of SMEs' firm performance. A summary of this literature classification and distribution is presented in Figure 2.9.

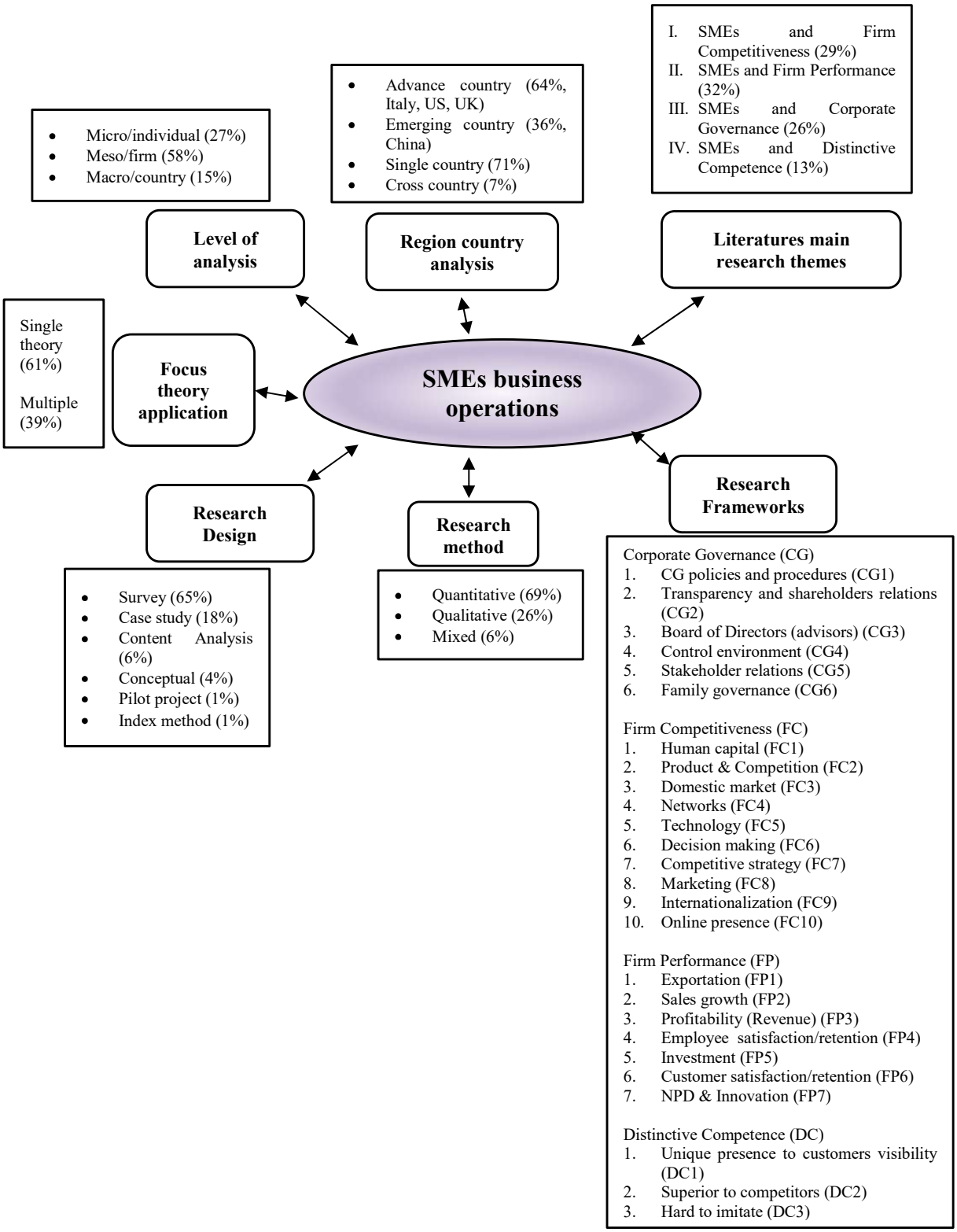


Figure 2.9. A literature review classification and distribution summary

III. RESEARCH FRAMEWORK AND METHODOLOGY

3.1 Introduction

This chapter attempts to formulate the research framework and research methodology based on the research questions and objectives in Chapter I and the previous literature reviews, theories, and empirical studies explained in Chapter II. As mentioned earlier, most of the studies on CG on SMEs' business performance have used only single variable, whether independent or dependent variables, and focused only on SMEs' financial performance (Afrifa & Tauringana, 2015; Hakimah et al., 2019; La Rosa & Bernini, 2018; Nasrallah & El Khoury, 2022). In addition, most previous and empirical research has been conducted in individual countries, with studies focusing on developed countries. Therefore, the purpose of this chapter is to propose a new research framework by extending and expanding new variables to provide a more comprehensive connection relationship phenomenon between CG and SMEs' operations performance in emerging economies. In addition, the variables, namely corporate governance (CG), firm competitiveness (FC), distinctive competence (DC), and firm performance (FP) and hypothesis development are described. Furthermore, this chapter explains the research methodology used to conduct the study and concludes the chapter with a summary.

3.2 Research Framework

3.2.1 Conceptual Framework

A research framework is defined as the structure of an investigation that describes the sequence and nature of conditions to which subjects are exposed and the observations that are made on those subjects (Edmonds & Kennedy, 2017). The research framework aims to deliver a conceptual framework that permits the researcher to response particular research questions. The conceptual framework consists of the research purpose, the theory or theories that focus of the research study, the research questions, and the operationalization of constructs and concepts that will be measured or captured during implementation (Tobi & Kampen, 2018).

Figure 3.1 shows a conceptual framework model proposed by the author based on the research questions and the study objectives, which consists of four (latent) construct variables, namely corporate governance (CG), firm competitiveness (FC), and distinctive competence (DC) as independent variables (IVs), while firm performance (FP) serves as the dependent variable (DV). In addition, firm competitiveness (FC) and distinctive competence

(DC) also serve as dependent variables (DVs) and mediating latent or constructive variables. According to Hair et al. (2019), a latent or constructed variable is a variable that cannot be measured directly but can be represented or measured by one or more indicators, while a mediating latent variable is a construct that stands between two other directly related constructs.

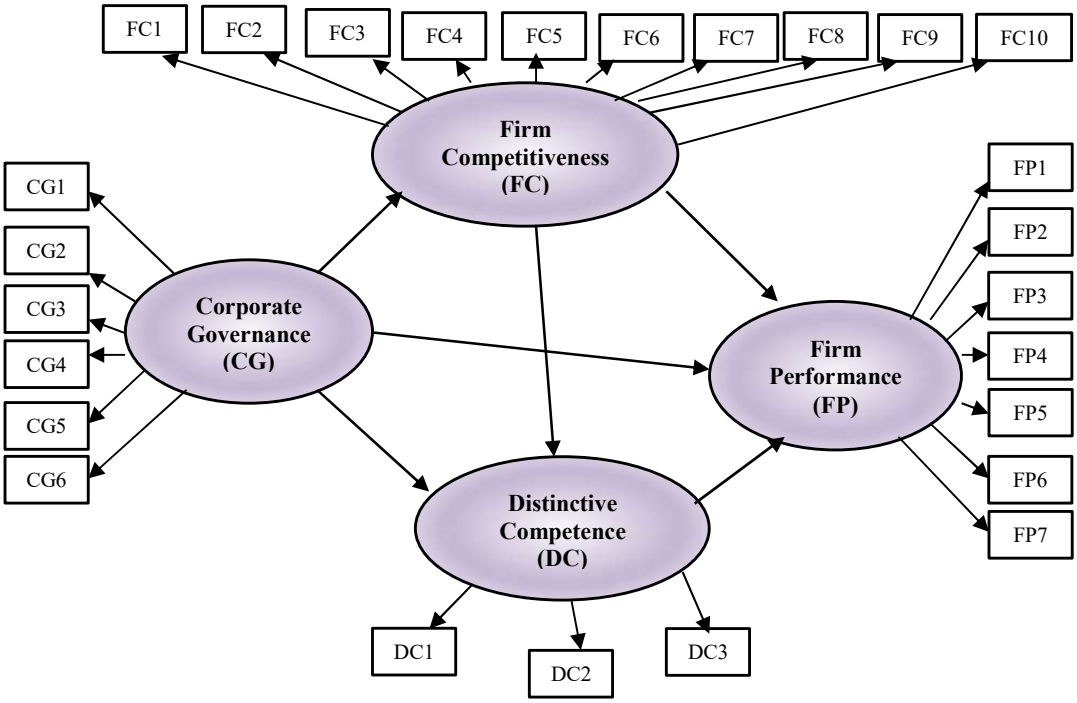


Figure 3.1. A Propose Conceptual Framework and Indicators
(Source: Author's construction)

In this study, to measure the latent variable CG, the six indicators (CG1 to CG6) derived and adapted from the theoretical and conceptual framework of Dubai (2011) and Iqbal (2015) are used (Table 2.7). Then, to measure the latent variable FC, the ten indicators (FC1 to FC10) from the work of Lafuente et al. (2020) are applied (Table 2.6). Next, the latent variable DC is examined using the three indicators (DC1 to DC3) adopted from the work of (Mooney, 2007) (Table 2.9), and for the latent variable FP, the seven indicators (FP1 to FP7) adopted from the work of Hove-Sibanda et al. (2017) are examined (Table 2.8).

3.2.2 Investigated Constructs Variable and Hypothesis Development

Corporate Governance (CG)

CG can be defined as a set of associations between firm management, board of directors (BODs), shareholders and other stakeholders in the formal structural organizational

form which in line with the firm goals, in obtaining those goals and overseeing firm performance (OECD, 2004). In addition, CG is about developing regulations and conducts as to how the firm is operates and also about equally driving and controlling in place to avoid authority exploitations and guarantee the reliability of operations performance results. As previously notes, the magnitude of CG performs have not only assistances for the larger enterprises (LEs) within advance countries, but also have the benefits for the SMEs operations performance in the developing nations (Guo & Kga, 2012; Haji, 2014; Raja & Kumar, 2007; Rashid & Lodh, 2011; Vo & Nguyen, 2014). Furthermore, as point out by Dubai (2011), CG is primarily apprehensive with the decision making procedures and outlooks that help the firm in obtaining its goals. Therefore, by acknowledging of a good corporate governance (GCG) practices framework will provide SMEs a formal ways to sound good management applies, efficient and effective appliances control that may promote to a better firm performance.

The impact of corporate governance (CG) is significant not only for firm competitiveness (FC) but also for the firm distinctive competence (DC) and performance (FP) of SMEs, which has been demonstrated in many research studies (Abor & Biekpe, 2007; Afrifa & Tauringana, 2015; Hakimah et al., 2019; Ho, 2005; Hove-Sibanda et al., 2017; Nasrallah & El Khoury, 2022; Pelayo-Maciel & Sanchez-Gutierrez, 2013; Swamy, 2011). Abor & Biekpe (2007) confirmed that CG structures have significantly influence of the SMEs performance in Ghana. Also Afrifa & Tauringana (2015) have proven that CG factors significantly associated with the UK SMEs performance. In terms of the CG impact to firm distinctive competence, Pelayo-Maciel & Sanchez-Gutierrez (2013) found that there was a substantial effect between variable in Mexico and Columbian firms. While, regarding the CG impact to firm competitiveness, Ho (2005) stated that the higher conformance of GCG practices, the stronger of the firm's competitiveness. More interestingly enough, Hove-Sibanda et al. (2017) confirmed that the implementation of corporate governance (CG) significantly and positively affected not only the SMEs competitiveness but also firm performance in South Africa.

Firm Competitiveness (FC)

Competitiveness is a well-known term in the world today (Bhawsar & Chattopadhyay, 2015; Goshu & Kitaw, 2017). In addition, Hove-Sibanda et al. (2017) point out that a firm's competitiveness can be defined as the ability of a firm to prevail over its rivals, which is influenced by certain competitive advantages either through cost reduction

or optimization of business opportunities. Based on the Resource-Based View (RBV) theory, competitiveness can be described as an interrelated set of resources and capabilities that can lead to the development or expansion of valuable competencies (Barney, 2001; Hamel & Prahalad, 1990). In addition, as Bayon & Aguilera (2021) suggest that the configuration of SMEs, based on management's perception of the value creation potential of the different resources and capabilities, could also have an impact on competitiveness at the firm level.

Based on theory and ample empirical evidence, the stronger and more appropriate the competitive factors, the better the firm performance (Bhawsar & Chattopadhyay, 2015; Cantele & Cassia, 2020; Hove-Sibanda et al., 2017; Lii & Kuo, 2016; Pertusa-Ortega et al., 2010). As Prasada et al. (2021) argue, although the competitiveness of enterprises plays an important role in achieving better performance and entrepreneurship, competitiveness must be supported by internal resources by consolidating the distinctive competence of the enterprise, which proves that the stronger and more appropriate the competitiveness of the enterprise, the higher the distinctive competence and performance of the organisation (Sulaeman & Kusnandar, 2020). However, the concept of competitiveness must be considered as a dynamic process associated with the resources and capabilities of the company.

Distinctive Competence (DC)

According to Agha et al. (2011); Eden & Ackerman (2010); Snow & Hrebiniak (1980), a distinctive competence is an exclusive competency that holds particular capabilities owned by an organisation as compared to others, and provide substance effect to the organisation performance. Moreover, Mooney (2007) argues that a distinctive competence should possesses defensible, be visible for customers, superiority and hard to be emulated to others. Prahalad and Hamel (1991) devised the distinctive competencies jargons to differentiate between organisation capabilities and the firm strategy. It was found and evidence that the more appropriate distinctive competence, the better of SMEs firm performance (Bilal et al., 2017; Kaibung'a, 2019).

Firm Performance (FP), Mediating Effect and Multiple Group Analysis (MGA)

According to Taouab & Issor (2019), firm performance is often applied as a dependent variable and has a dynamic and evolving definition. From the first definition in the 1950s, which only dealt with the equivalent of organizational efficiency, to the latest

definition in the 21st century, that firm performance is defined as organizational performance that focuses mainly on an organization's ability and capability to efficiently use available resources to achieve performance that is consistent with the organization's established goals (Taouab & Issor, 2019).

In addition, Hove-Sibanda et al. (2017) suggested for future research studies to examine the mediating effect of firm competitiveness between CG and firm performance. According to Sekaran & Bougie (2016), the mediation variable can be considered as a function of the independent variable(s) acting in certain situation, and assists to conceptualize and explain the influence of the independent variable(s) on the dependent variable. Furthermore, the mediation variable attempts to measure the effect of an independent variable on the dependent variable in the presence of a third variable, called the mediator, to gain a more knowledge associations between two or more variables, and provides an elaborated view for an investigation. The goal of using the mediator variable is to measure the occurrence of an indirect effect or a direct effect relationship between the variables involved and to measure the overall effect, the magnitude of the relationship (Sidhu et al., 2021).

A multi-group analysis (MGA) is also proposed for this study to look for and compare differences between groups within the framework model. The MGA is intended to examine whether the model is identical between groups. Prior to testing for structural invariance, measurement invariance should be assessed to determine if the model is invariant across the groups studied. According to Hair et al. (2019), the MGA is part of the moderation test and is used to test whether predefined groups of data have significant differences in their group-specific parameter estimates. In this study, the MGA is applied based on emerging market group, SME firm size, firm existence, business type, and gender.

Based on the above justifications and explanations and considering the previous research questions, the hypothesis of the study is proposed and summarised on the Table 3.1 as follows:

Table 3.1 Research Questions and Hypothesis Propose

Research Questions (RQs)	Hypotheses
RQ1: ***What CG practices directly affect firm competitiveness, distinctive competence and SMEs firm performance in the three emerging countries?***	**Direct Effect** **<u>Corporate Governance (CG)</u>** **Hypotheses 1 (H1) : Corporate governance (CG) practices directly and positively possess significant influence to the firm competitiveness (FC), distinctive competence (DC) and firm performance (FP) in the emerging country**, which consist of: H1a: the corporate governance (CG) practices directly and positively significant influence the SMEs firm competitiveness (FC) in the emerging country; H1b: the corporate governance (CG) practices directly and positively significant influence the SMEs firm distinctive competences (DC) in the emerging country; H1c: the corporate governance (CG) practices directly and positively significant influence the SMEs firm performance (FP) in the emerging country **<u>Firm Competitiveness (FC)</u>** **Hypotheses 2 (H2) : Firm competitiveness (FC) directly and positively possess significant influence to the distinctive competence and firm performance in the emerging country**, which consist of: H2a: the firm competitiveness (FC) directly and positively significant affect the SMEs distinctive competence (DC) in the emerging country; H2b: the firm competitiveness (FC) directly and positively significant affect the SMEs firm performance (FP) in the emerging country **<u>Distinctive Competence (DC)</u>** **Hypotheses 3 (H3): the firm distinctive competence (DC) directly and positively possess significant affect the SMEs firm performance (FP) in the emerging country**
RQ2: ***What CG practices indirectly affect the SMEs firm performance in the three emerging countries?***	**Indirect effect** **Hypotheses 4 (H4) : Corporate governance (CG) practices indirectly and positively possess significant influence to the firm performance (FP) in the emerging country**, which consist of : H4a: the distinctive competence (DC) positively significant mediates the relationship between corporate governance (CG) and the SMEs firm performance (FP) in the emerging country; H4b: the firm competitiveness (FC) positively significant mediates the relationship between corporate governance (CG) and the SMEs firm performance (FP) in the emerging country; H4c: the firm competitiveness (FC) and distinctive competence (DC) positively significant mediates the relationship between corporate

	governance (CG) and the SMEs firm performance (FP) in the emerging country
	Multiple Group Analysis (MGA)
RQ3: ***Are there any differences comparison in terms of CG practices affecting the SMEs firm performance between the three emerging countries?***	**Hypotheses 5 (H5) : there is a positive and significant differences comparison among corporate governance (CG) practices affecting the firm performance (FP) in the three emerging countries**, which consist of : H5a: there is a positive and significant differences comparison among CG practices affecting the SMEs firm performance (FP) between Hungary and Indonesia; H5b: there is a positive and significant differences comparison among CG practices affecting the SMEs firm performance (FP) between Hungary and Mexico; H5c: there is a positive and significant differences comparison among CG practices affecting the SMEs firm performance (FP) between Indonesia and Mexico
	Multiple Group Analysis (MGA)
RQ4: ***Are there any differences comparison in terms of CG practices affecting SMEs firm performance in the three emerging countries based on the firm size, the firm existence, the firm business type and gender levels***	**Hypotheses 6 (H6) : there is a positive and significant difference comparison among CG practices affecting SMEs firm performance (FP) based on the firm size, firm existences, business type and gender in the emerging country**, which consist of: H6a: there is positive and significant differences comparison among CG practices affecting the SMEs firm performance (FP) based on the firm size in the emerging country; H6b: there is a positive and significant differences comparison among CG practices affecting the SMEs firm performance (FP) based on the firm existence in the emerging country; H6c: there is a positive and significant differences comparison among CG practices affecting the SMEs firm performance (FP) based on the firm business type in the emerging country; H6d: there is a positive and significant differences comparison among CG practices affecting the SMEs firm performance (FP) based on gender in the emerging country

Source: author constructs

Figure 3.2 below depicts a conceptual framework and hypothesis proposal for this study.

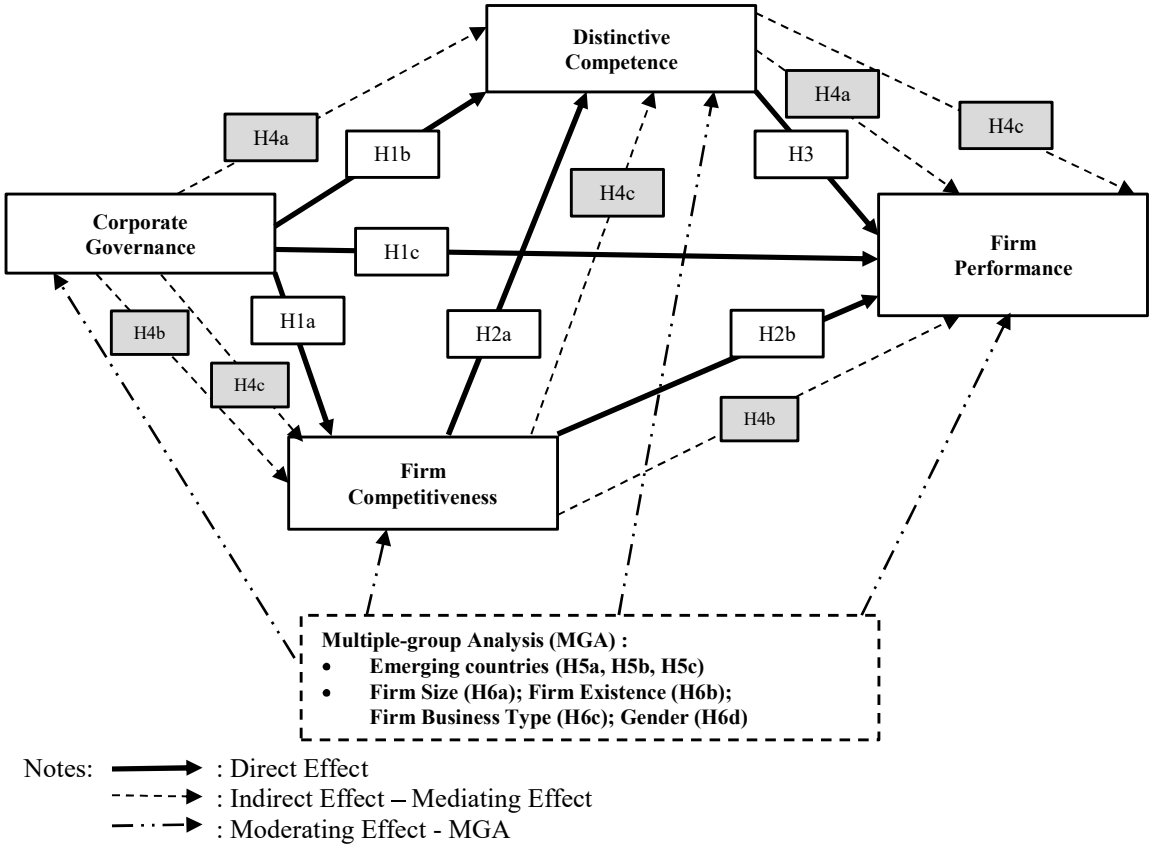


Figure 3.2. A Propose Conceptual Framework and Hypothesis

3.3 Research Methodology

3.3.1 Research design and the rationale for a quantitative research approach

According to Zikmund et al. (2010), a research design is an overall strategy that identifies the methods and procedures for collecting and analyzing the needed information. Similarly, Creswell (2009) describes the research designs as process plan for research that include decisions ranging from more broader norms to particular methods of data collection and analysis. In addition, Sekaran & Bougie (2016) believe that research design is a strategy for collecting, measuring, and analyzing data that is developed to response the research questions. Therefore, the researcher must also determine the sources of information, the design technique (e.g., survey or experiment), the sampling methodology, and the timing and cost of the research.

A quantitative research design was used for this study by conducting surveys for SMEs actors in the emerging countries, i.e., Hungary, Indonesia, and Mexico. The reason for using a quantitative research approach for this study is that this technique is viewed and considered to be more impartial and organised, since an orderly process and formal

instruments are used for data collection and it is not influenced by the researcher's biases (Queirós et al., 2017). Moreover, this study aims to examine and measure the factors that affect the performance of SMEs in emerging economies using a quantitative survey in data collection that prevents the researcher from interfering with the objective responses of the respondents. In addition, the study proposed hypothesis testing using a statistical method, namely covariance-based structural equation modelling (CB-SEM), in which hypothesis testing was based only on respondents' answers and the results of the study were intended to be unbiased. Section 3.3.4 describes the reasoning selected the CB-SEM to test the theory and verify the causal model relationship between the variables for this study.

3.3.2 Survey Measurements Design and Indicators

In order to obtain rigorous and meaningful measurement results, a suitable survey design should be developed. The survey design involves the development of questions (items) to measure the latent or constructed variables in a model that serves as the basis for accepting or rejecting the proposed hypotheses (MacKenzie et al., 2011). In this study, six hypotheses were proposed and tested based on the responses to the measurement indicators.

The main process of data collection for this study was achieved through self-administered, structured interviews in which managers or SME owners were asked to answer essentially close-ended questions (Lafuente, et al., 2020). The selection process of the surveyed firms was carried out in two steps. First, a random sample of firms was selected from the database, which includes all SMEs firms registered in the countries studied. In the context of this study, top managers or owners are a relevant group of respondents. Secondly, a face-to-face or online interview was conducted after an initial phone call or email confirmation. The questionnaires were divided into two parts. Part A consisted of respondent profile questions or filter questions that collected respondent demographic data, such as respondent and company name, gender, education level, basic skills, type of legal entity and the postal code of the company address. In Part B, respondents were asked about their understanding of the latent/constructed variables using 26 indicators on a five-point scale (see Appendix A). These indicators were used as measures for the variables in the conceptual framework model. In addition, the questionnaire was pretested to correct potentially misleading or confusing questions.

Corporate Governance (CG)

To measure the construct variable corporate governance (CG), six indicators were adopted and combined from the codes of Dubai (2011) CG for SMEs and from the work of Iqbal (2015), namely, CG Policies and Procedures (CG1), Transparency and Relations with Shareholders (CG2), Board of Directors (Advisors) (CG3), Control Environment (CG4), Stakeholder Relations (CG5), and Family Governance (CG6).

CG Policies and Procedures (CG1). As mentioned earlier, this indicator refers to the presence of a formal framework and succession planning procedures within the organization (Dubai, 2011). This indicator aims to understand the presence of written formal rules and regulations within the organization. Two questions are proposed to measure this construct, namely whether the company has a written form of such policies and procedures, and the amount of information related to the extension of authority.

Transparency and Relations with Shareholders (CG2). To promote transparency among shareholders, communication, information sharing and dissemination are of utmost importance in this type of indicator (Dubai, 2011). This indicator aims to treat communication among shareholder members equally within the company (Iqbal, 2015). To measure this construct, two questions are proposed which related to information sharing and information dissemination within the company under study.

Board of Directors (Advisors) (CG3). This type of indicator aims to appoint and establish a formal board of directors or advisor (for SMEs) to monitor and evaluate the company's performance in a timely manner and in the best possible way (Dubai, 2011). For this construct, two questions are asked related to the managerial position of the owners and the person who makes the strategic decisions in the firm.

Control Environment (CG4). This indicator refers to the establishment of an internal control framework to mitigate business risks and implement credible and effective accounting and financial recording (Dubai, 2011; Iqbal, 2015). It is quite difficult to measure this construct for SMEs. Therefore, we ask a substitute question that refers to whether the firm has applied for a bank loan and asks about a firm's ability to grow its business with certain financing. The goal of this question is to understand and mitigate risk and the company's ability to control and manage its financial resources.

Stakeholder Relations (CG5). This type of indicator includes understanding the needs and recognition of the company's stakeholders, whether they are employees, customers, suppliers, or others directly or indirectly involved. The question proposed for this

construct relates to how the firm cares for its customers by providing a reward/incentive system.

Family Governance (CG6). This indicator can ensure effective communication and coordination between family members for continuity of organisational performance (Dubai, 2011; Iqbal, 2015). To measure this construct, the proportion of family shareholders and the managerial role of family members are queried.

Firm Competitiveness (FC)

To measure the construct variable of firm competitiveness (FC), this study uses the ten key indicators from the work of (Lafuente et al., 2020), consisting of: Human Capital (FC1), Product and Competition (FC2), Domestic Market (FC3), Networks (FC4), Technology (FC5), Decision Making (FC6), Competitive Strategy (FC7), Marketing (FC8), Internationalisation (FC9), and Online Presence (FC10).

Human Capital (FC1). Human capital or human resources are an important factor in the performance and competitiveness of a company in many areas. To measure this construct, a question is asked about the number of full-time employees and their level of education.

Product and Competition (FC2). To measure this construct, the question is asked about the number of products offered and competitors selling similar products/services.

Domestic Market (FC3). This indicator is of utmost importance, especially in the current pandemic and economic crisis. It includes the geographic areas of the domestic market, the intent of competition within domestic competitors, and the level of competition (Lafuente et al., 2020). To measure this indicator, domestic market coverage areas and geographic distribution of product sales are questioned.

Networks (FC4). Cooperation, networking, collaboration and partnership are part of this indicator. To measure it, the question is asked about the type of collaboration in which the firm is actively involved.

Technology (FC5). For this indicator, the technological position of the company at home and abroad is measured.

Decision Making (FC6). This indicator refers to communication and the level of decision makers within the organization. It includes the use of information sources, information sharing, and consultation within the organization. For the measurement of this indicator, the determination of the decision-making process among the directors is queried.

Competitive Strategy (FC7). This indicator is usually consistent with the alignment of firm vision and mission, leadership characteristics, and the uniqueness of firm strategy (Lafuente et al., 2020). To measure it, a typical firm strategy decision is questioned for this indicator.

Marketing (FC8). This indicator aims to measure how the firm can increase and combine its 4Ps/7Ps capabilities and uniqueness to improve its competitiveness and performance To measure of this indicator, the price level position and marketing communication tools are questioned.

Internationalisation (FC9). This indicator shows how accessible and acceptable the company's products are in international markets, both from the sellers' and buyers' point of view. To measure it, the ability of the company's products to be sold in the foreign market is queried.

Online Presence (FC10). This indicator means that an organization provides open digital access or some form of social media that provides technical and non-technical information about the organization as well as applications. A question is asked about the online existence, such as social media online of the firm.

Distinctive Competence (DC)

To measure the construct variable of distinctive competence (DC), we adapt and modify the work of (Mooney, 2007), which promotes indicators that a company should possess to be successful in business, consisting of the following: Customer visibility unique presence (DC1), Superiority to Competitors (DC2), and Hard to Imitate (DC3).

Customer visibility unique presence (DC1). This indicator means that the company is fully visible and attentive to the target customers and is perceived as better than the other competitors. To measure it, the duration of the company's interactive and attractive online accessibility is queried.

Superiority to Competitors (DC2). To measure this indicator, a series of questions are asked about the firm's key products/services, which include the durability and reliability of the products, and the style and design of the products.

Hard to Imitate (DC3). For this indicator, the uniqueness of the company's business processes compared to its competitors is measured.

Firm Performance (FP)

To measure the construct variables of firm performance (FP), seven indicators are used, modified from the work of (Hove-Sibanda et al., 2017) and consist of Exportation (FP1), Sales Growth (FP2), Profitability (sales) (FP3), Employee Satisfaction and Retention (FP4), Investment (FP5), Customer Satisfaction and Retention (FP6), New Product Development and Innovation (FP7).

Exportation (FP1). This indicator is measured by asking the share of foreign product sales in the firm's total sales over the last three years. It is intended to provide information on how well the company is performing in terms of the products it sells.

Sales Growth (FP2). This key indicator is one of the criteria for determining the business performance of SMEs and can be used to measure the financial performance of SMEs. To measure this indicator, the total growth of each product sales is asked for the last five years.

Profitability (sales turnover) (FP3). It is one of the indicators for determining business performance. In order to measure it, the share of sales revenue generated by the most important buyers is queried.

Employee Satisfaction (FP4). It is quite difficult to understand employee satisfaction, especially among SMEs. Although fair wages/salaries are the most important factors in measuring business performance (Sule et al., 2015), obtaining such information is a tricky issue for SMEs. To measure this vicariously, the percentage of employees participating in training to improve their skills is questioned.

Investment (FP5). Supportive investments from both the government and the private sector or angel investors are needed for young and small businesses such as SMEs, which will invest in lucrative businesses such as SMEs in e-commerce or IT. To measure this indicator, the share of investments in the firm sales revenue is asked.

Customer Satisfaction (FP6). For smart business firms, regularly measuring customer satisfaction across business channels is critical to customer retention and business performance. To measure this indicator, it questions whether the firm offers additional after sales services to its customers/buyers, including free delivery, installation, or other incentives.

New Product Development and Innovation (FP7). This indicator is critical for companies to improve their business results. To measure this indicator, the number of new products/services launched in the last three years and the proportion of sales invested in product innovation are queried.

In order to conduct the survey ethically, a disclaimer was included in the questionnaires stating that all data collected, including the profile of respondents, will not be shared for any purpose other than the research study.

The following table (Table 3.2) provides an overview of the all construct variable with the proxy indicator question for measurement for this study.

Table 3.2 Construct Variables and the Measurement Indicator Questions

Construct Variables	Measurement Questions
Corporate Governance (CG)	
CG1. CG policies and procedures	Does the organizational system exist in a written form? Is the scope of authority exists in the business which is known by everyone in the organisation?
CG2. Transparency and shareholders relations	How does the business engage in information sharing within organisation? How does the business engage in information dissemination within organisation?
CG3. Board of Directors (advisors)	Does any owner(s) of the company that do have a managerial position or other company(ies) contribute to the decision making process? With whom does the main decision maker consult before making strategic decisions? Did you apply the bank loans for the last 3 years?
CG4. Control environment	Are you postponing development until you have sufficiently large internal financial resources or are you willing to look for other external financial resources? What kind of incentive/reward system do you have in your business?
CG5. Stakeholder relations	What proportion of your customers lives outside your country The proportional of major shareholders and/or family own shareholders?
CG6. Family governance	How many and in what positions did the owners of the company, including you, work in the company during previous year?
Firm Competitiveness (FC)	
FC1. Human capital	Indicate the number of full time employees (or equivalent) in your business over the last three years What percentage of your full time employees have post-secondary studies degree
FC2. Product & Competition	How many independent, separable business lines (product line, or product-market combination) can be distinguished within the business' operations? Right now, are there many, few, or no other businesses offering the same products or services to your potential customers?
FC3. Domestic market	Which of the following statements best describe the business position in the domestic market? The geographical scope of the business selling in the domestic market (where the company delivers, sells its products/services)
FC4. Networks	In what types of cooperation did the company actively participate in the last 3 years?
FC5. Technology	Which of the following statements best describe the business' technology position at the domestic market level? Which of the following statements best describe the business' technology position at the international level?
FC6. Decision making	How would you define the decision making process of the business?
FC7. Competitive strategy	What was the typical strategy the business followed during the last 3 years?
FC8. Marketing	How do you position the price level of your main product in the market?

	What kind of marketing communication tools did you apply in the past 3 years?
FC9. Internationalization	To what extent can your business' products/services be sold abroad?
FC10. Online presence	Does your business have online presence?
Distinctive Competence (DC)	
DC1. Customer visibility uniqueness presence	How long did you apply an interactive online to attract and maintain your customers
DC2. Superior to competitors	What are the most distinctive characteristics of the main product/service of your business?
DC3. Hard to imitate	To what degree do you think your business possesses unique characteristics compared to other businesses in the following factors?
Firm Performance (FP)	
FP1. Exportation	Approximately what percentage of your net sales are derived from direct export over the last 3 years?
FP2. Sales growth performance	What is the total sales growth of each products of the business economic activities?
FP3. Profitability (sales turnover)	Approximately, what percentage of your revenues (sales) is generated by your most important buyer?
FP4. Employee satisfaction/retention	Please estimate the proportion of employees participating in the following training programs in the last 3 years Please estimate the proportion of employees participating in the following training programs in the last 3 years
FP5. Investment	Investment percentage of the sales revenues for the last 3 years?
FP6. Customer satisfaction/retention	Besides selling the basic product/services what kind of additional services does your business provide to your buyers/customers?
FP7. New product development and Innovation	The number of new product/inventions/trademark within the last 3 years Approximately, how many percentage from your sales revenue did you spend for innovation activities over the last 3 years ?

Source: Author construction

3.3.3 Population, Sampling Size and Data Collection

The population of this study is all SMEs in the three respective emerging markets (Hungary, Indonesia, Mexico), which may consist of micro, small and medium SMEs, as described in Table 2.1. This research applied a non-probability sample by using purposive sampling technique through particular conditions, which include that the SMEs should possesses a legal identity number, minimum two years in business operations, profit oriented, and possesses minimum two workers including the owners. The rationale for applying this technique approach is to get the suitable traits of the SME populations in each country (Etikan et al., 2016; Sekaran & Bougie, 2016; Zikmund et al., 2010).

A sample size between 30 and 500 is more appropriate for most research studies (Sekaran & Bougie 2016). In addition, according to Mueller & Hancock (2018), a common guideline for obtaining a reliable maximum likelihood estimator (MLE) in the model SEM is to have at least five cases per model indicator/parameter. To define and decide a suitable and appropriate sample size, this study applied G-power tool to determine the requirement of minimum sample size (Faul et al., 2009), by using certain assumptions, i.e. the alpha

level (5%), a power requirement level (95%), and the effect size mean (0.3). The obtained minimum sample size was 111 (Figure 3.3). Furthermore, Hair Jr et al. (2017) propose that a minimum of 100 sample size is adequate for most research studies which considerations that the value of the average variance extracted (AVE) is greater than 0.50. According to Hair et al. (2019), however, to increase the reliability and validity of this study, the sample size should be five times larger than the number of indicators, so the minimum sample size for this study to apply 26 indicators should be at least 26*5, which corresponds to a sample size of 130.

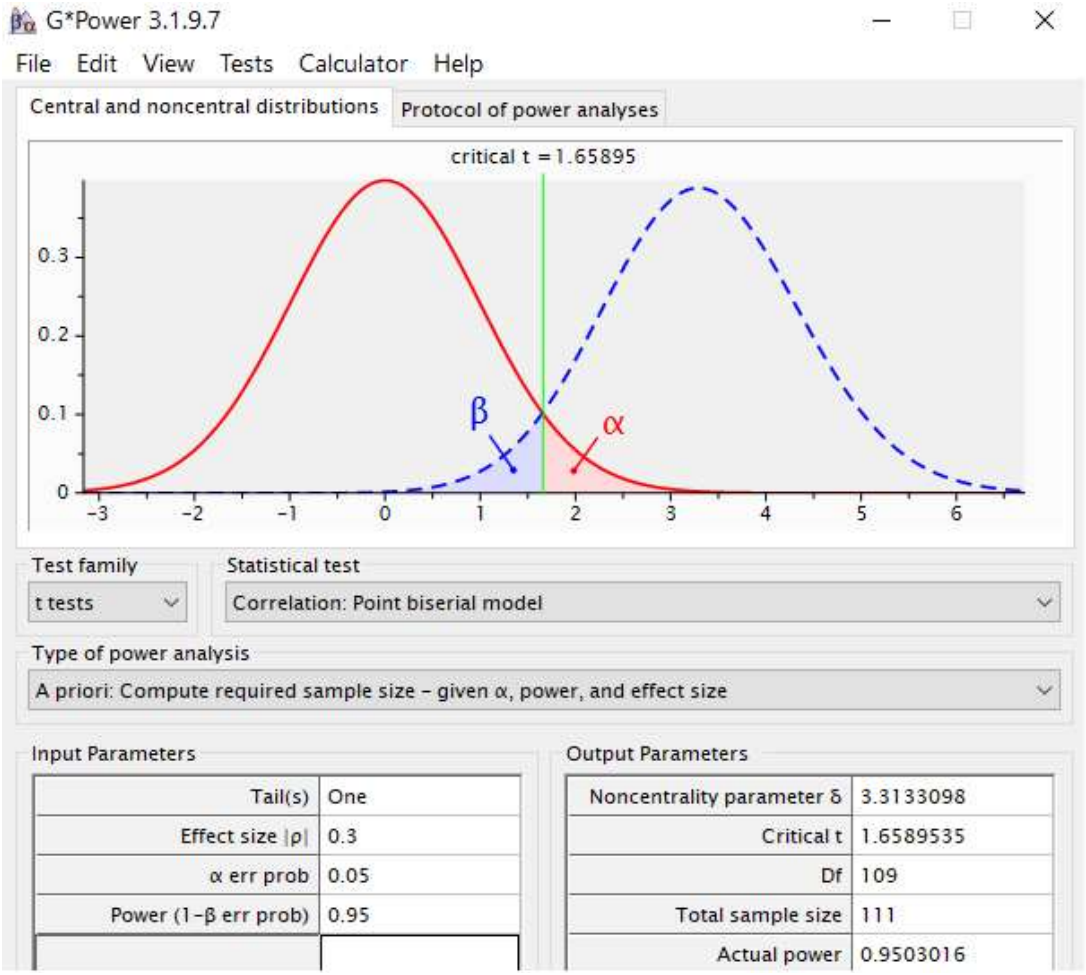


Figure 3.3 Determining Sampling Size using G-Power
(Source: Author's construction)

Regarding the data collection process is concerned, this research is partly supported by the Global Competitiveness Project (https://www.sme-gcp.org/), which was supervised by a team from the Faculty of Economics of the University of Pécs (Hungary). Before sending and collecting data directly from SME respondents, a pre-test of the questionnaires was conducted in one of the countries under study, i.e. Indonesia, by sending the questionnaires to 32 respondents by developing a Google form with the link

https://forms.gle/YEymnStRZojegkNt5, which was sent to respondents via numerous social media platforms from October to December 2019. Due to the pandemic situation and economic volatility since December 2019, the final collection of the primary data sample was conducted through an online system. The revised questionnaires were developed and sent using the Lime Survey data system through the link of https://exam.ktk.pte.hu/limesurvey/index.php/359936, which took place from October 2020 to May 2021. According to Basco et al. (2020), Lime Survey is an online application with open code for survey creation. It allows users to deliver a personalized email message to each participant along with an institutional cover letter and a unique, firm-identified back-end link. A total of 531 completed questionnaires (Hungary 218, Indonesia 161, and Mexico 152 respondents) were obtained for analysis from approximately 1,000 respondents who were contacted cross-sectionally across three countries, roughly a fifty-three percent (53%) response rate. This number of participants is adequate as it exceeds the minimum sample size required for analysis using structural equation modelling (Hair et al., 2019; Hair et al., 2017).

3.3.4 Data Screening, Data Analysis and CB-SEM Analysis

Data obtained from the questionnaire were reviewed and analysed using Statistical Package for the Social Sciences (SPSS) version 26 and Analysis of Moment Structure (AMOS) version 24. SPSS was used to assign codes to respondents for each variable. Structural equation modelling (SEM) with AMOS version 24 was used in this study to analyse and test the hypothesis. It explains the relationship between multiple variables and helps to build models, illustrate the relationships, and analyse the effects (Byrne, 2016). Structural equation modelling (SEM) is a statistical method that takes a confirmatory (i.e., hypothesis-testing) approach to analysing a structural theory that relates to a specific phenomenon (Byrne, 2016). SEM is used in marketing research and other business research as part of quantitative research methods. SEM contains latent (construct) variables measured by observed (manifest) variables explained by the indicators answered using a point scale. SEM is, by definition, a multivariate technique that combines aspects of factor analysis and multiple regression and allows the researcher to simultaneously examine a set of interrelated dependency relationships between the measured variables and latent constructs (variables) as well as between multiple latent constructs (Hair et al., 2019).

To test the theory and verify the causal model relationship among variables, covariance-based structural equation analysis (CB SEM) was applied in this study (Hair et al., 2014; Hair et al., 2017). According to Zhang et al. (2021), CB-SEM has several

advantages features compared to some other commonly used analysis methods, i.e.: (1) It is an integration of multiple multivariate techniques-e.g. regression analysis, path analysis, and confirmatory factor analysis; (2) it can perform simultaneous analysis of observed variables and latent structures; (3) it can account for measurement error in both predictor and outcome variables; and (4) it can help researchers identify the best approximate models that are theoretically accurate and parsimonious.

The following step describes the data analysis process. First, the demographic and industry profile of the respondents were examined. Second, data screening was conducted by analysing the kurtosis and skewness index to verify the normality distribution of the data found (Field, 2013; Kline, 2015). Checking the collinearity assumption was applied to guarantee that there was no multicollinearity problem in investigating the structural model fit by assessing the variance inflation factor (VIF). Kaiser-Meyer-Olkin analysis (KMO) and Bartlett's Test of Sphericity were then verified to examine the sample fit for conducting a factor analysis using exploratory factor analysis (EFA). Overall, an EFA provides the variables for suitability of structural equation modelling and be used to confirm the validity of new data sets (Gaskin & Lim, 2016). Third, the constructs internal consistency was investigated applying Cronbach's alpha (α) to examine the reliability of the measurement model (Field, 2013). Fourth, confirmatory factor analysis (CFA) was applied to define the factor structure of the data set, which contains of composite reliability (CR), factor loadings (λ), convergent validity, i.e., average variance extracted (AVE), and discriminant validity, i.e., maximum shared variance (MSV) (Gaskin & Lim, 2016). Fifth, model fit was investigated to examine measurement fit. The three model fit measurement were conducted: (1) Absolute fit indices, namely: goodness of fit index (GFI), root mean square error of approximation (RMSEA), standardised root mean square residual (SRMR), chi-square/degree of freedom ratio ($\chi 2$ /d.f.); (2) Incremental Fit Indices, namely: Normed Fit Index (NFI), Tucker Lewis Index (TLI), Comparative Fit Index (CFI); and (3) Parsimony Fit Indices, namely Adjusted Goodness of Fit Index (AGFI) (Gaskin & Lim, 2016; Hair et al., 2019). Sixth, the model path analysis of as conducted by assessing the structural relationship of the variables, standardised beta coefficients, t-values, and p-values (Gaskin & Lim, 2016; Hair et al., 2017).

3.4 Demographic of Respondents and SMEs Business Profile

Although can not be generalized, from the survey, it found that in the three countries studied, male respondents dominate more than two-thirds of the total SME participants

compared to female owners (Table 3.3). In Hungary, the proportion of male participants consists of 66%, in Indonesia 73%, and in Mexico about 66%. This indicates that SME owners or decision-makers still follow the old convention of male entrepreneurial tradition. In terms of age profile, except in Hungary, Mexican SME respondents are much younger (40 years) than Indonesian respondents (44 years), with a standard deviation of 6.71; that is, the youngest SME owner in Mexico is 33 years old. Interesting evidence was found for educational background. In both Indonesia and Mexico, more than 80 percent of the SME respondents have a higher education, while in Hungary only less than half of the respondents have a university degree.

Table 3.3 Respondent Profile by Demographics – Age, Gender and Education

Items	Hungary (N = 218)	Indonesia (N = 161)	Mexico (N = 152)
Gender (%)			
1 – Female	(74) 33.94%	(44) 27.33%	(52) 34.21%
2 - Male	(144) 66.06%	(117) 72.67%	(100) 65.79%
Average old age (year)	NA	44.22	39.91
Standard deviation	NA	9.14	6.71
Education (%)			
Maximum High School	(116) 53.21%	(32) 19.88%	(22) 14.47%
Higher Education	(102) 46.79%	(129) 80.12%	(130) 85.53%

NA: not available data
Source: Author data analysis

In terms of respondent profile based on the employees proportion number, it can be seen that more than half of all participants in the three countries are classified as micro SMEs with less than 10 employees, and less than 20% can be classified as medium SMEs with more than 50 employees. In addition, the average number of employees per firm is over 20 people, with Mexican firms having the most employees with an average of 33 people, followed by Hungarian firms with 26 employees, and Indonesian firms with 20 workers.

Table 3.4 Respondent Profile by Employees Number (%)

Items	Hungary (N = 218)	Indonesia (N = 161)	Mexico (N = 152)
Micro SMEs (< 10 workers)	(120) 55%	(84) 52%	(82) 54%
Small SMEs (10-< 50 workers)	(81) 37%	(66) 41%	(46) 30%
Medium SMEs (> 50 workers)	(17) 8%	(11) 7%	(24) 16%
Mean (workers)	*26.73*	*20.17*	*33.96*
Standard deviation	*41.21*	*35.10*	*84.54*

Source: Author data analysis

In terms of longest tenure in business (Table 3.5), Hungarian SMEs have been in business much longer, on average for 16 years, and almost 70% of them have been in business for more than 10 years, compared to their counterparts in Indonesia and Mexico, which have only 41% and 58%, respectively. In addition, only 6% of Hungarian SMEs have

been in business for less than five years, compared to 16% of Indonesian and 18% of Mexican respondents. This suggests that Hungarian SMEs are much more mature compared to their counterparts.

Table 3.5 Respondent Profile by Business Year Operations (%)

Items	Hungary (N = 218)	Indonesia (N = 161)	Mexico (N = 152)
Less than 5 years	(13) 6%	(26) 16%	(27) 18%
Between 5 to 10 years	(55) 25%	(69) 43%	(36) 24%
More than 10 years	(150) 69%	(66) 41%	(89) 58%
Mean (years)	*16.05*	*10.96*	*12.52*
Standard deviation	*7.78*	*8.14*	*10.97*

Source: Author data analysis

Regarding the share of industry clusters (Table 3.6), manufacturing is the main dominant sector in the three countries, with almost half of the respondents in Indonesia belonging to this sector, which also includes home industries processing food and beverages and garment manufacturing (Badan Pusat Statistik, 2019; Tambunan, 2019). In Hungary, the profile of SMEs surveyed is broadly evenly split between manufacturing and wholesale/retail, accounting for 25% and 23% respectively. In contrast, the profile of Mexican SME respondents is dominated only by manufacturing (35%), while other sectors account for a minute portion. This contradicts the OECD (2020) findings that more than half of SMEs in Mexico are concentrated in the trade and services sectors. We assume that at the time of data collection (during pandemic 19 and the economic crisis), it was probably only small manufacturing firms that were able to survive the crisis, and not other sectors.

Table 3.6 Respondent Profile by Industry Clusters (%)

Items	Hungary (N = 218)	Indonesia (N = 161)	Mexico (N = 152)
Manufacturing	(54) 25%	(74) 46%	(53) 35%
Constructions	(33) 15%	(5) 3%	(6) 4%
Wholesaler/retailers	(50) 23%	(31) 19%	(8) 5%
Professionals	(22) 10%	(16) 10%	(5) 3%
Others	(61) 27%	(35) 22%	(80) 53%

Source: Author data analysis

3.5 Measurement of Framework Model Assessment and Data Analysis

3.5.1 Normality Distribution Testing

According to Hair et al. (2019), a normal distribution of the data (normality) is the most fundamental assumption in multivariate analysis, especially when the study uses the CB-SEM method (Astrachan et al., 2014). To measure the normality of the distribution of the latent variables (CG, FC, DC, and FP) in the data set, kurtosis, and skewness were tested (Hair et al., 2019). Kurtosis refers to the "peakedness" or "flatness" of the distribution

compared to the normal distribution, while skewness describes the balance of the distribution: If a distribution is unbalanced, it is skewed. According to Kline (2015), a kurtosis and skewness value between -3 and +3 is considered normal.

The test for normality using skewness and kurtosis analysis shows that the data set is normally and symmetrically distributed for all variables and indicators in the three respective countries, with values ranging from -1.496 to 1.210 (Table 3.7).

Table 3.7 Normal Distribution Test Results

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
CG1	531	1	5	2.3089	1.01438	0.354	0.106	-0.786	0.212
CG2	531	1	4	2.2731	1.08106	0.241	0.106	-1.241	0.212
CG3	531	1	5	2.3785	1.1679	0.177	0.106	-1.318	0.212
CG4	531	1	5	1.887	0.99926	0.889	0.106	-0.148	0.212
CG5	531	1	5	2.5631	0.95625	0.044	0.106	-0.717	0.212
CG6	531	1	5	2.3126	1.07992	0.147	0.106	-1.148	0.212
FC1	531	1	5	2.4388	1.11318	0.080	0.106	-1.318	0.212
FC2	531	1	5	2.7307	1.03567	0.374	0.106	-0.767	0.212
FC3	531	1	5	2.9849	1.08147	0.491	0.106	-0.875	0.212
FC4	531	1	5	2.5141	0.92822	0.013	0.106	-0.727	0.212
FC5	531	1	6	2.6535	0.99645	0.691	0.106	-0.122	0.212
FC6	531	1	5	2.7702	0.94567	0.360	0.106	-0.587	0.212
FC7	531	1	6	2.8795	1.00591	0.299	0.106	-0.045	0.212
FC8	531	1	5	2.5857	0.96236	0.264	0.106	-0.776	0.212
FC9	531	1	5	1.7006	1.04736	1.166	0.106	-0.056	0.212
FC10	531	1	5	2.0659	1.14158	0.673	0.106	-0.703	0.212
FP1	531	1	5	2.5838	1.63628	0.407	0.106	-1.496	0.212
FP2	531	1	5	1.8851	0.8103	0.597	0.106	-0.165	0.212
FP3	531	1	8	2.951	1.50517	0.264	0.106	-0.954	0.212
FP4	531	1	6	2.7702	1.1159	0.135	0.106	-0.486	0.212
FP5	531	1	5	2.3559	0.93942	0.525	0.106	-0.341	0.212
FP6	531	1	5	2.4068	0.97142	0.277	0.106	-0.593	0.212
FP7	531	1	8	1.9266	1.15099	1.210	0.106	-1.233	0.212
DC1	531	1	5	1.9567	1.12099	0.747	0.106	-0.799	0.212
DC2	531	1	5	2.4105	1.11635	0.332	0.106	-0.891	0.212
DC3	531	1	5	2.6723	0.99336	0.199	0.106	-0.725	0.212

Source: Author's data analysis

3.5.2 Multicollinearity Measurement Test

The main advantage of multivariate analysis is to include a number of variables in the analysis to estimate their effects simultaneously, as opposed to a single variable in univariate analyses (Hair et al., 2014). As a result, the researcher has the option of using any number of variables for explanatory and/or predictive purposes. However, there is the potential for multicollinearity, i.e., the degree of correlation between variables in the variant, which can lead to a confounding effect when interpreting the individual variables in the variant. Consequently, according to Daoud (2017), there is a phenomenon when two or more variables or predictors are correlated, and when this happens, the standard error of the coefficients increases, which means that the coefficients for some or all independent variables may turn out to be significantly different from zero. In other words, multicollinearity causes some variables to be statistically insignificant when they should be significant by over-inflating the standard errors.

To measure this problem, the assessment of shared variance with other variables in the variable or by measuring their variance inflation factors (VIF) is used, that is, a tool to measure and quantify how much the variance is inflated. According to Kline (2015), a VIF value of less than 10 and a tolerance value more than 0.1 cannot be considered a serious multicollinearity problem. Table 3.8 shows that there is no multicollinearity problem for all construct variables in the three-country study, as all VIP values are below 3 and all tolerance values are above 0.1.

Table 3.8 Multicollinearity Measurement Test Results

Model Corporate Governance	Coefficients[a]	Collinearity Statistics Tolerance	 VIF
1	CG2	0.542	1.846
	CG3	0.548	1.824
	CG4	0.780	1.281
	CG5	0.752	1.330
	CG6	0.474	2.111

a. Dependent Variable: CG1

Model Firm Competitiveness	Coefficients[a]	Collinearity Statistics Tolerance	 VIF
1	FC2	0.744	1.343
	FC3	0.817	1.224
	FC4	0.589	1.698
	FC5	0.669	1.494
	FC6	0.656	1.525
	FC7	0.774	1.292
	FC8	0.549	1.822
	FC9	0.549	1.820
	FC10	0.460	2.173

a. Dependent Variable: FC1

Model Firm Performance	Coefficients[a]	Collinearity Statistics Tolerance	 VIF
1	FP2	0.780	1.281
	FP3	0.803	1.245
	FP4	0.765	1.307
	FP5	0.799	1.251
	FP6	0.922	1.085
	FP7	0.845	1.184
	FP8	0.842	1.188

a. Dependent Variable: FP1

Model Distinctive Competence	Coefficients[a]	Collinearity Statistics Tolerance	 VIF
1	DC2	0.746	1.341
	DC3	0.746	1.341

a. Dependent Variable: DC1

3.5.3 Internal Consistency (Reliability) of the Constructs

A survey instrument (questionnaire) is considered reliable if its repeated use produces consistent results (Hair et al., 2019). This means that the results may be unchanged or slightly changed over the course of the survey. To be reliable as a scale, the questions answered by respondents should be consistent and have a high correlation. Hair et al. (2017) also pointed out that reliability, which consists of assessing the extent to which a scale is able to provide consistent results when systematic repetition is performed and the measurement procedure is free of random error, should be adequately considered during the research process. According to Chan & Idris (2017) an exploratory factor analysis (EFA) can be used to measure the reliability test of the survey instrument.

An exploratory factor analysis (EFA) was conducted to determine the underlying relationships among variables and to examine the patterns of measured variables in the data set. Conducting EFA allows researchers to identify survey items that are not related to the construct and need to be excluded from the data set (Gaskin & Lim, 2016 & Knekta et al., 2019). According to Hair et al. (2019), exploratory factor analysis (EFA), which includes both principal component analysis and common factor analysis, is a statistical approach that can be used to analyze relationships among a large number of variables and explain these variables in terms of their common underlying dimensions (factors). The general purpose of exploratory factor analysis is to find a way to condense (summarize) the information contained in a set of original variables into a smaller set of new, composite dimensions or variables (factors) with minimal loss of information, i.e., to search for and define the basic constructs or dimensions that are assumed to underlie the original variables (Collier, 2020).

However, before performing EFA and Cronbach's alpha (α), the adequacy of the data must be checked using the Kaiser-Meyer-Olkin (KMO) test and Bartlett's test for sphericity. Sampling adequacy was measured to assess the adequacy of the data for factor analysis. The goal was to determine the sampling adequacy for each variable and whether the data were appropriate for further factor analysis (Field, 2013). KMO is a test conducted to examine the strength of the partial correlation (how the factors explain each other) between the variables. The high KMO value, which is close to 1.0, and Bartlett's sphericity test values of less than 0.05 indicate that conducting a factor analysis is more appropriate (Field, 2013). In addition, according to Gaskin & Lim (2016), the KMO threshold value over 0.50 is acceptable, while for Bartlett's sphericity test, a significant result (sig. < 0.05) indicates matrix is not an identity matrix; i.e., the variables do relate to one another enough to run a meaningful EFA. For this study, all KMO and Bartlett sphericity tests are acceptable for the four variables, with the KMO value above 0.60, with ranges between 0.678 (for FP variables) and 0.824 (for FC variables), and the Bartlett sphericity test value for all variables is 0.000. Also, the KMO values for all indicators reach a value of 0.885, which is classified as meritorious according to Gaskin & Lim (2016). This confirms that sampling is appropriate for all construct variables in the three respective countries (Field, 2013). Table 3.9 shows the results of the KMO and Barlett sphericity test for the four variables and all indicators combined.

Table 3.9 KMO and Bartlett Sphericity Measurement Test Results

CG Variables - KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**0.817**
Bartlett's Test of Sphericity	Approx. Chi-Square	887.983
	df	6
Bartlett's Test of Sphericity	**Sig.**	**0.000**

FC Variables - KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**0.824**
Bartlett's Test of Sphericity	Approx. Chi-Square	868.835
	df	21
Bartlett's Test of Sphericity	**Sig.**	**0.000**

FP Variables - KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**0.678**
Bartlett's Test of Sphericity	Approx. Chi-Square	422.233
	df	6
Bartlett's Test of Sphericity	**Sig.**	**0.000**

DC Variables - KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**0.682**
Bartlett's Test of Sphericity	Approx. Chi-Square	615.809
	df	3
Bartlett's Test of Sphericity	**Sig.**	**0.000**

KMO and Bartlett's Test (All Indicators)		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**0.885**
Bartlett's Test of Sphericity	Approx. Chi-Square	6534.428
	df	351
Bartlett's Test of Sphericity	**Sig.**	**0.000**

Source: Author data analysis

An EFA prepares the variables to be used for cleaner structural equation modeling. As suggested by Gaskin & Lim (2016), an EFA should always be conducted for new datasets. To obtain the EFA thresholds, i.e., above 0.5, the extraction method is applied by using principal component analysis (PCA) (Gaskin & Lim, 2016). In this study, some indicators were deleted because the EFA values were less than 0.5. For the variable CG, CG4 and CG5 were excluded, while for the variable FC, FC3 and FC7 were deleted, and for the variable FP, FP2, FP3, and FP7 were excluded. However, for the variable DC, no indicators were excluded. For the inclusive indicators that met the EFA thresholds can be seen in Table 3.10, indicating that a cleaner construct variable can be used for the next SEM measurement analysis.

Table 3.10 EFA Measurement Test Results

Component Matrix[a]

Firm Competitiveness	EFA 1
FC4	0.731
FC5	0.697
FC9	0.693
FC8	0.690
FC6	0.689
FC2	0.607
FC1	0.526
FC10	0.745

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

Component Matrix[a]

Corporate Governance	EFA 1
CG6	0.849
CG2	0.842
CG3	0.827
CG1	0.811

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

Component Matrix[a]

Firm Performance	EFA 1
FP1	0.834
FP4	0.787
FP6	0.687
FP5	0.583

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

Component Matrix[a]

Distinctive Competence	EFA 1
DC2	0.907
DC1	0.837
DC3	0.836

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

To test the internal consistency (reliability) of the four constructs, Cronbach's alpha (α) was used. According to Gaskin & Lim (2016) and Hair et al. (2019), the internal consistency of a given variable (Cronbach's alpha (α)) should reach or exceed the threshold value of 0.6, with ranges between 0.663 (for FP variables) and 0.836 (for FC variables). Also, the Cronbach's alpha values for all variables reach a value of 0.884. In this study, the internal consistency values of the constructs (Cronbach's alpha (α)) were above the recommended threshold, indicating excellent internal consistency.

Table 3.11 Reliability Test Results (Cronbach Alpha)

All variables

Reliability Statistics

Cronbach's Alpha	N of Items
0.884	26

For CG variables

Reliability Statistics

Cronbach's Alpha	N of Items
0.794	6

For FC variables

Reliability Statistics

Cronbach's Alpha	N of Items
0.836	10

For FP variables

Reliability Statistics

Cronbach's Alpha	N of Items
0.663	7

For DC variables

Reliability Statistics

Cronbach's Alpha	N of Items
0.816	3

Source: Author data analysis

3.5.4 Convergent and Discriminant Validity Assessments

According to Gaskin & Lim (2016), confirmatory factor analysis (CFA) is the next step after the EFA to determine the factor structure of the dataset and provide an answer to the question of whether a given theoretical measurement model is valid (Hair et al., 2019), more proficient at handling comparisons across samples (Collier, 2020), and more focus on the link between factors and their measured variables only (Byrne, 2016). Validity is a test of how well a developed instrument can measure the correct concept or whether a variable can accurately reflect the concept the researchers want to explore (Sekaran & Bougie, 2016). Validity also has been defined as the extent to which research is accurate, and discussion has focused on the validation of summed scales. CFA eliminates the need to sum scales because SEM programs calculate latent construct scores for each respondent. One of the main goals of CFA/SEM is to assess the construct validity of a proposed measurement theory. Construct validity is the extent to which a set of measured items accurately reflects the theoretical latent constructs they are intended to measure. Thus, construct validity is concerned with the accuracy of measurement (Hair et al., 2019), which can be measured using convergent and discriminant validity.

Convergent validity can be defined as the items that are indicators of a particular construct converging or having a high proportion of variance in common (Hair et al., 2019). If there is a problem with convergent validity, it means that the variables within their latent factor do not correlate well with each other and therefore cannot be explained well by the observed variables (Gaskin & Lim, 2016). Convergent validity of a construct can be measured by composite reliability (CR), factor loadings (λ), and average variance extracted (AVE) (Gaskin & Lim, 2016; Hair et al., 2019). According to Hair et al. (2019), CR values greater than 0.7, factor loadings greater than 0.5, and AVE values greater than 0.5 are acceptable for convergent validity. Meanwhile, discriminant validity can be measured by comparing the value of maximum shared variance (MSV) with the value of AVE. If the MSV value is less than the value of AVE (MSV <AVE), it means that there are no problems with discriminant validity, i.e., no highly correlated construct variables within the model (Gaskin & Lim, 2016).

As can be seen in table 3.12, the convergent validity test results of all the construct variables within the emerging countries studied. It found that all CR values are greater than 0.7 and range from 0.733 to 0.879, and the AVE values are above the minimum threshold, i.e., 0.5, and range from 0.530 to 0.630. and factor loadings (λ) greater than 0.5 range from 0.730 to 0.794. This means that all variables within the model are acceptable for convergent

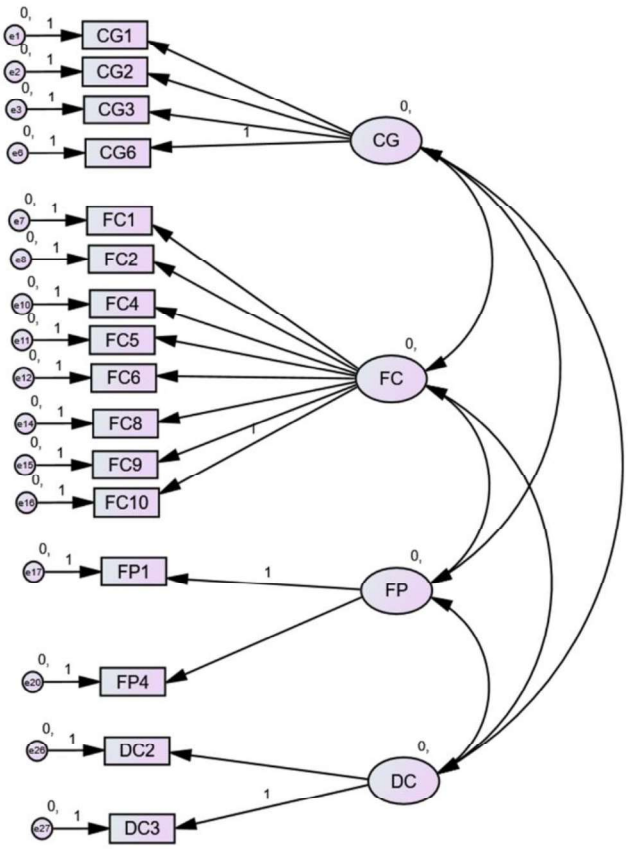
validity requirements. In addition, in terms of discriminant validity assessment, all MSV values were found to be less than AVE and ranged from 0.207 to 0.414, which means that there are no problems with the discriminant validity of the proposed model. It also found, there is a strong significant correlation ($p < 0.001$) between CG variable to the other variables.

Table 3.12 Convergent Validity and Loading Factor Results

	CR	AVE	MSV	MaxR(H)	CG	FC	FP	DC
CG	0.852	0.590	0.414	0.856	**0.768**			
FC	0.831	0.530	0.343	0.839	0.670***	**0.730**		
FP	0.879	0.630	0.414	0.727	0.523***	0.05**	**0.794**	
DC	0.733	0.580	0.207	0.788	0.264***	0.27***	0.455***	**0.760**

*Notes: Significant correlation Sig.*p < 0.10; **p < 0.05; ***p < 0.01*
Source: Author data analysis

However, regarding the measurement of factor loadings, some indicators were excluded from the model because they possessed a weak factor loading (λ) that fell below the recommended threshold of 0.5 proposed by Gaskin & Lim (2016) and Hair et al. (2019), which is from the FP variable, namely FP5 and FP6 and form the DC variable, i.e. DC1. Factor loadings below 0.5 may not contribute significantly to the data set. However, the remaining factors (16 indicators, which consist of CG1, CG2, CG3, CG6, FC1, FC2, FC4, FC5, FC6, FC8, FC9, FC10, DC2, DC3, FP1, FP4) had loadings above 0.5 and can be retained for the next analysis. These results indicate that all values for CR, AVE, and MSV are within acceptable or recommended levels. Thus, the assumptions for convergent and discriminant validity were met. The path coefficients and factor loadings of the proposed model are shown in Figure 3.4.



Loading Factors

CG1	<---	CG	0.721
CG2	<---	CG	0.790
CG3	<---	CG	0.751
CG6	<---	CG	0.809
FC1	<---	FC	0.591
FC2	<---	FC	0.505
FC4	<---	FC	0.635
FC5	<---	FC	0.572
FC6	<---	FC	0.639
FC8	<---	FC	0.717
FC9	<---	FC	0.644
FC10	<---	FC	0.709
FP1	<---	FP	0.808
FP4	<---	FP	0.513
DC2	<---	DC	0.870
DC3	<---	DC	0.643

Figure 3.4. Path Coefficient & Factors Loadings
(Sources: Author data Analysis using AMOS)

3.6 SEM Model Assessment - the GOF Analysis

SEM should never be applied without a sound theoretical basis for specifying both the measurement and structural models (Hair et al., 2019; Mueller & Hancock, 2018). Before applying hypothesis testing, the goodness of fit (GoF) of the model SEM should be tested. According to Hair et al. (2019), CB-SEM relies on the observed covariance matrix between the measured variables, which contains complete information about how all variables correspond to each other. Thus, a key issue in any SEM analysis is assessing the fit between the observed data and the hypothesised model (Mueller & Hancock, 2018). Model fit is determined by the resulting similarity between the observed covariance matrix and an estimated covariance matrix derived from the equations representing the proposed theoretical model (Hair et al., 2019). Thus, the purpose of conducting the model fit test is to understand how the overall structure of the model fits the data. A good model fit does not

mean that each individual part of the model fits well; rather, model fit testing looks at the overall model in comparison to the data (Collier, 2020).

As defined by Hair et al. (2019), the goodness-of-fit test (GOF) can be described as how well the user-specific model mathematically reproduces the observed covariance matrix between indicator items (i.e., the similarity of the observed and estimated covariance matrices). Goodness of fit indicates how well the specified theoretical structure reproduces the reality represented by the data by performing measurement analysis using absolute, incremental, and parsimony fit indices with specified thresholds (Collier, 2020; Hair et al., 2019; Mueller & Hancock, 2018).

Absolute fit indices measure the overall goodness of fit for both the structural and measurement models together, i.e., they assess the overall discrepancy between observed and implied covariance matrices (and possibly means) (Hair et al., 2019; Mueller & Hancock, 2018). Absolute fit indices can be assessed using the goodness-of-fit index (GFI) with a threshold of at least 0.9, the root mean square error of approximation (RMSEA) with a threshold of no more than 0.08, the standardised root mean square residual (SRMR) with a threshold of no more than 0.10, and the ratio of chi-squared to degree of freedom ($\chi 2$ /d.f.) should be assessed with a threshold of no more than 3.00 (Collier, 2020; Gaskin & Lim, 2016; Hair et al, 2019; Mueller & Hancock, 2018).

An incremental fit index assesses how well a particular model fits compared to an alternative baseline model. It assesses absolute or parsimonious fit relative to a baseline model, usually the nullor independence model (which does not specify relationships between observed variables) (Collier, 2020; Hair et al., 2019; Mueller & Hancock, 2018). This index can be measured by measuring the Normed Fit Index (NFI) with a threshold of at least 0.90, the Tucker Lewis Index (TLI), and the Comparative Fit Index (CFI) with a threshold of at least 0.95 (Collier, 2020; Hair et al., 2019; Mueller & Hancock, 2018).

A parsimony fit index assesses the overall discrepancy between observed and implied covariance matrices (and possibly means), taking into account the complexity of a model (Mueller & Hancock, 2018). In other words, this index measures overall goodness of fit, which is the degree of model fit per estimated coefficient, correcting for any overfitting of the model and assessing the parsimony of the model relative to goodness of fit. This index also measures complementary to the other two types of goodness-of-fit measures, absolute fit and incremental fit (Hair et al., 2019). This index can be measured by gauging the Adjusted Goodness of Fit Index (AGFI) with a threshold of at least 0.80 (Gaskin & Lim, 2016; Hair et al., 2019).

Table 3.13 shows that all goodness of fit indices exceeded the threshold suggested by Collier (2020), Gaskin & Lim (2016), Hair et al. (2019) and Mueller & Hancock (2018). It can be concluded that the measurement model has a good fit with the sample data collected for the study.

Table 3.13 The Goodness of Fit (GOF) Test Results

GOI Test Analysis	Threshold	GOF Results	Remarks
Absolute Fit Indices	GFI > 0.90	0.974	Good Fit
(Hair et al., 2019)	RMSEA < 0.08	0.037	Good Fit
	SRMR < 0.10	0.067	Good Fit
	(χ2 /d.f) < 3.00	1.711	Good Fit
Incremental Fit Indices	NFI > 0.90	0.974	Good Fit
(Hair et al., 2019)	CFI > 0.90	0.989	Good Fit
	TLI > 0.90	0.980	Good Fit
Parsimony Fit Indices			
(Hair et al., 2019)	AGFI > 0.80	0.947	Good Fit

Source: Author data analysis using AMOS

3.7 Summary

This chapter began by explaining the conceptual framework proposed to understand the impact of construct variables on SME business operations. The proposed framework model extended the conventional causal relationships between corporate governance (CG) and firm performance (FP) by enriching them with the two external construct variables, namely firm competitiveness (FC) and distinctive competence (DC). The proposed framework model was also applied to examine the mediating effect of FC and DC on the associations between CG and FP as well as proposed the MGA to compare and understand more group differences within the countries studied. Then, the six hypotheses were proposed to evaluate the associations between and among the latent/construct variables.

In the research methodology section, the research design and motivation for using a quantitative research approach were explained. Then, the indicators used in the questionnaires were explained and a measurement method for the survey was described. Next, the population, sample size determination, and data collection were described, including the rationale for using purposive sampling techniques, the choice of G-Power tool analysis to determine a minimum sample size, and the approaches used to sample each emerging market for the study. Finally, data screening and analysis was explained through the use of the statistical analysis tools SPSS, AMOS and the covarian-based structural equation (CB-SEM) model to test the theory and causal model of the relationship between the construct variables. Figure 3.5 summarise of the research framework and methodology process of this chapter:

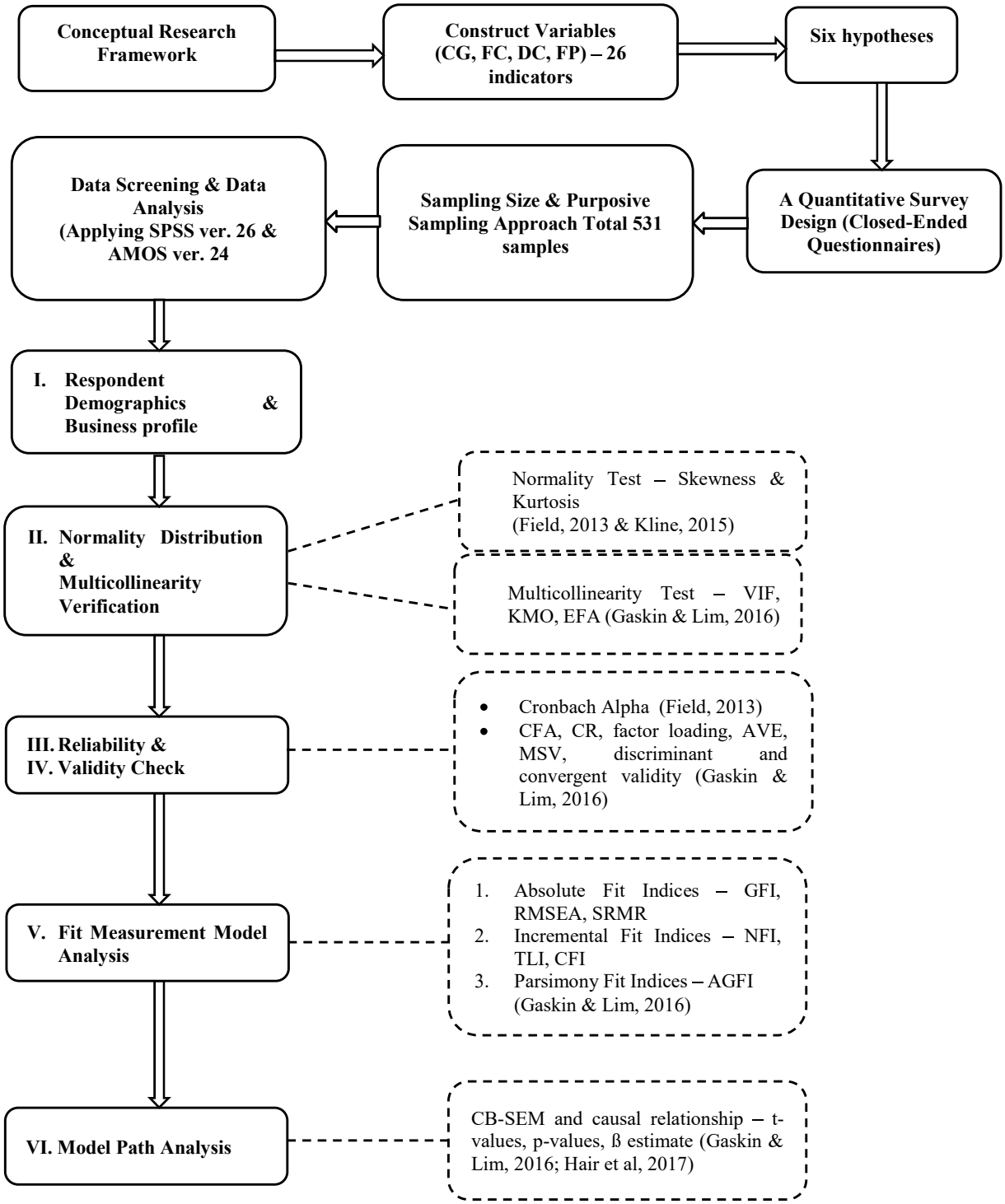


Figure 3.6. Research Framework & Methodology Flowchart Process
(Source: Author's construction)

IV. RESEARCH FINDINGS AND RESULTS

4.1 Introduction

The purpose of this chapter is to present and describe the results of the hypotheses for the research study. This chapter is divided into several sections. First, the results of the estimation of the structural equation model (SEM) model for all indicators and the final path diagram of the SEM model based on the GOF analysis are presented. Second, the findings and results for the direct effect from hypothesis one (H1) to hypothesis three (H3) are presented. Then, the findings and results for the indirect effect are described based on hypothesis four (H4). Hypothesis five (H5) through hypothesis six (H6) are then described in terms of group comparison and differences within the research studied through the use of multiple group analysis (MGA). This chapter will conclude with a summary of the research findings.

4.2. Final Path Diagram and SEM Model Estimation Results

In the previous chapter, it was confirmed that the measurement model SEM was performed and obtained good fit results for all GOF test analyses, allowing hypothesis testing to continue for this study. Estimation of the structural model was performed to test hypothesis one (H1) through hypothesis six (H6). The next figure (Figure 4.1) shows the final causal path relationship between the variables and indicators used in this study.

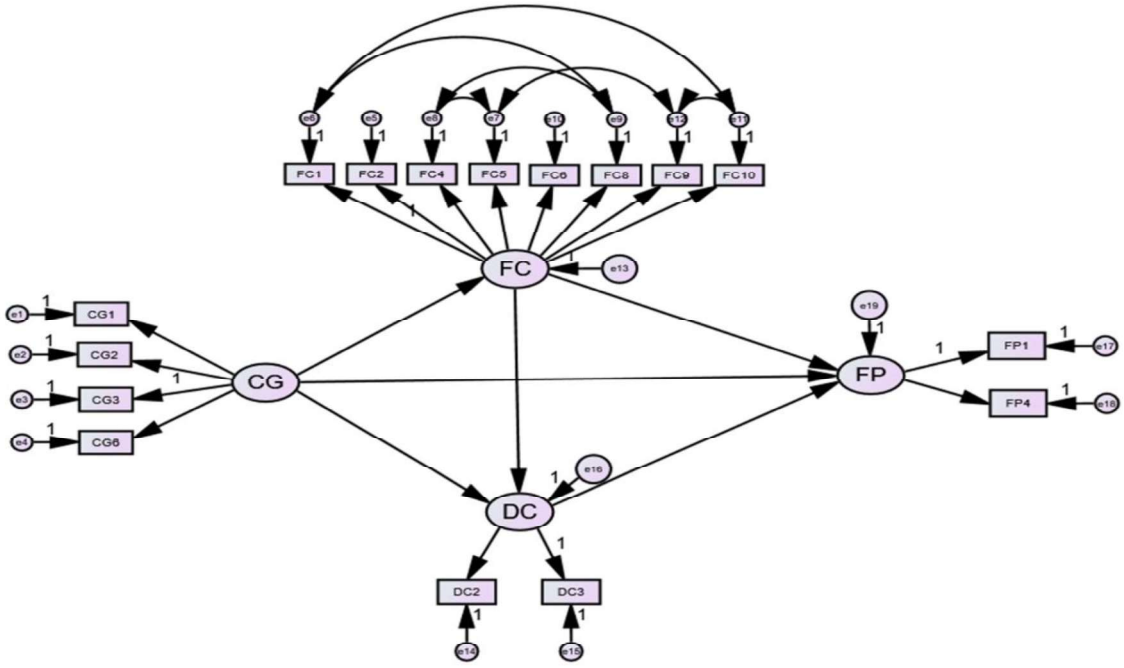


Figure 4.1 Final Path Diagram of SEM Model Results

From the figure 4.1, sixteenth of the final indicators (constructs) meet the recommended threshold, i.e., a factor loading (λ) above 0.5. There are four indicators of corporate governance, namely CG policies and procedures (CG1), transparency and relations with shareholders (CG2), board of directors (advisors) (CG3) and family governance (CG6), which have a positive and significant impact (see Table 4.1). The firm competitiveness consists of eight indicators, namely human capital (FC1), product and competition (FC2), networks (FC4), technology (FC5), decision making (FC6), marketing (FC8), internationalization (FC9) and online presence (FC10). Seven of them have a positive and significant effect, with the exception of human capital (FC1). Next, two indicators of distinctive competence, namely superiority over competitors (DC2) and hard to imitate (DC3), were found to have a positive and significant effect. And two indicators were also found for firm performance, namely export (FP1) and employee satisfaction/retention (FP4), which have a positive and significant effect.

The next table (Table 4.1) shows the results of SEM model estimation for all the indicators used with the significance level results

Table 4.1 SEM Model Estimation Results

Path Relationship	ß estimate
Corporate Governance (CG) → CG1. CG policies and procedures	0.866***
Corporate Governance (CG) → CG2. Transparency and shareholders relations	0.959***
Corporate Governance (CG) → CG3. Board of Directors (advisors)	0.992***
Corporate Governance (CG) → CG6. Family governance	0.966***
Firm Competitiveness (FC) → FC1. Human capital	0.706
Firm Competitiveness (FC) → FC2. Product & Competition	0.800***
Firm Competitiveness (FC) → FC4. Networks	0.995***
Firm Competitiveness (FC) → FC5. Technology	0.814***
Firm Competitiveness (FC) → FC6. Decision making	0.178***
Firm Competitiveness (FC) → FC8. Marketing	0.150***
Firm Competitiveness (FC) → FC9. Internationalization	0.411***
Firm Competitiveness (FC) → FC10. Online presence	0.508***
Distinctive Competence (DC) → DC2. Superior to competitors	0.977***
Distinctive Competence (DC) → DC3. Hard to imitate	0.990***
Firm Performance (FP) → FP1. Exportation	0.996***
Firm Performance (FP) → FP4. Employee satisfaction/retention	0.455***

*Source: Author data analysis using AMOS. Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

From the Table 4.1, it can be summarised that for most of the indicators used, there is a significance level for the cause-effect relationship with the main variables, except for indicator FC1 (human capital).

4.3. Direct Effect Relationship Results

For this section will present a direct effect relationship for hypothesis one (H1) which consist of H1a, H1b and H1c to hypothesis two (H2) which consist H2a and H2b and hypothesis three (H3).

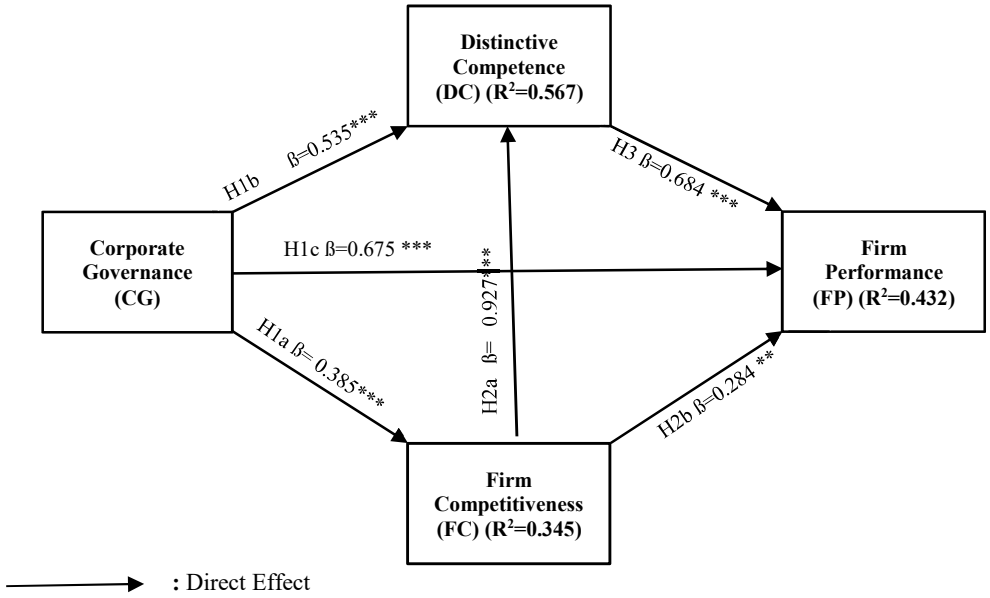
Table 4.2 Structural Model Direct Effect Test Results (H1-H3)

Hypothesis	Structural Relationship	ß estimate	Standard Error	t-stat.	p-value	Decision
Direct Effect						
H1a	CG → FC	0.385	0.040	9.724	***	**Supported**
H1b	CG → DC	0.535	0.057	9.441	***	**Supported**
H1c	CG → FP	0.675	0.085	7.971	***	**Supported**
H2a	FC → DC	0.927	0.098	9.428	***	**Supported**
H2b	FC → FP	0.284	0.113	2.506	0.012**	**Supported**
H3	DC →FP	0.684	0.161	10.474	***	**Supported**

*Source: Author data analysis using AMOS. Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

As shown in Table 4.2, all the three hypotheses in the structural path analysis are supported with strong significance levels, except for H2b with a slightly strong significance level. For the variable CG, all hypotheses (H1a, H1b, and H1c) were supported to have a strong significant positive direct effect on SME competitiveness (FC), distinctive competence (DC), and firm performance (FP). Also, for the variable SME firm competitiveness (FC), H2a and H2b were confirmed, demonstrating a significant positive and direct relationship between FC and SME DC and SME FP. And finally for the variable DC, a positive and significant direct relationship with SME FP support the H3 for this study.

The next figure (Figure 4.2) shows the direct relationship between the variables in the study, including the significance level and the square of the multiple correlations (R^2). According to Kwan & Chan (2014), the square of multiple correlations (R^2) measures the proportion of total variance in the dependent variable and provides an estimate of the overall predictive power of a set of predictors to gain a better understanding of the relative importance of a particular set of predictors. R^2, also known as the coefficient of determination, is a statistical measure that represents the proportion of variance in a dependent variable that is explained by an independent variable in a regression model, and it shows how well the data fit the regression model (the goodness of fit). The result of the model shows that the R^2 for the three dependent variables DC, FC and FP is between 0.345 and 0.567. According to Ozili (2023), an R-squared between 0.10 and 0.50 (or between 10 and 50 percent when expressed as a percentage) is acceptable in social science research if some or most of the explanatory variables are statistically significant.



*Sig.*p < 0.10; **p < 0.05; ***p < 0.01 R^2 = Square of Multiple Correlations*
Source: Author data analysis using AMOS

Figure 4.2 The research direct effect output, the significant level & R2

From the above figure, it can be seen that the R^2 for the firm performance variable (FP) was 0.432, which means that 43.2 percent of the variance in firm competitiveness as the dependent variable can be explained by the three independent variables, which in this case are distinctive competence, firm competitiveness, and corporate governance. The R^2 for the variable "distinctive competence" (DC) was 0.567, which means that 56.7 percent of the variance of this dependent variable can be explained by the two independent variables, namely firm competitiveness and corporate governance. The R^2 for the variable "firm competitiveness" (FC) was 0.345, which means that about 34.5 percent of the variance of the dependent variable "firm competitiveness" can be explained by the independent variable "corporate governance."

4.4. Indirect (Mediating) Effect Relationship Results

For the structural path analysis of the mediating effect, the results of the three hypotheses were obtained after applying bootstrapping estimation analysis (Mueller & Hancock, 2018). Bootstrapping is a technique in which numerous samples with replacement are drawn to determine the confidence interval of an indirect effect (Collier, 2020). According to Collier (2020), a significant indirect effect exists when the lower limit of the confidence interval (L_{CI}) does not exceed zero of the upper limit of the confidence interval (U_{CI}). A positive significant indirect relationship was revealed between corporate governance (CG) and SMEs firm performance of SMEs through firm competitiveness (FC)

as a mediator variable with the ß = 0.831, L_{CI} = 0.729, U_{CI} = 1.054, p < 0.01. Accordingly, H4a was supported. H4b was also supported with the positive significant indirect relationship where corporate governance (CG) has a positive significant indirect association with SMEs' firm performance (FP) through the mediating of firm distinctive competence (DC) with ß = 0.332, L_{CI} = 0.455, U_{CI} = 0.657, p < 0.01. Nevertheless, H4c was not supported because the results showed a negative significant indirect relationship between corporate governance (CG) and SME firm performance (FP) through mediating firm competitiveness (FC) and firm distinctive competence (DC) with ß = -0.325, L_{CI} = -0.355, U_{CI} = -0.124, p < 0.01. Table 4.3 summarise the output results of the indirect effect hypotheses.

Table 4.3 Structural Model Indirect Effect Test Results (H4)

Hypothesis	Structural Relationship	Standardized ß estimate	Confidence Interval		p-value	Decision
			Lower Bound (L_{CI})	Upper Bound (U_{CI})		
Indirect Effect						
H4a	CG → FC → FP	0.831	0.729	1.054	0.001***	**Supported**
H4b	CG →DC→ FP	0.332	0.455	0.657	0.001***	**Supported**
H4c	CG→FC→DC→FP	-0.325	-0.355	-0.124	0.001	Not Supported

*Source: Author data analysis using AMOS. Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

The next figure (Figure 4.3) shows the indirect relationship between the variables in the study, including ß estimate, the significance level of the hypotheses results and the square of the multiple correlations (R^2).

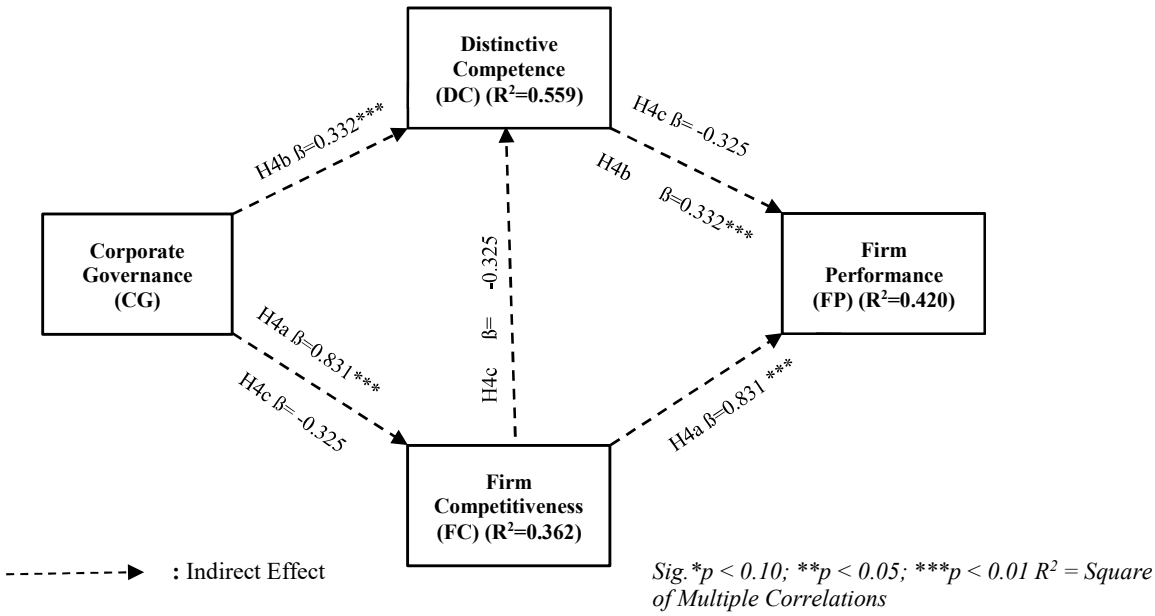


Figure 4.3 The research indirect effect output, the significant level and R^2

Figure 4.3 shows that 42.0 percent of the firm performance as the dependent variable can be described by the independent variables, namely distinctive competence, firm competitiveness, and corporate governance, which was confirmed by the R^2 values of 0.420. For the variable of distinctive competence, 55.9 percent of the variance can be explained by the independent variables (firm competitiveness and corporate governance), with an R^2 value of 0.559. For the variable of firm competitiveness, 36.2 percent of the variance can be explained by the independent variable of corporate governance, with an R^2 value of 0.362.

4.5 Multiple group Analysis (MGA) Hypothesis Tests Results

The purpose of multiple group analysis is to examine and compare whether the model is the same between groups. Before testing for structural invariance, measurement invariance should be assessed to determine if the model is invariant across the groups under study. This test is considered another type of moderation test (Hair et al., 2019). The chi-square difference test is a well-known and acceptable method for assessing measurement invariance. If the chi-square test yields a p-value greater than 0.05, it means that the measurement models are invariant. In this study, the chi-square test was used to examine the differences among many groups, including emerging countries group (Hungary, Indonesia and Mexico), firm size, firm existence tenor, firm business type and gender.

Moreover, Hair et al. (2019) explain that the multiple-group structural model proceeds similarly to the invariance test in the CFA. The first group model is estimated, with path estimates calculated separately for each group. Then a second group model is estimated, where the path estimate of interest must be the same between groups. Comparison of differences between models with a chi-square difference test indicates whether model fit significantly worsened (i.e., an increase in chi-square) when estimates were constrained to be equal. A statistically significant difference between models indicates that path estimates were different (i.e., model fit was significantly better when separate path estimates were made) and that moderation was present. If the models are not significantly different, there is no indication of moderation (because path estimates did not differ between groups).

4.5.1 Comparison between Emerging Countries Group Studies

The following section presents the statistical results of the multiple group analysis (MGA) between the emerging countries studied. Since the AMOS program can only compare two group analyzes, for this MGA analysis, the three emerging market groups are

compared as follows: (1) MGA results analysis between Hungary and Indonesia, (2) MGA results analysis between Hungary and Mexico, and (3) MGA results analysis between Indonesia and Mexico.

Comparison between Hungary and Indonesia

Based on the goodness of fit (GOF) results, including the $\chi 2$/d.f (cmin/df), GFI, RMSEA, SRMR, NFI, CFI, and P Close, the model comparison between Hungary and Indonesia is fit (Table 4.4). Moreover, the p-value of the chi-square difference test is significant because the p-value is 0.000, which is less than 0.1 (10%). Therefore, the model differs between the groups of Hungarian SMEs and Indonesian SMEs.

Table 4.4 The GOF, MGA Test Results and Interpretations – Hungary vs Indonesia

GOF Threshold	GOF Results	Remarks
($\chi 2$ /d.f) < 3.00	2.277	Good Fit
GFI > 0.90	0.930	Good Fit
RMSEA < 0.08	0.058	Good Fit
SRMR < 0.10	0.046	Good Fit
NFI > 0.90	0.919	Good Fit
CFI > 0.90	0.951	Good Fit
P Close > 0.05	0.090	Good Fit
Items	**X^2**	**Df**
Unconstrain	218.632	96
Constrain	392.000	97
p-Value	**0.000**	

Path Name	Hungary ß estimate	Indonesia ß estimate	p-value for difference	Interpretations
CG → FC	0.937***	0.047	0.000	Positive significant relationship between CG and FC is more robust for Hungary
CG → DC	0.798	0.230***	0.188	Positive significant relationship between CG and DC, Indonesia is robust
CG → FP	0.443	0.244***	0.057	Positive significant relationship between CG and FP is more robust for Indonesia
FC → DC	0.985	0.032	0.724	No significant relationship between FC and DC, Hungary is robust
FC → FP	0.512	0.034	0.016	No significant relationship between FC and FP is more robust for Hungary
DC →FP	0.137***	0.167***	0.940	Positive significant relationship between DC and FP, Indonesia is robust

*Source: Author data analysis using AMOS. Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

From the above table, we can also see the main differences between the two groups. The impact of corporate governance (CG) on firm competitiveness (FC) of SMEs in Hungary is more robust than in Indonesia, which leads to a positive and significant relationship between the variables. As for the impact on CG to DC, a positive and significant relationship was found between the variables, with the position of Indonesian SMEs being robust and

receiving more attention than that of Hungarian SMEs. Moreover, Indonesian SMEs have a more robust focus on the relationship between CG and FP, and DC to FP compared to Hungarian SMEs, which have a positive and significant effect between the variables. However, no significant effect was found between FC and DC, and between FC and FP in the studies of both countries.

Comparison between Hungary and Mexico

From the goodness of fit (GOF) results, including the $\chi 2$/d.f (cmin/df), GFI, RMSEA, SRMR, CFI, and P Close, it found that most of all measurement above the threshold values, except for the NFI value. As a result, the model comparison between Hungary and Mexico is can be result as fit (Table 4.5). Moreover, the p-value of the chi-square difference test is significant because the p-value is 0.000, which is less than 0.1 (10%). Therefore, the model differs between the groups of SMEs in Hungary and Mexico.

Table 4.5 The GOF, MGA Test Results and Interpretations – Hungary vs Mexico

GOF Threshold	GOF Results	Remarks
($\chi 2$ /d.f) < 3.00	1.598	Good Fit
GFI > 0.90	0.943	Good Fit
RMSEA < 0.08	0.040	Good Fit
SRMR < 0.10	0.038	Good Fit
NFI > 0.90	0.883	Slightly Fit
CFI > 0.90	0.949	Good Fit
P Close > 0.05	0.920	Good Fit

Items	X^2	Df
Unconstrain	162.971	102
Constrain	272.786	103
p-Value	**0.000**	

Path Name	Hungary ß estimate	Mexico ß estimate	p-value for difference	Interpretations
CG → FC	0.572**	0.240**	0.148	Positive significant relationship between CG and FC, Hungary is more robust
CG → DC	0.374*	0.139	0.182	Positive significant relationship between CG and DC, Hungary is more robust
CG → FP	0.762	0.041	0.001	No significant relationship between CG and FP is more robust for Hungary
FC → DC	0.796	0.107*	0.049	Positive significant relationship between FC and DC, Mexico is more robust
FC → FP	0.145**	0.879	0.813	Positive significant relationship between FC and FP, Hungary is more robust
DC →FP	0.139***	0.714	0.017	Positive significant relationship between DC and FP, Hungary is more robust

*Source: Author data analysis using AMOS. Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

The main differences between the two groups of Hungarian SMEs and Mexican SMEs can be explained as follows. In the model, there is a positive and significant relationship between CG and FC, with the Hungarian SMEs being more affected than the Mexican SMEs. Also, the position of the Hungarian SMEs was more robust than the Mexican SMEs in terms of the causal relationship between CG and DC, which has a positive and significant effect. Moreover, the Hungarian SMEs are even more robust than the Mexican SMEs in terms of the relationship variables between FC and FP and DC and FP, which show a positive and significant effect among the variables. Nevertheless, compared to the Hungarian SMEs, the Mexican SMEs have a more robust position in terms of the cause-effect relationship between FC and DC with a positive and significant result effect. No significant effect was found for the relationship between CG and FP in both country studies.

Comparison between Indonesia and Mexico

It evidence that most of all measurement above the threshold values, including the goodness of fit (GOF) results, namely the $\chi 2$/d.f (cmin/df), GFI, RMSEA, SRMR, NFI, CFI, and P Close, As a result, the model comparison between Indonesia and Mexico is can be result as fit (Table 4.6). Moreover, the p-value of the chi-square difference test is significant because the p-value is 0.000, which is less than 0.1 (10%). Therefore, the model differs between the groups of SMEs in Indonesia and Mexico.

Table 4.6 The GOF, MGA Test Results and Interpretations – Indonesia vs Mexico

GOF Threshold	GOF Results	Remarks
($\chi 2$ /d.f) < 3.00	1.337	Good Fit
GFI > 0.90	0.955	Good Fit
RMSEA < 0.08	0.033	Good Fit
SRMR < 0.10	0.039	Good Fit
NFI > 0.90	0.952	Good Fit
CFI > 0.90	0.987	Good Fit
P Close > 0.05	0.971	Good Fit

Items	X^2	Df
Unconstrain	112.343	84
Constrain	243.365	85
p-Value	**0.000**	

Path Name	Indonesia ß estimate	Mexico ß estimate	p-value for difference	Interpretations
CG → FC	0.032	0.358**	0.001	Positive significant relationship between CG and FC, Mexico is more robust
CG → DC	0.271***	0.129	0.330	Positive significant relationship between CG and DC, Indonesia is more robust
CG → FP	0.236**	0.481	0.055	Positive significant relationship between CG and FP is a more robust for Indonesia
FC → DC	0.008	0.046*	0.999	Positive significant relationship between FC and DC, Mexico is more robust
FC → FP	0.050	0.951	0.046	No significant relationship between FC and FP, Mexico is more robust
DC →FP	0.124***	0.910	0.999	Positive significant relationship between DC and FP, Indonesia is more robust

*Source: Author data analysis using AMOS. Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

Differences were observed in MGA outcomes between Indonesia and Mexico. The analysis revealed that Indonesian SMEs exhibit a more robust stance than their Mexican counterparts concerning three variables that influence each other, namely CG to DC, CG to FP, and DC to FP. These cause-effect relationships resulted in positive and significant effects. Conversely, compared to Indonesian SMEs, Mexican SMEs showed a more resilient position concerning two path variables, CG to FC and FC to DC, which also yielded positive and significant results. However, the study found no significant impact between FC and FP.

Since the MGA test results for the group of emerging countries consisting of the comparison between Hungary and Indonesia, Hungary and Mexico, and Indonesia and Mexico meet all GOF thresholds and the p-value is less than 0.1, all hypothesis results of the MGA for this emerging group were supported. The summary of the hypotheses five results can be seen in Table 4.7 below.

Table 4.7 MGA Test Results of Emerging Group Countries (H5)

Hypothesis	GOF	p-value	Decision
H5a : *there is a positive and significant comparison differences among corporate governance practices affecting the SMEs firm performance between Hungary and Indonesia*	Fulfilled	0.000***	**Supported**
H5b : *there is a positive and significant comparison differences among corporate governance practices affecting the SMEs firm performance between Hungary and Mexico*	Fulfilled	0.000***	**Supported**
H5c : *there is a positive and significant comparison differences among corporate governance practices affecting the SMEs firm performance between Indonesia and Mexico*	Fulfilled	0.000***	**Supported**

*Source: Author data analysis using AMOS. Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

From the three hypotheses of the MGA comparison of results among the emerging economies studied, the robust direct relationship between the path variables can be inferred, as shown in the following table.

Table 4.8 MGA results comparison and interpretations between countries

Path Name	Hungary ß estimate	Indonesia ß estimate	Mexico ß estimate	Interpretations
CG → FC	0.937***	0.047	0.358**	Hungarian SMEs is more robust than others in terms of CG impact to FC
CG → DC	0.374*	0.271***	0.139	Indonesian SMEs is more robust than others in terms of CG impact to DC
CG → FP	0.762	0.244***	0.481	Indonesian SMEs is more robust than others in terms of CG impact to FP
FC → DC	0.985	0.008	0.107*	Mexican SMEs is more robust than others in terms of FC impact to DC
FC → FP	0.145**	0.050	0.951	Hungarian SMEs is more robust than others in terms of FC impact to FP
DC →FP	0.139***	0.167***	0.910	Indonesian SMEs is more robust than others in terms of DC impact to FP

*Source: Author data analysis using AMOS. Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

Table 4.8 shows that Hungarian SMEs have a more robust relationship between two path variables, namely between corporate governance and firm competitiveness and between firm competitiveness and firm performance; Indonesian SMEs have three more robust relationships, namely between corporate governance and distinctive competence, between corporate governance and firm performance, and distinctive competence and firm performance; while Mexican SMEs have only one robust relationship, namely between firm competitiveness and distinctive competence. This means that no single country dominates all the robustness path directions.

4.5.2 Comparison between other group classifications

The following section presents the statistical results of the multiple-group analysis (MGA) between the other group classification based on the SMEs firm size, SMEs firm tenor existence, SMEs firm business type, and SME gender owner.

Comparison between SMEs firm size – Small vs Medium

It found that based on goodness-of-fit (GOF) results, including $\chi 2$/d.f (cmin/df), GFI, RMSEA, SRMR, NFI, CFI, and P Close, most measurements are above thresholds. However, because the p value of the chi-square difference test is not significant when the p

value is greater than 0.1 (10%). Therefore, the model is invariant across firm size groups, which means that there is no difference between the factors affecting SMEs' firm performance as a function of firm size (Table 4.9).

Table 4.9 The GOF, MGA Test Results of SMEs firm size

GOF Threshold	GOF Results	Remarks
(χ2 /d.f) < 3.00	2.071	Good Fit
GFI > 0.90	0.954	Good Fit
RMSEA < 0.08	0.045	Good Fit
SRMR < 0.10	0.092	Good Fit
NFI > 0.90	0.951	Good Fit
CFI > 0.90	0.973	Good Fit
P Close > 0.05	0.818	Good Fit

Items	X^2	Df
Unconstrain	198.849	96
Constrain	219.618	97
p-Value	**0.237**	

*Source: Author data analysis using AMOS Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

Comparison between SMEs firm existence – < 10 years vs > 10 years

From the results, it found that most of all measurement above the threshold values, based on the goodness of fit (GOF) results, including the χ2/d.f (cmin/df), GFI, RMSEA, SRMR, NFI, CFI, and P Close. As a consequence, the model comparison between firm tenor existence (< 10 years compared to > 10 years) is can be result as fit (Table 4.10). Moreover, the p-value of the chi-square difference test is significant because the p-value is 0.000, which is less than 0.1 (10%). Therefore, the model differs between the groups of SMEs regarding the firm tenor existence.

Table 4.10 The GOF, MGA Test Results of SMEs firm existence

GOF Threshold	GOF Results	Remarks
(χ2 /d.f) < 3.00	2.720	Good Fit
GFI > 0.90	0.939	Good Fit
RMSEA < 0.08	0.057	Good Fit
SRMR < 0.10	0.081	Good Fit
NFI > 0.90	0.935	Good Fit
CFI > 0.90	0.957	Good Fit
P Close > 0.05	0.073	Good Fit

Items	X^2	Df
Unconstrain	277.489	102
Constrain	331.097	103
p-Value	**0.000**	

Path Name	< 10 years ß estimate	>10 years ß estimate	p-value for difference	Interpretations
CG → FC	0.313***	0.480***	0.049	Positive significant relationship between CG and FC, >10 years is more robust
CG → DC	0.359***	0.580***	0.000	Positive significant relationship between CG and DC, >10 years is more robust
CG → FP	0.274***	0.334***	0.584	Positive significant relationship between CG and FP, >10 years is more robust
FC → DC	0.767***	0.835***	0.005	Positive significant relationship between FC and DC, >10 years is more robust
FC → FP	0.094	0.271**	0.264	Positive significant relationship between FC and FP, >10 years is more robust
DC →FP	0.475***	0.542***	0.664	Positive significant relationship between DC and FP, >10 years is more robust

*Source: Author data analysis using AMOS. Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

From the above table, it can be seen that all path relationships show a strong direction for the SMEs with more than 10 years of service. Moreover, it was found that the longer the SME firms have been in business, the stronger the effect of the independent variables on the dependent variables for the relationship between all causes that have positive significant relationships.

Comparison between SMEs firm of business type – Manufacturing vs Non manufacturing

Based on the goodness-of-fit (GOF) results, including $\chi 2$/d.f (cmin/df), GFI, RMSEA, SRMR, NFI, CFI, and P Close, most measurements are above thresholds. However, because the p value of the chi-square difference test is not significant when the p value is greater than 0.1 (10%). Thus, the model is invariant across firm of business type groups, which means that there is no difference between the factors affecting SMEs' firm performance as a function of firm of business type of manufacturing versus non manufacturing (Table 4.11).

Table 4.11 The GOF, MGA Test Results of SMEs firm type

GOF Threshold	GOF Results	Remarks
($\chi 2$ /d.f) < 3.00	2.290	Good Fit
GFI > 0.90	0.945	Good Fit
RMSEA < 0.08	0.049	Good Fit
SRMR < 0.10	0.072	Good Fit
NFI > 0.90	0.942	Good Fit
CFI > 0.90	0.965	Good Fit
P Close > 0.05	0.536	Good Fit

Items	X^2	Df
Unconstrain	233.537	102
Constrain	255.835	103
p-Value	**0.174**	

*Source: Author data analysis using AMOS Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

Comparison between SMEs gender owner – Female vs Male

Based on the goodness-of-fit (GOF) results, including $\chi 2$/d.f (cmin/df), GFI, RMSEA, SRMR, NFI, CFI, and P Close, most measurements are above thresholds. However, because the p value of the chi-square difference test is not significant when the p value is greater than 0.1 (10%). Thus, the model is invariant across firm of SMEs gender groups, which means that there is no difference between the factors affecting SMEs' firm performance as a function of gender owner of female versus male (Table 4.12).

Table 4.12 The GOF, MGA Test Results of SMEs gender owner

GOF Threshold	GOF Results	Remarks
($\chi 2$ /d.f) < 3.00	2.167	Good Fit
GFI > 0.90	0.948	Good Fit
RMSEA < 0.08	0.047	Good Fit
SRMR < 0.10	0.077	Good Fit
NFI > 0.90	0.946	Good Fit
CFI > 0.90	0.969	Good Fit
P Close > 0.05	0.712	Good Fit

Items	X^2	Df
Unconstraint	221.067	102
Constraint	236.592	103
p-Value	**0.558**	

*Source: Author data analysis using AMOS Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

In summary, it is found that the MGA test for the group of SMEs firms analysis consist of different and vary results between support and not support, which where not all results have p-value is less than 0.1, although the GOF for all group analysis meets the threshold. The summary of hypothesis six results for this MGA SMEs firm analysis can be seen in Table 4.13 below.

Table 4.13 MGA Test Results of SMEs firm group analysis (H6)

Hypothesis	GOF	p-value	Decision
H6a: there is positive and significant differences comparison among CG practices affecting the SMEs firm performance based on the firm size	Fulfilled	0.237	**Not Support**
H6b: there is positive and significant differences comparison among CG practices affecting the SMEs firm performance based on the firm existence	Fulfilled	0.000***	**Supported**
H6c: there is positive and significant differences comparison among CG practices affecting the SMEs firm performance based on the firm business type	Fulfilled	0.174	**Not Support**
H6d: there is positive and significant differences comparison among CG practices affecting the SMEs firm performance based on gender	Fulfilled	0.558	**Not Support**

*Source: Author data analysis using AMOS. Sig.*p < 0.10; **p < 0.05; ***p < 0.01*

4.5. Summary

This chapter first describes the results of estimating the SEM model for all indicators and presents the final path diagram of the SEM model based on the GOF analysis. Then, the findings and results for the direct effect of hypothesis one (H1) to hypothesis three (H3) are presented. All of these results were found to support H1 through H3. Next, the findings and results for the indirect effect based on hypothesis four (H4) are described. It was found that H4a and H4b were supported. However, H4c was not supported because the results showed a negative significant indirect relationship between corporate governance (CG) and SME performance (FP) through mediating firm competitiveness (FC) and firm distinctive competence (DC) of the company. The MGA test for the comparison between emerging market groups showed that all H5 (H5a, H5b, and H5c) were supported, which means that there are differences in the model SEM for each emerging countries group. However, for the MGA test in the SME-firm groups consisting of firm size, firm existence, firm type, and gender, only the hypotheses of H6b (firm existence) were supported, while the remaining hypotheses (H6a, H6c, and H6d) were not supported.

A summary of the results of the hypothesis comparison SEM and the MGA test in the studies for the emerging market groups is presented in Table 4.14.

Table 4.14 Summary Comparison of SEM Hypotheses Results

Hypothesis	Structural Relationship	Results
Direct Effect (H1-H3)		
Hypotheses 1 (H1)		
H1a: the corporate governance (CG) practices directly and positively significant affect the SMEs firm competitiveness (FC) in the emerging country	CG → FC	**Supported**
H1b: the corporate governance (CG) practices directly and positively significant influence the SMEs firm distinctive competences (DC) in the emerging country	CG → DC	**Supported**
H1c: the corporate governance (CG) practices directly and positively significant influence the SMEs firm performance (FP) in the emerging country	CG → FP	**Supported**
Hypotheses 2 (H2)		
H2a: the firm competitiveness (FC) directly and positively significant affect the SMEs distinctive competence (DC) in the emerging country	FC → DC	**Supported**
H2b: the firm competitiveness (FC) directly and positively significant affect the SMEs firm performance (FP) in the emerging country	FC → FP	**Supported**
***Hypotheses 3 (H3)**: the firm distinctive competence (DC) directly and positively significant affect the SMEs firm performance (FP) in the emerging country*	DC →FP	**Supported**
Indirect Effect (Mediating Effects) (H4)		
Hypotheses 4 (H4)		
H4a: the distinctive competence (DC) positively significant mediates the relationship between corporate governance (CG) practices and the SMEs firm performance (FP) in the emerging country	CG → FC → FP	**Supported**
H4b: the firm competitiveness (FC) positively significant mediates the relationship between corporate governance (CG) practices and the SMEs firm performance (FP) in the emerging country	CG →DC→ FP	**Supported**
H4c: the firm competitiveness (FC) and distinctive competence (DC) positively significant mediates the relationship between corporate governance (CG) practices and the SMEs firm performance (FP) in the emerging country	CG→FC→DC→FP	Not Supported

Multiple Group Analysis (MGA) (H5 & H6) ***Hypotheses 5 (H5)*** *H5a : there is a positive and significant comparison differences among corporate governance practices affecting the SMEs firm performance between Hungary and Indonesia*	**Supported**
H5b: there is a positive and significant comparison differences among corporate governance practices affecting the SMEs firm performance between Hungary and Mexico	**Supported**
H5c: there is a positive and significant comparison differences among corporate governance practices affecting the SMEs firm performance between Indonesia and Mexico	**Supported**
Hypotheses 6 (H6) *H6a: there is positive and significant differences comparison among CG practices affecting the SMEs firm performance based on the firm size*	Not Supported
H6b: there is positive and significant differences comparison among CG practices affecting the SMEs firm performance based on the firm existence	**Supported**
H6c: there is positive and significant differences comparison among CG practices affecting the SMEs firm performance based on the firm business type	Not Supported
H6d: there is positive and significant differences comparison among CG practices affecting the SMEs firm performance based on gender	Not Supported

Source: Author data analysis using AMOS

H1a: the corporate governance (CG) practices directly and positively significant affect the SMEs firm competitiveness (FC) in the emerging country

The result shows that corporate governance has an impact on the firm competitiveness of SMEs in emerging country (ß = 0.385) and p-value = 0.000 (p-value < 0.01), thus supporting hypothesis 1a.

H1b: the corporate governance (CG) practices directly and positively significant influence the SMEs firm distinctive competences (DC) in the emerging country

Corporate governance has a direct and positive effect on the distinctive competence of SMEs in emerging country with a significant effect (ß = 0.535) and a p-value of 0.000 (p-value < 0.01), supporting hypothesis 1b.

H1c: the corporate governance (CG) practices directly and positively significant influence the SMEs firm performance (FP) in the emerging country

Corporate governance was found to have a direct and positive impact on the SMEs firm performance in emerging country (ß = 0.675) and the p-value was 0.000 (p-value < 0.01), thus supporting hypothesis 1c.

H2a: the firm competitiveness (FC) directly and positively significant affect the SMEs distinctive competence (DC) in the emerging country

Hypothesis 2a is supported because firm competitiveness has a direct and positive effect on the distinctive competence of SMEs in the emerging country (ß = 0.927) and p-value 0.000 (p-value < 0.01)

H2b: the firm competitiveness (FC) directly and positively significant affect the SMEs firm performance (FP) in the emerging country

It can be seen that firm competitiveness affects the performance of SMEs in emerging country with a significant effect (ß = 0.284) and a p-value of 0.012 (p-value < 0.05). This supports hypotheses 2b.

H3: the firm distinctive competence (DC) directly and positively significant affect the SMEs firm performance (FP) in the emerging country

Firm distinctive competence has a significant direct and positive effect on firm performance of SMEs in emerging country (ß = 0.684) and a p-value of 0.000 (p-value < 0.01), supporting hypothesis 3.

H4a: the distinctive competence (DC) positively significant mediates the relationship between corporate governance (CG) and the SMEs firm performance (FP) in the emerging country

The result suggests that distinctive competence has a significantly mediate the association between corporate governance and SMEs firm performance in the emerging country (ß = 0.831) and p-value 0.001 (p-value < 0.01), and therefore hypotheses 4a is supported.

H4b: the firm competitiveness (FC) positively significant mediates the relationship between corporate governance (CG) and the SMEs firm performance (FP) in the emerging country.
Firm competitiveness has a significant and positively indirect effect to the connection between corporate governance and the SMEs firm performance in the emerging country (ß = 0.332) and p-value 0.001 (p-value < 0.01). For this case, it supports the hypotheses 4b

H4c: the firm competitiveness (FC) and distinctive competence (DC) positively significant mediates the relationship between corporate governance (CG) and the SMEs firm performance (FP) in the emerging country
It found that firm competitiveness and distinctive competence have a negative influence in the mediation the association between corporate governance and SMEs firm performance in the emerging country (ß = -0.325). Therefore, the hypothesis 4c was not support.

H5a : there is a positive and significant comparison differences among corporate governance practices affecting the SMEs firm performance between Hungary and Indonesia
It found that the chi square (X^2) of p-value less than 0.01 (p-value = 0.000), as a result the hypotheses 5a was supported, means there was a comparison different corporate governance practices that influence the SMEs firm performance between Hungary and Indonesia.

H5b: there is a positive and significant comparison difference among corporate governance practices affecting the SMEs firm performance between Hungary and Mexico
Hypotheses 5b was supported, since the chi square (X^2) of p-value less than 0.01 (p-value = 0.000), therefore, it found a comparison difference influence corporate governance practices for the SMEs firm performance between Hungary and Mexico.

H5c: there is a positive and significant comparison difference among corporate governance affecting the SMEs firm performance between Indonesia and Mexico
Since the chi square (X^2) of p-value less than 0.01 (p-value = 0.000), thus, there was found a comparison difference corporate governance practices that influence SMEs firm performance in Indonesia and Mexico, as a result the hypotheses 5c was supported.

H6a: there is a positive and comparison significant difference among corporate governance practices affecting the SMEs firm performance based on the firm size

The chi square (X^2) of p-value = 0.237 (p – value > 0.1), it means there was invariant (similarity or no comparison difference) corporate governance practices that influence SMEs firm performance based on the firm size. Thus, the hypotheses 6a was not supported.

H6b: there is a positive and comparison significant difference among corporate governance practices affecting the SMEs firm performance based on the firm existence

It evidence that there was a comparison difference corporate governance practices influence the SMEs firm performance based on the firm existence, since the chi square (X^2) of p-value less than 0.01 (p-value = 0.000). Thus, the hypotheses 6b was supported.

H6c: there is a positive and comparison significant difference among corporate governance practices affecting the SMEs firm performance based on the firm business type

There was no comparison difference corporate governance practices affecting the SMEs firm performance based on the firm business type, since the chi square (X^2) of p-value = 0.174 (p – value > 0.1). As a result, hypotheses 6c was not supported.

H6d: there is a positive and comparison significant difference among corporate governance practices affecting the SMEs firm performance based on gender

Hypotheses 6d was not supported, since the chi square (X^2) of p-value = 0.558 (p – value > 0.1), which means there was no comparison difference corporate governance practices influencing SMEs firm performance based on gender.

V. DISCUSSIONS AND CONCLUSION

5.1 Introduction

This chapter aims to discuss the research theses statements (Theses 1 to Theses 6) based on the research findings and results from the Chapter four. First, the discussion of the research theses statement that are in line with the research objectives, research questions, and hypotheses presented in the first and third chapters of this dissertation are explained. Next, the implications of the research are discussed, which have both theoretical and practical implications. Finally, the limitations of the research and suggestions for further research are discussed, and the dissertation ends with a conclusion.

5.2 Research Theses Discussions

The main theses statement of this study is that ***corporate governance practices have a positive and significant impact on the firm competitiveness, distinctive competence and firm performance of SMEs, both directly and indirectly, and that there is a positive and significant comparison difference effect between corporate governance practices and the firm performance of SMEs in the three emerging countries studied, Hungary, Indonesia and Mexico.***

Theses 1

Corporate governance practices have a direct, positive and significant impact on the firm competitiveness, distinctive competence and firm performance of SMEs in emerging markets.

The research has confirmed that corporate governance practices have a direct and positive significant impact not only on firm performance but also on the competitiveness and distinctive competence of the firm. This finding is in line with many previous studies that argue that the implementation of better corporate governance practices leads to stronger firm competitiveness (Carney, 2005; Giroud & Mueller, 2010; Ho, 2005; Hove-Sibanda et al., 2017; Subramanian & Reddy, 2012). This result also confirms the research study by Miller & Le Breton-Miller (2006), who found that better corporate governance practices in a family business can have a higher effect on the firm's distinctive competence. In addition, previous and numerous research studies have demonstrated that better corporate governance practices have a significant impact on firm performance, both in LEs and SMEs and both in advanced

and developing countries worldwide (Guo & Kga, 2012; Haji, 2014; Raja & Kumar, 2007; Rashid & Lodh, 2011; Vo & Nguyen, 2014; Abor & Adjasi, 2007; Abor & Biekpe, 2007; Afrifa & Tauringana, 2015; Hove-Sibanda et al, 2017; Iqbal, 2015; Wilkin et al., 2016). For example, Abor & Biekpe (2007) confirmed that corporate governance structures have a significant impact on the performance of SMEs in Ghana. Afrifa & Tauringana (2015) showed that CG factors are significantly associated with SME performance in the UK. Hove-Sibanda et al. (2017) confirmed that the implementation of corporate governance significantly and positively influences not only SME competitiveness but also firm performance in South Africa.

Interestingly, from the six indicators, four indicators/constructs of corporate governance were found to have a significant loading factor on this variable as independent variables, namely policy and procedures, transparency and relations with shareholders, board of directors (advisors) and family governance. This means that these indicators are important for SME stakeholders to sustain their future business. This is in line with the study of Abor & Adjasi (2007) and Iqbal (2015) who found that policies and procedures and transparency and disclosure are one of the most important factors for corporate governance practises in SMEs. Moreover, Borgia (2005) emphasised that transparency and disclosure are crucial to prevent new financial scandals and crimes in the company. In addition, the role of the board of directors/advisory body and family governance are also the most important factors for business continuity in SMEs (Arzubiaga et al., 2018; Dubai, 2011; González et al., 2015; Iqbal, 2015).

Theses 2

The firm competitiveness has a direct and positive significant impact on the distinctive competence and firm performance of SMEs in emerging markets.

This study has validated that firm competitiveness has a positive significant impact directly on the distinctive competence and performance of firm of the SMEs studied. Therefore, this finding confirms many research studies stating that maintaining and implementing competitiveness factors can lead to distinctive goods and/or services within the firm and ultimately affect firm performance (Hakimah et al, 2019; Nasrallah & El Khoury, 2022; Pelayo-Maciel & Sanchez-Gutierrez, 2013; Swamy, 2011). This finding also supports many previous studies by researchers who confirm that firms' competitive factors have a positive and significant impact on firm performance (Bhawsar & Chattopadhyay,

2015; Cantele & Cassia, 2020; Hove-Sibanda et al, 2017; Lii & Kuo, 2016; Pertusa-Ortega et al, 2010). However, Bhawsar & Chattopadhyay (2015) argue that the concept of competitiveness always has a different and changing meaning depending on whether it is viewed from a micro or macro perspective. As a result, this concept is sometimes difficult to understand for business owners or policy makers.

For SMEs to sustainably apply this variable of firm competitiveness, shareholders should consider seven indicators that have significant loading factors, including product and competition, networks, technology, decision making, marketing, internationalisation, and online presence. As Hung et al. (2015) and Roxas & Chadee (2011) argue, a competitive product, whether goods or services, should be innovative and have unique features that cannot be easily imitated by competitors. Also, vigorous and strong network collaboration with the appropriate partners through the formalisation of network contract partnerships and also knowledge-based technology could improve and develop a firm's competitiveness (Cimini et al, 2020; Cisi et al, 2020; Hughes et al, 2019; Klimczak et al, 2020). In addition, internationalisation and the online presence of products are the most important current factors for the firm's competitiveness (Ibrahim et al., 2016; Mathews et al., 2018). However, the company should pay attention to maintain the trust aspect and promote a real engagement with users in order to be sustainable and competitive in the current online business (Mahmoud et al., 2020).

Theses 3

The firm distinctive competence has a direct and positive significant impact on the firm performance of SMEs in emerging markets.

The relationship between distinctive competence and firm performance of SMEs is evident. This positive and significant result of the theses three is consistent with previous studies, including Agha et al. (2011), Eden & Ackermann (2010), Snow & Hrebiniak (1980), Bilal et al. (2017), and Kaibung'a (2019), which state that the more an organisation implements appropriate distinctive competence, the better its business performance. For this variable, two construct indicators meet the significant loading factors, namely superiority to competitors and hard to imitate. As argued by Bhamra et al. (2011); Eniola & Ektebang (2014); Kotabe et al. (2002) and Mooney (2007), superiority over competitors and hard to imitate are the most important factors of an organisation's distinctive competence and should be considered by SME owners and proprietors.

Theses 4

Corporate governance practices have a partial indirect and positive significant effect on firm performance of SMEs mediated by distinctive competence and firm competitiveness in emerging markets, but there is no positive and significant effect between corporate governance practices and firm performance using an indirect serial/sequential mediation effect of distinctive competence and firm competitiveness.

This indirect partial relationship between corporate governance practices and SMEs firm performance shows strong and robust evidence. As argue by Collier (2020), a partial mediation between variable relationships for the research study can occur when the independent variable and the dependent variable have a significant relationship that has both direct and indirect effects. As a result, the relationship between and among the variables within the direction of association has a similar proportion of impact on the dependent variable, which means that a lesson can be learned for business owners or policy makers in this case: They have the option to choose whether to apply a unilateral policy by implementing only a direct effect to optimise firm performance, or to apply both directions (direct and indirect) to optimise firm performance of SMEs.

However, there was no positive and significant effect for the serial/sequential mediation between corporate governance practices and firm performance. According to Collier (2020), the serial mediation examines whether the influence of the independent variable passes through multiple mediators before affecting the dependent variable. Serial mediation often occurs when the first mediator has a direct relationship with a second mediator before eventually having a relationship with the final dependent variable. The goal of using a serial mediation effect is to use knowledge of construct variables with multiple mediators to manipulate or order these constructs to produce a particular significant outcome of the dependent variable (Fairchild & McDaniel, 2017; Montoya & Hayes, 2017).

For the theses four results, a serial mediation effects analysis revealed that there were insignificant indirect effects between the construct variables within the model. It is likely that the construct variable in the serial mediation effect analysis is already used proportionately to explain in the single mediation effect or direct effect analysis. This result is also a lesson for entrepreneurs that using many mediator variables within the structural model is not wise to improve SMEs' firm performance when using only one direct effect or single indirect effect analysis, which is already appropriate.

Theses 5

There is a positive and significant comparison difference effect between corporate governance practices and the firm performance of SMEs in the three emerging markets, Hungary, Indonesia and Mexico.

As mentioned in the previous chapter, the purpose of multiple group analysis (MGA) is to examine and compare whether the model is the same between groups. For this study, the MGA analysis was conducted in three different emerging countries representing the three continents of Asia, Europe and the Americas. If a difference is found between the groups, it means that the factors influencing the model affect the groups differently and may help to identify significant and meaningful differences in the various relationships between the group-specific outcomes, which in turn may lead to different strategies and decisions to achieve the organisation's goal. There may also be a robust relationship between the variables in the comparison group.

Hungary and Indonesia comparison. A different model was found between Hungarian and Indonesian SMEs, which means that different influencing factors and directions of the variables were analysed between the two groups of countries. In terms of the path relationship between corporate governance and firm competitiveness, it was found that Hungarian SMEs have a more robust direction compared to Indonesian SMEs. It can be assumed that the competitiveness of SMEs in Hungary is much more advanced compared to Indonesian SMEs. This is predicted because the average duration of SMEs' operations in Hungary is much longer than that of their counterparts, but to the author's knowledge, there is no academic evidence to support this assumption yet. Interestingly, the positions of Indonesian SMEs are more robust in the three other path relationships, namely the path relationship between corporate governance and distinctive competence, between corporate governance and firm performance, and between distinctive competence and firm performance. This means distinctive competence and firm performance in Indonesian SMEs have obtained a significant effect of corporate governance. In other words, the factors affecting the variable of distinctive competence in this study, such as superiority over competitors and difficulty of imitation, have a greater impact on the existence of the company in business operation. And also, the factors affecting firm performance in this

study, including export and employee satisfaction/retention, have a higher influence on the continuity of Indonesian SMEs.

Hungary and Mexico comparison. For most of the relationship analysis paths, the position of Hungarian SMEs was found to be a more robust than that of Mexican SMEs, except for the relationship path between the competitiveness of the firm and the distinctive competence. However, for the other relationship paths, i.e., corporate governance and firm competitiveness, corporate governance and distinctive competence, firm competitiveness and firm performance, and distinctive competence and firm performance, the Hungarian SMEs are much more robust and solid. It is predicted that specifically during the pandemic crisis, the Hungarian government made more financial resources and conducive regulations available to support SMEs in their business activities (OECD, 2021).

Indonesia and Mexico comparison. Indonesian and Mexican SMEs have found an almost proportional share in the firm direction of the path relationship between the variables. Indonesian SMEs have three more robust directions in the path analysis, namely between corporate governance and distinctive competence, corporate governance and firm performance, and distinctive competence and firm performance, while Mexican SMEs have two solid directions, namely the path between corporate governance and firm competitiveness, and the path between firm competitiveness and distinctive competence. It is predicted that both countries have a high similarity in the characteristics of SME performance, including workforce education and organisational factors (Batra & Tan, 2003).

In a comparison of the three emerging countries studied, Hungary and Mexico are similar in terms of SME competitiveness, where this variable is gaining importance in day-to-day operations. In both countries, most competitiveness indicators, with the exception of the internationalization indicator, show a significant relationship between the robustness of SMEs and the sustainability of their business activities. Based on these results, it can be assumed that SMEs need to export their products better or market them abroad. As argued by Ciszewska-Mlinaric & Mlinariè (2010) and Falahat et al. (2020), SMEs need to make more efforts to market their products abroad, including the fulfillment of business management skills and the implementation of marketing mix strategy. Meanwhile, for Indonesian SMEs, it is predicted that the distinctive competence is much more important to maintain the existence and activities of SMEs, including the indicators of superior and difficult to imitate products. For this reason, an innovative and creative product with unique characteristics is of paramount importance for SMEs to sustain their business activities (Farida & Setiawan, 2022).

Interestingly, when comparing the three emerging economies studied, no single country dominates all the robust path directions of both the dependent and independent variables. This means that each country has specific and unique characteristics of its SMEs that relate to the relationships between corporate governance practices and firm performance (Hermes et al., 2007; Ndiaye et al., 2018).

Theses 6

There is a positive and significant comparison difference effect between corporate governance practices and firm performance of SMEs in the three emerging countries in terms of firm existence, but there is no positive and significant comparison differences effect between corporate governance practices and firm performance in terms of firm size, firm type and gender.

It has been proven that there is a positive and significant relationship between corporate governance practices and firm performance of SMEs when comparing firm existence. However, no positive and significant relationship was found between the countries studied with regard to firm size, firm type and gender.

Firm existence. The model differs between SME groups in terms of firms existence, i.e., whether the firms have been operating for less than 10 years or for more than 10 years. This means that the longer the SME firms have been in existence, the stronger the effect of the independent variables on the dependent variables for the relationship between all causes that have positive significant relationships. This result was supported by Coad et al. (2018) and Karadag (2017), who argue that due to knowledge accumulation and increasing level of expertise of SME owners/managers over time, their firms perform better with increasing age.

Firm size. The model is invariant across firm size groups, which means that there is no significant difference between the factors that affect the firm performance of SMEs, regardless of whether they are small or medium-sized firms. This is consistent with Sytnik & Kravchenko (2021) research study, which does not differentiate within SMEs when applying the model analysis. It also suggests that SME owners should pay the same attention to their business, whether small or medium-sized, in order to sustain their operations. For academic scholars, these results have also proven that similar attention is needed when analysing small and medium enterprises within SME activities.

Firm business type and gender. The model is invariant for both MGA comparison based on firms business type and gender groups. In terms of the SME business type group,

this means that a similar model can be applied to the analysis and comparison of the SME business type group regardless of whether it is a manufacturing or non-manufacturing enterprise. However, these results contradict the results of Rogers (2004), who found a different model for the analysis of small manufacturing firms and non-manufacturing firms. Regarding the MGA comparison based on gender, it was found that no different model can be applied to analyse the factors influencing the relationship variables, regardless of whether they are female or male SME owners. These findings are supported by Expósito et al. (2022) and Shava & Rungani (2016), who argue that there is no different analysis of relationships on SMEs business performance for male and female owner/managers.

5.3. Implications of the research

There are a limited number of studies investigating the factors influencing the firm performance of SMEs, especially in emerging economies in different continents such as Hungary, Indonesia and Mexico. Therefore, this research aims to provide an understanding of the variables that influence SME performance, namely corporate governance, distinctive competence, and firm competitiveness in the countries studied. Based on the research findings discussed in the previous chapters, the study has several theoretical and practical implications.

5.3.1 Theoretical implications

From the results of the study, it appears that three important things contributed to the theoretical and contextual implications.

First, this study extends the two variables used in the previously theory to explain the relationship between corporate governance and firm performance. As described in Chapter 3 on the research framework, most studies on CG on firm performance of SMEs have used only one-way variable, both the independent and dependent variables. Therefore, this study contributes to a new research framework by expanding and adding two new construct variables, namely firm competitiveness and distinctive competence, to establish a more comprehensive relationship between CG and SMEs' firm performance. As a result, this study has filled research gaps, and its findings have opened up further opportunities to advance future research.

Second, this study conducted a mediation effect analysis among the construct variables to investigate and better understand the factors that influence corporate governance

and firm performance in SMEs by expanding the new construct variables. The mediation effect aims to measure an indirect effect relationship and show the significance level of such a relationship.

Third, the study examined the MGA comparison between the three emerging economies and other SME groups provides a clear and deeper understanding of the need to understand the different influencing factors in different countries.

In general, the results of this study make a significant contribution to the theoretical and conceptual understanding of the factors influencing SME performance in developing and emerging economies, which is supported by the empirical results of this study.

5.3.2 Practical implications

Based on the results analysed and discussed in Chapter 3, Chapter 4 and Chapter 5, at least three parties can benefit, namely researchers/academics scholars, business owners and policy makers.

For the researchers/academics, this study can be used to measure and uncover phenomena of the relationship between corporate governance and firm performance in different emerging economies to gain more knowledge and understanding about the relationships between the construct variables. In addition, this study can serve as a basis for future researchers and scholars to conduct a comparative study in different continents and regions. As a result, the findings of this study have led to different and unique findings in different countries and regions. Therefore, these findings can add to the current knowledge of business performance in SMEs in the context of daily business management. In addition, this study can promote new collaboration among researchers in different countries, regions and continents to achieve a better understanding and greater knowledge growth in supporting SMEs in the future.

For entrepreneurs, this study provides a new basis for managing and starting a new business based on the variables and indicators identified in the study. Furthermore, this study can provide entrepreneurs in the three emerging countries studied with a better understanding of SME success indicators. For example, Hungarian and Mexican SME entrepreneurs can become more aware of the importance of the indicators for the competitiveness of their business if they want their business to live and last longer. Similarly, Indonesian SME entrepreneurs can gain a better understanding of the sustainability of their

business by applying specific competence indicators. As described in Chapter 4 and Chapter 5, and through the results of the MGA comparison, it is clear that each SME in the different countries studied has a different focus on resilience, which has an impact on SME performance.

For policy makers in the studied countries, this study provided new insights on how to promote and apply appropriate indicators and/or variables suitable for SMEs' operations at local or international level in order to improve SMEs' productivity and creativity and also sustainability. In addition, this study can serve as a basis for the government to develop new policy regulations for SME activity in each country studied. In other words, this study has opened a new path and perspective for understanding the business activities of SMEs in the countries studied.

5.4. Conclusion, limitation and future research directions

This study examined the factors affecting corporate governance and firm performance of SMEs in emerging markets. In this study, a new framework analysis model was proposed to reveal the corporate governance practises within SMEs for their firm performance by adding two new variables, namely, firm competitiveness (FC) and distinctive competence (DC), and analysing and comparing the three emerging countries in different continents, i.e., Hungary (Europe), Indonesia (Asia), and Mexico (Americas). Moreover, in addition to direct effect analysis, a new analysis approach is also applied, namely, indirect/mediated approach analysis and the application of multiple-group analysis (MGA) as a comparative analysis. Accordingly, four unobserved construct variables (corporate governance, firm competitiveness, distinctive competence and firm performance) and 26 indicators were proposed to conduct this research study; and the six hypotheses to investigate the relationship between the construct variables were applied.

This research study of the measurement model using covariance-based structural equation modelling (CB-SEM) provided the empirical results to support the proposed research model. Consequently, a direct and positive significant effect was found between independent variable and dependent variable. The results of these analyses confirm the direct and positive relationship between corporate governance and firm competitiveness, between corporate governance and distinctive competence, and between corporate governance and firm performance in SMEs in different countries (Abor & Adjasi, 2007; Abor & Biekpe, 2007; Hove-Sibanda et al., 2017; Iqbal, 2015).

With regard to the indirect effects analysis, it was confirmed that both distinctive competence and firm competitiveness had a positive and significant mediation effect between corporate governance and firm performance. However, the results of the serial mediation effects analysis revealed that there were no significant indirect effects between the construct variables within the model. It is likely that the construct variable in the serial mediation effect analysis is already used proportionately to explain in the simple mediation effect or direct effect analysis.

The comparison of the multiple-group analysis (MGA) between the studied emerging countries showed a different model for all three studied countries, which means that there are different influencing factors and directions of the variables between the studied emerging countries. Interestingly, the three countries have almost equally firm direction between the direct relationships of the path variables. These MGA results have shown that the analysis of the influence of corporate governance factors on SMEs' firm performance cannot be performed in the same way in all countries and regions, as each individual country and region has particular and unique characteristics of its SME performance. This finding is supported by Basco et al. (2020), who believe that when using MGA to compare different countries on different continents, the differences and unique cultural and institutional environments should be taken into account.

For the other MGA comparison results showed a difference between SMEs that have existed for less than 10 years and those that have existed for more than 10 years. For the remaining, it was found that there were no different models that could be applied to analyse the factors affecting the relationship variables, regardless of firm size, firm business type and gender.

The results have shown that the proposed research model has been empirically validated in the context of corporate governance practices in the context of SMEs firm performance in emerging countries. Consequently, the direct and indirect relationships found in this study between corporate governance practices, distinctive competence, firm competitiveness, and firm performance, as well as the MGA comparison, contribute to the body of knowledge on understanding the SMEs characteristic performance within the emerging markets.

Despite the relevant findings and contributions, this study has some limitations that need to be carefully thought through and provide an agenda for future research.

First, due to the global pandemic19 and economic crisis, the data for this study was collected using a quantitative approach by conducting online questionnaires and purposive sampling (non-probability sampling) in the countries studied. Due to the different social characteristics, it is not known to what extent the data and model are representative of the population, and the sample may not provide a holistic understanding of the entire population. Future research would therefore need to collect data both offline and online and also use a probability sample.

Secondly, data collected during the pandemic19 may have skewed respondents' answers. Therefore, it would be necessary to conduct a future research study comparing the business performance of SMEs before and after the pandemic, including the perspective of respondents' cultural dimensions.

Thirdly, since the sample data was collected using a quantitative and purposive sampling method, the actual phenomena of respondents' insights and feelings could not be captured. Therefore, for future research directions, a qualitative method can be applied in a triangulation with mixed methods to reveal the fact of the phenomena in the real business context.

Fourth, in terms of measuring and comparing MGA relationships, it is recommended to compare more countries, both developed and emerging countries, and the characteristics of SME firm groups among the construct variables to gain a better understanding of SME business operations for future business.

Fifth, since the research study was conducted in three different continents and regions, it is more fruitful for future research studies to include social and cultural factors as a new variable to provide more valuable results and discussions on the importance of SMEs in sustaining and thriving as the backbone of economic development of most countries in the future.

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Appendix A. Questionnaires

Uncovering the Effects of Corporate Governance Practises, Competitiveness and Distinctive Competence on the Firm Performance of Small Medium-size Enterprises' (SMEs) Business Operations in the Emerging Countries of the Three Continents

(Comparative Findings Among Indonesia, Hungary and Mexico)

Disclaimer/Consent Information/Ethical Consideration

Participation in this study was voluntary, and all data collected were not disclosed. Respondents also have the option to opt out of this survey at any time. The purpose of this questionnaire is to obtain comprehensive information on the performance of small and medium enterprises (SMEs) based on their governance, competitiveness and competence level. The result of this research will be used exclusively as material for a doctoral thesis at the Faculty of Economics, University of Pecs, Hungary.
The researcher guarantees that all information provided by the respondents will be used only for the purpose of this research and not for any other purpose.

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Respondent criteria:

The respondent's business must be a legal entity, have been in existence for at least 2 years, and have at least 2 employees (including the owner). However, preference is given to companies with at least 5 employees. The form of business must be for-profit, not a foundation or other non-profit entity.

Instruction how to fill the Answers

Respondents are asked to answer the questions by choosing one of the answers (1 to 5 point scale) according to the conditions of the business activity and/or writing a direct answer if necessary according to the question. The average length of the survey is approximately 30-45 minutes. It is possible to stop the survey and to be completed it later. However, it is advisable to complete the form in a single attempt.

Thank you so much for your kind support.

A. Respondent Profile/Filter Questions

Code Number	Question	Answer
FQ1	Respondent name	
FQ2	Business name	
FQ3	Gender (Male/Female)	o Male o Female
FQ3A	Respondent age (old)	
FQ4	Education	o Maximum High School o Minimum Higher Education (College/University)
FQ5	Respondent basic skills (allowed more than one answer)	o Agriculture o Trade, accommodation o Business, economics o Informatics o Law o Science o Enginnering o Sport, art and/or music

		○ Social ○ Others: (please stated)
FQ6	Occupation	
FQ7	During studies, did you ever obtain the following skills and knowledge (could be more one answer)	• Enterpreneurship & business plan? (0 = No; 1 = Yes) • Finance? (0 = No; 1 = Yes) • Information technology/computers (0 = No; 1 = Yes)
FQ8	Legal business entity type	
FQ9	Headquarter address	
FQ9A	Legal entity number	
FQ10	Company's established? (year)	
FQ11	Previous business type *(if available)*	
FQ12	Post code?	
FQ13	The number of branches/subsidiaries? *(if available)*	
FQ14	Company's foreign address? *(if available)*	
FQ15	Website, facebook and/or other social media – *(if available)*	
FQ16	Email address	

B. Variables Questions

Firm Competitiveness (FC) (Lafuente, Szerb, et al., 2020)

Indicators	Questions
FC1. Human capital	Indicate the number of full time employees (or equivalent) in your business over the last three years (1) 2-5 workers (2) 6-10 workers (3) 11-20 workers (4) 21-50 workers (5) > 50 workers What percentage of your full time employees have post-secondary studies degree (college, university, Master, PhD)? (1) No one (2) 10-25% (3) 26-50% (4) 51-75% (5) > 75%
FC2. Product & Competition	How many independent, separable business lines (product line, or product-market combination) can be distinguished within the business' operations? (1) Only own 1 line product (2) Own 1-3 different products (3) Own 3-5 different products (4) Own 5-10 different products (5) Own more than 10 different products Right now, are there many, few, or no other businesses offering the same products or services to your potential customers? (1) No business competitors (2) Few business competitors (3) Some (medium) business competitors (4) Many business competitors (5) Very competitive markets
FC3. Domestic market	Which of the following statements best describe the business position in the domestic market? (1) The company operates and competes on the local market (2) The company operates and competes on the district market (3) The company operates and competes on the regional market (4) The company operates and competes on the some regional markets (5) The company operates and competes on the national market The geographical scope of the business selling in the domestic market (where the company delivers, sells its products/services) (1) In the place of the most important activity, at one place (2) In the place of the most important activity, at more than one place. (3) Nearby the place of the most important activity at one region (4) Widespread over the country at more than one region but not countrywide. (5) Countrywide
FC4. Networks	In what types of cooperation did the company actively participate in the last 3 years?

	(1) Member of a supplier/buyer network (2) Member of a Consortium (e.g. common projects, tenders, public procurements together with others) (3) Member of a national/foreign franchise network (4) Participates in strategic co-operation (5) Owning a national/foreign license
FC5. Technology	Which of the following statements best describe the business' technology position at the domestic market level? (1) We are significantly below the average domestic industry level. (2) We are below the average domestic industry level. (3) We are about at the average domestic industry level. (4) We are domestic regional technology leaders in our industry. (5) We are country-wide technology leaders in our industry. Which of the following statements best describe the business' technology position at the international level? (1) We are significantly below the average international industry level. (2) We are below the average level international industry level. (3) We are about at the average of international industry level. (4) We are technology leaders in the Western/CEE/EU region in our industry. (5) We are technology leaders in the world
FC6. Decision making	How would you define the decision making process of the business? (1) The executive director makes all the decisions alone (2) The executive director makes the decisions together with the management (3) The executive director makes the decisions, the management executes it (4) The owners make the decisions, the management executes it (5) The owners makes the decisions together with the management
FC7. Competitive strategy	What was the typical strategy the business followed during the last 3 years? (1) Did not follow any strategy. (2) Followed retreat strategy to focus on the defendable positions of the business (3) Followed defensive strategy to focus on existing positions of the business (4) Followed stabilization and growth strategy to strengthen its existing positions (5) Followed offensive strategy to build up new strategic positions and to weaken competitors position at the same time .
FC8. Marketing	How do you position the price level of your main product in the market? (1) Cheap prices (2) Low prices (3) Medium prices (4) Premium prices (5) Exclusive prices What kind of marketing communication tools did you apply in the past 3 years? (1) Public relations (2) Direct selling – door to door (3) Word of mouth and guerilla marketing (4) Trade marketing, point of sales promotions (5) Interactive, internet marketing
FC9. Internationalization	To what extent can your business' products/services be sold abroad? (1) absolutely not (2) only partially (3) 50% can be sold abroad (4) Mostly can be sold abroad (5) 100% can be sold abroad
FC10. Online presence	Does your business have online presence? (1) Not at the moment (2) Intranet for internal communication only (3) Web page/portal (4) Web page, Facebook (5) Many online presences include no. 4 (eg. Instagram/WA, Tiktok)

Corporate Governance (CG) - (Dubai, 2011; Iqbal, 2015)

Indicators	Questions

CG1. CG policies and procedures	Does the organizational system exist in a written form? (1) Not at all (2) Less < 25% written (3) 25-50% written (4) 51-75% written (5) 100% written form Is the scope of authority exists in the business which is known by everyone in the organisation? (1) Not at all (2) < 25% is known (3) 25-50% is known (4) 51-75% is known (5) Fully known 100%
CG2. Transparency and shareholders relations	How does the business engage in information sharing within organisation? (1) No one knows what is needed (2) Only < 25% knows (3) 25-50% knows (4) 51-75% knows (5) Everybody knows what is needed, no need anything else How does the business engage in information dissemination within organisation? (1) Informal information (verbally only) (2) Written form information (3) Via email and company's internal email form (4) Via intranet and company's internal network (5) Via mobile phone application
CG3. Board of Directors (advisors)	Does any owner(s) of the company that do have a managerial position or other company(ies) contribute to the decision making process? (1) No one (2) Only 1-25% (3) Only 26-50% (4) Between 51-75% (5) More than 75% With whom does the main decision maker consult before making strategic decisions? (1) Only with the owners, or those who are involved in the decision (2) With those who have the responsibility to manage the company (3) Wide range of consultation, including the workers (4) Consultation with members from outside of the company (5) Professional consultants, Consulting Company's help
CG4. Control environment	Did you apply the bankloans for the last 3 years? (1) Not at all (2) Revolving micro-loan (3) Government loan/credit support (4) Short and/or medium terms loan (5) Long term, export credit or foreign currency loans Are you postponing development until you have sufficiently large internal financial resources or are you willing to look for other external financial resources? (1) Postponing the development (2) Seeking external funding up to 25% (3) Seeking external funding up to 50% (4) Seeking external funding up to 75% (5) Seeking external funding up to 100%
CG5. Stakeholder relations	What kind of incentive/reward system do you have in your business? (1) Voucher or other in-kind bonus (2) Bonus system, for the previously defined tasks (3) Reward system, post evaluation of the work (4) Based on group and financial performance (5) Employees involvement into the decision making process What proportion of your customers lives outside your country? (1) 0% (2) 1-25% (3) 16-50% (4) 51-75% (5) > 75%
CG6. Family governance	The proporsional of major shareholders and/or family own shareholders (1) 0% (2) 1-25% (3) 16-50% (4) 51-75%

	(5) > 75% How many and in what positions did the owners of the company, including you, work in the company during previous year? (1) Just owner without any position and status (2) Fulltime employee (3) Middle-manager, division/department manager (4) CEO - Chief executive officer/general manager (5) Commissioner/advisor

Distinctive Competence (DC) Mooney (2007)

Indicators	Questions
DC1. Unique and online customer visibility	How long did you apply an interactive online to attract and maintain your customers (1) Not at all (2) Less than 6 months (3) Between 6 to 12 months (4) Between 1 to 3 year (5) More than 3 year
DC2. Superior to competitors	What are the most distinctive characteristics of the main product/service of your business? Please choose the appropriate response for each item:

	not applicable	less applicable	moderately applicable	High applicable	absolutely applicable
	1	2	3	4	5
Unique product/service attributes					
High quality					
Favorable price/value ratio					
Constant quality					
Durability					
Reliability					
Maintainability					
Style/design					
Image					
High quality of associated additional services					

DC3. Hard to imitate

To what degree do you think your business possesses unique characteristics compared to other businesses in the following factors? Please choose the appropriate response for each item:

Items	Same	Slight differences	About the average	Only a few competitors has the same	Very unique
	1	2	3	4	5
Products/services					
State-of-the art, modern technology					
Information Communication technology (ICT)					
Continuous innovation					
Possessing invention, license, know-how					
Low-cost production, service					
Marketing methods					
Fast reflection on costumers demand					
Excellent long-term proactive strategy					
Developed production management methods					
Excellent leadership and management					
Highly motivated, loyal employees					
Excellent location					
Unique strategic partner(s)					

	Long term stabile suppliers, costumer relations						

Firm Performance (FP) (Hove-Sibanda et al., 2017)

Indicators	Questions
FP1. Exportation	Approximately what percentage of your net sales are derived from direct export over the last 3 years? (1) 0% (2) Maximum 10% (3) Between 10% to 24% (4) Between 25% to 49% (5) More than 50%
FP2. Sales growth performance	What is the total sales growth of each of the business economic activities?

Items	< 25%	25-50%	50-75%	75-90%	>90%
	1	2	3	4	5
Business activity 1 Business activity 2 Business activity 3 Business activity 4					

FP3. Profitability (Revenue)	Approximately, what percentage of your revenues (sales) is generated by your most important buyer? (1) 0-10% (2) 11-25% (3) 26-50% (4) 50-75% (5) >75%
FP4. Employee satisfaction/retention	Please estimate the proportion of employees participating in the following training programs in the last 3 years

Items	0%	<25 %	<50%	<75%	>75%
	1	2	3	4	5
In-house training Outside training Rotation					

FP5. Investment	Investment percentage of the sales revenues for the last 3 years? (1) 0% (2) 1-25% (3) 26-50% (4) 50%-75% (5) >75%
FP6. Customer satisfaction/retention	Besides selling the basic product/services what kind of additional services does your business provide to your buyers/customers? (1) Shipping, delivering (2) Installation (3) Maintenance (4) Training (5) Extended warranty
FP7. New product development and Innovation	The number of new product/inventions/trademark within the last 3 years

Items	0	1-3	4-6	7-10	>10
	1	2	3	4	5
How many inventions do your business have? How many trademarks do your business have ? How many inventions did your business initiate ?					

Approximately, how many percentage from your sales revenue did you spend for innovation activities over the last 3 years ?
(1) 0 %
(2) < 5%
(3) 6 – 10%
(4) 11 – 20%
(5) > 20%