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

Doctoral Dissertation
(Summary)

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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 modelling (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 multigroup 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 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).

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), formal SMEs in emerging economies contribute up to 40 percent of national income (GDP) in emerging economies. 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). In the Asian region, 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).

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 Sr & 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). 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 Reasons selected for the three emerging countries

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 (Duttgupta & 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; Duttgupta & 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.

1.3 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.

1.4 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?

II. LITERATURE REVIEW

2.1 Small 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.

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.

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).

2.2 The Method of Literature Review

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 : (1) sourcing and searching the articles, (2) screening the articles, and (3) analyzing and synthesizing the articles. Figure 2.1 depicts this stage.

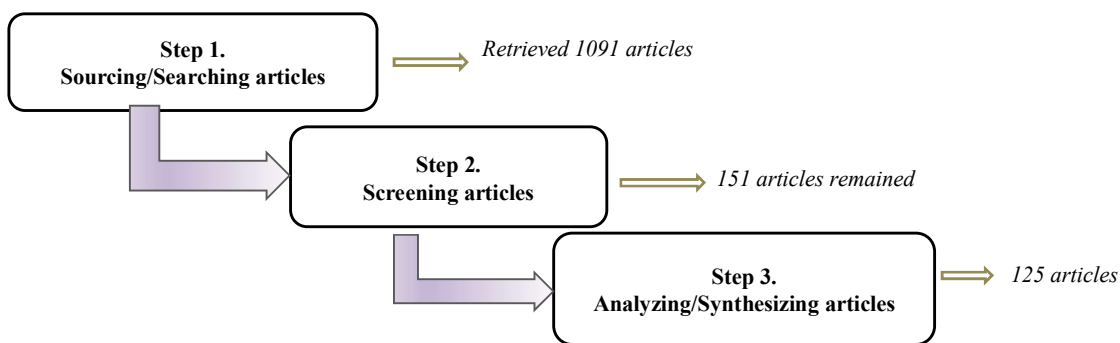


Figure 2.1 Structured Literature Review Process (Source: Author’s construct)

2.3 Distribution of articles by region and countries investigated

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 2.2).

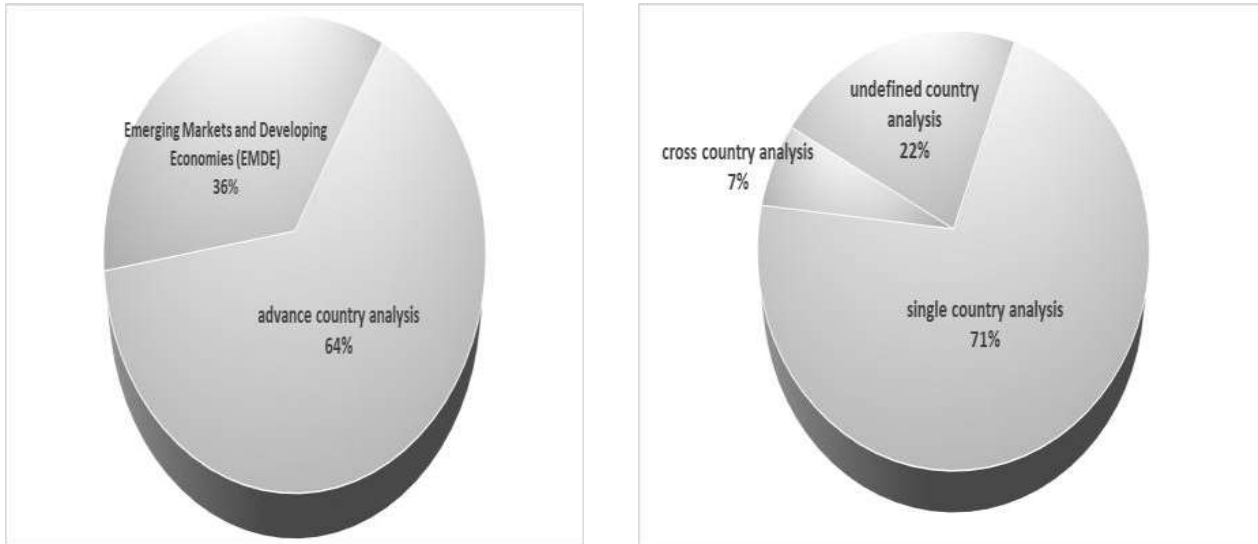


Figure 2.2. Distribution of articles by region (source: author's construct)

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 2.3). 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).

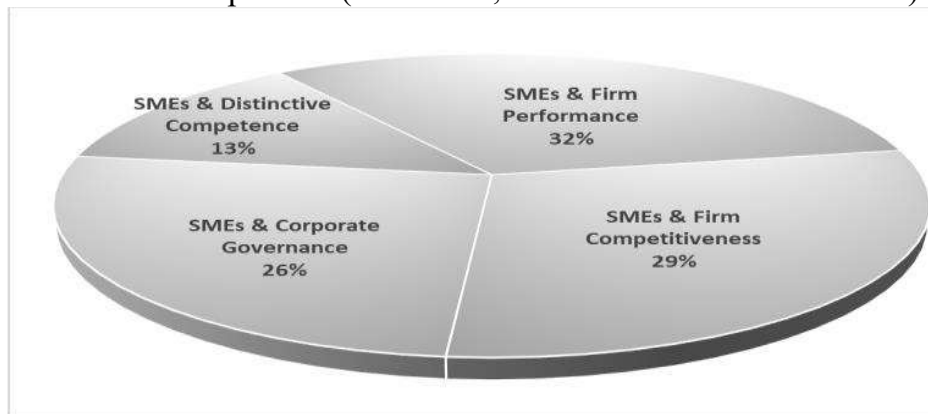


Figure 2.3 Distribution of articles by research focus themes
(Source: Author's construction)

2.5 Review and analysis used of key factors

2.5.1 Firm Competitiveness (FC)

According to Bhawsar & Chattopadhyay (2015), competitiveness has a multi-faceted concept and can be defined from many angles, be it national or governmental, industrial, organizational, managerial, cultural or other. 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).

2.5.2 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). This study applied and propose the theoretical and conceptual concept of CG codes for SMEs, which was developed by Dubai (2011) and Iqbal (2015) to measure CG for SMEs in developing countries.

2.5.3 Firm Performance (FP)

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.

2.5.4 Distinctive Competence (DC)

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. 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, superior to competitors and hard to imitate.

III. RESEARCH FRAMEWORK AND METHODOLOGY

3.1 Research Framework, Research Questions and Hypothesis

In this study, to measure the latent variable CG, the six indicators (CG1 to CG6) which derived and adapted from Dubai (2011) and Iqbal (2015) works are used. Then, the latent variable FC was measured by the ten indicators (FC1 to FC10) adopted Lafuente et al. (2020) works. Next, the latent variable DC is examined using the three indicators (DC1 to DC3) adopted from the work of (Mooney, 2007), and for the latent variable FP, the seven indicators (FP1 to FP7) adopted from the work of Hove-Sibanda et al. (2017). 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
<p>RQ1: <i>What CG practices directly affect firm competitiveness, distinctive competence and SMEs firm performance in the three emerging countries?</i></p>	<p>Direct Effect Corporate Governance (CG) 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;</p>

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

Firm Competitiveness (FC)

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

Distinctive Competence (DC)

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

RQ3:

Are there any differences comparison in terms of CG practices affecting the SMEs firm performance between the three emerging countries?

Multiple Group Analysis (MGA)

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

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

Multiple Group Analysis (MGA)

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

Figure 3.1 below depicts a conceptual framework and hypothesis proposal for this study.

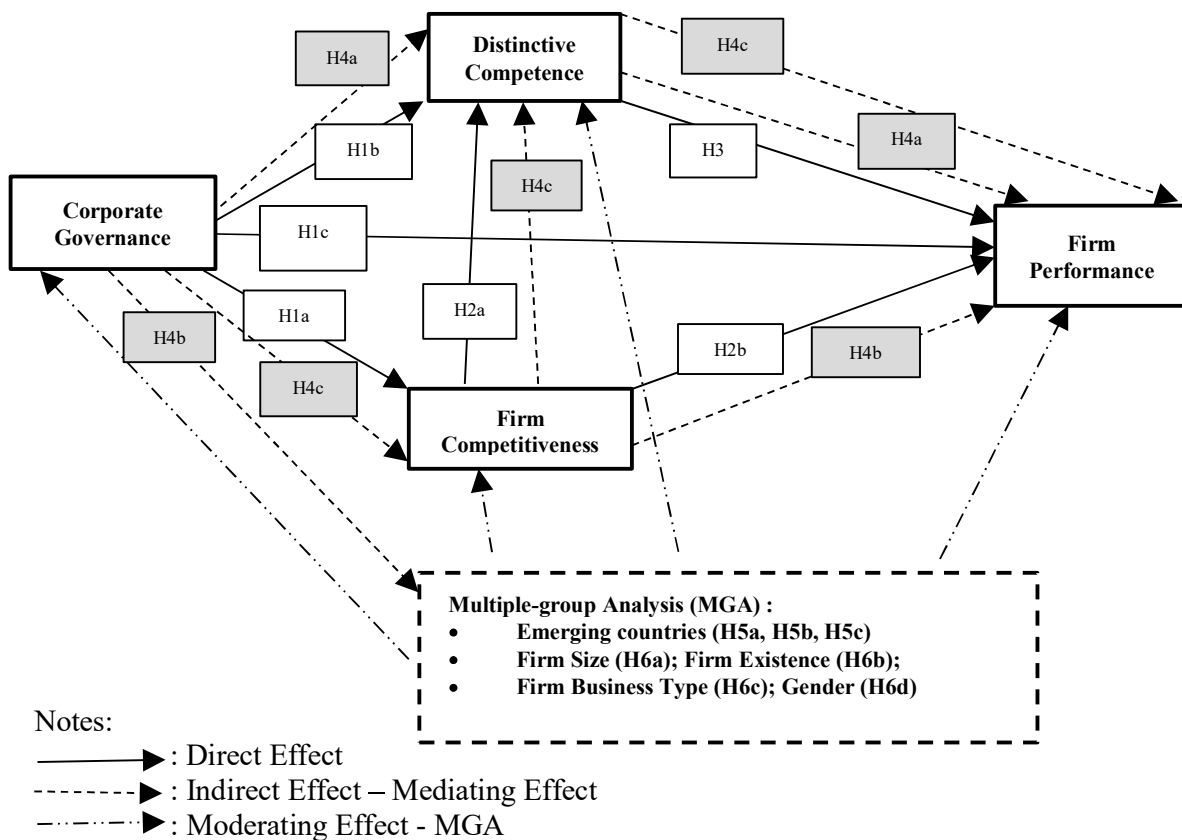


Figure 3.1. A Propose Conceptual Framework and Hypothesis

3.2 Research Methodology

3.2.1 Survey Measurements Design

In this study, six hypotheses were proposed and verified based on the responses to the measurement indicator questions.

Table 3.2 Construct Variables Overview and the Measurement Questions

Construct Variables	Measurement Indicator 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?
CG4. Control environment	Did you apply the bank loans for the last 3 years? Are you postponing development until you have sufficiently large internal financial resources or are you willing to look for other external financial resources?
CG5. Stakeholder relations	What kind of incentive/reward system do you have in your business? What proportion of your customers lives outside your country
CG6. Family governance	The proporsional of major shareholders and/or family own shareholders? 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
FP4. Employee satisfaction/retention	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 ?

3.2.2 Population, Sampling Size and Data Collection

The population of this study is all SMEs in the three respective emerging markets (Hungary, Indonesia, Mexico). 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).

3.2.3 Data Analysis and 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 examine the normality, multicollinearity and also the reliability of data questioners collected for this study. Structural equation modelling (SEM) with AMOS was used in this study to analyse and test the hypothesis. 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).

3.3 Measurement of Framework Model Assessment and Data Analysis

3.3.1 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). 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.

3.3.2 Multicollinearity, Reliability, EFA and Validity Measurement Test

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.

According to Chan & Idris (2017) an exploratory factor analysis (EFA) can be used to measure the reliability test of the survey instrument. 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. 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). For this study, all KMO and Bartlett sphericity tests are acceptable for the four variables, with the KMO value above 0.60, and the Bartlett sphericity test value for all variables is 0.000.

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.

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. In this study, the internal consistency values of the constructs (Cronbach's alpha (α)) were above the recommended threshold, indicating excellent internal consistency.

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). 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. It found that all CR values are greater than 0.7 and the AVE values are above the minimum threshold, i.e., 0.5, and factor loadings (λ) greater than 0.5. This means that all variables within the model are acceptable for convergent validity requirements. It also found, there is a strong significant correlation ($p < 0.001$) between CG variable to the other variables.

3.4 SEM Model Assessment - the GOF Analysis

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. Table 3.3 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 3.3 The Goodness of Fit (GOF) Test Results

GOI Test Analysis	Threshold	GOF Results	Remarks
Absolute Fit Indices (Hair et al., 2019)	GFI > 0.90	0.974	Good Fit
	RMSEA < 0.08	0.037	Good Fit
	SRMR < 0.10	0.067	Good Fit
	$(\chi^2 / d.f) < 3.00$	1.711	Good Fit
Incremental Fit Indices (Hair et al., 2019)	NFI > 0.90	0.974	Good Fit
	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

IV. RESEARCH FINDINGS AND RESULTS

4.1. SEM Model Estimation Results and Final Path Diagram

Table 4.1 shows the results of SEM model estimation for all the indicators used with the significance level results and Figure 4.1 shows the final causal path relationship between the variables and indicators used in this study. 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).

Table 4.1 SEM Model Estimation Results

Path Relationship	β 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. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

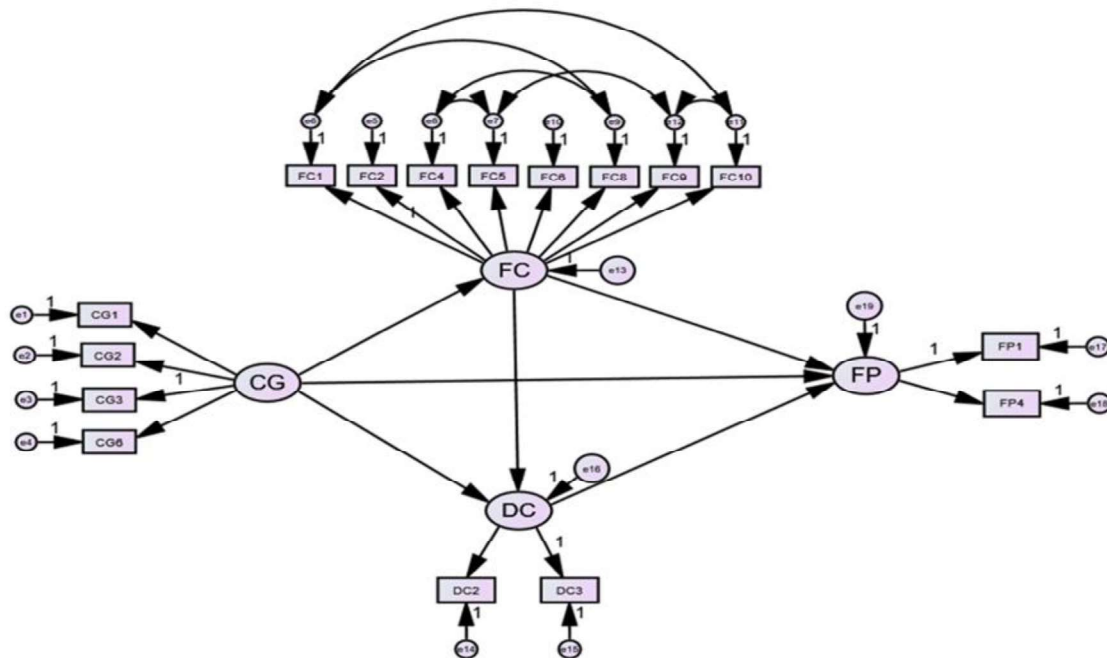


Figure 4.1 Final Path Diagram of SEM Model Results

From the figure above, 16 of the final indicators (constructs) meet the recommended threshold, i.e., a factor loading (λ) above 0.5.

4.2. 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 Hypothesis Test Results (H1-H3)

Hypothesis	Structural Relationship	β 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 six 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.

4.3. 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 (LCI) does not exceed zero of the upper limit of the confidence interval (UCI). 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 $\beta = 0.831$, LCI = 0.729, UCI = 1.054, $p < 0.01$.

Table 4.3 Structural Model Indirect Effect Hypotheses Test Results (H4)

Hypothesis	Structural Relationship	Standardized β estimate	Confidence Interval		p-value	Decision
			Lower Bound	Upper Bound		
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. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

As shown from Table 4.3, 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 $\beta = 0.332$, LCI = 0.455, UCI = 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 $\beta = -0.325$, LCI = -0.355, UCI = -0.124, $p < 0.01$.

4.4 Multiple-group Analysis 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. 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.

4.4.1 Comparison between Emerging Countries Group

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 β estimate	Indonesia β 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 more 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 more 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 more robust

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

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 β estimate	Mexico β 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. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

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 β estimate	Mexico β 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 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 results can be seen in Table 4.7 below.

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

Hypothesis	GOF		Decision
H5a : it will predicted there will be positive and significant differences among factors affecting the SMEs firm performance between Hungary and Indonesia	Fulfilled	0.000***	Supported
H5b : it will predicted there will be positive and significant differences among factors affecting the SMEs firm performance between Hungary and Mexico	Fulfilled	0.000***	Supported
H5c : it will predicted there will be positive and significant differences among factors affecting the SMEs firm performance between Indonesia and Mexico	Fulfilled	0.000***	Supported

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

4.4.2 Comparison between other group classifications

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 4.8).

Table 4.8 The GOF, MGA Test Results of SMEs firm size – Small vs Medium size

GOF Threshold	GOF Results	Remarks
$(\chi^2 / d.f) < 3.00$	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	χ^2	Df
Unconstrain	198.849	96
Constrain	219.618	97
p-Value	0.237	

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 $\chi^2/d.f$ (cmin/df), GFI, RMSEA, SRMR, NFI, CFI, and P Close. As a consequence, the model comparison between firm tenor existence is can be result as fit (Table 4.9). 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 4.9 The GOF, MGA Test Results of SMEs firm existence - < 10 years vs > 10 years

GOF Threshold	GOF Results	Remarks
$(\chi^2 /d.f) < 3.00$	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 β estimate	>10 years β 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 firm 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 more robust 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 4.10).

Table 4.10 The GOF, MGA Test Results of SMEs firm size – Manufacturing vs Non manufacturing

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 4.11).

Table 4.11 The GOF, MGA Test Results of SMEs gender owner – Female vs Male

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 results for this MGA SMEs firm analysis can be seen in Table 4.12 below.

Table 4.12 MGA Hypothesis Test Results of SMEs firm group analysis (H6)

Hypothesis	GOF	p-value	Decision
<i>H6a: it will predicted there will be positive and significant differences among factors affecting the SMEs firm performance based on the firm size</i>	Fulfilled	0.237	Not Support
<i>H6b: it will predicted there will be positive and significant differences among factors affecting the SMEs firm performance based on the firm existence</i>	Fulfilled	0.000***	Supported
<i>H6c: it will predicted there will be positive and significant differences among factors affecting the SMEs firm performance based on the firm business type</i>	Fulfilled	0.174	Not Support
<i>H6d: it will predicted there will be positive and significant differences among factors affecting the SMEs firm performance based on gender</i>	Fulfilled	0.558	Not Support

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

V. DISCUSSIONS AND CONCLUSION

5.1 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), firm's distinctive competence and 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).

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.

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 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). 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.

Nevertheless, 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.

The purpose of the multiple group analysis (MGA) analysis is to investigate and compare whether the model is the same between groups. If a difference is found between groups, it means that the factors influencing the model are having a different impact in the groups and can help identify significant and meaningful differences in the various relationships between group-specific outcomes, which in turn can lead to different strategies and decision-making to achieve the organisation's goal. There may also be a robust relationship between the variables in the comparison group.

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 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.

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 during and after the pandemic crisis, the Hungarian government made more financial resources available to support SMEs in their business activities (OECD, 2021).

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.

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.

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.

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.

5.2. 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.

5.2.1 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.

5.2.2 Practical implications

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.

5.3. 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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PUBLICATIONS LIST

A. Journal Publications

1. Masyhuri, M. (2023). Effect of Leverage and Net Profit to the Firm Performance in Indonesia's Small Medium Enterprises (SMEs) Listed Firms. *International Journal of Multidisciplinary Approach Research and Science*, 2(01), 50–60. <https://risetpress.com/index.php/ijmars/article/view/306> <https://doi.org/10.59653/ijmars.v2i01.30>.
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12. Masyhuri, M. (2018). Disclosures and Transparency Amongst Small Medium Enterprises' listed firms: a comparative study between Malaysia and Indonesia. *The European Proceedings of Social and Behavioral Science* (e-ISSN 2357 1330) – ISI Thomson Reuters Web of Science Index. Vol XL pp 623-637. <http://dx.doi.org/10.15405/epsbs.2018.05.51>
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B. **Book Chapters**

1. Masyhuri, M. (2022). Competitiveness and Firm Performance for the Small and Medium-sized Enterprises (SMEs): a Comparative Analysis between Hungary and Indonesia. pp. 160-181 *Economic & Business Trajectory: Indonesia, Asia and Europe*. ISBN :978 623 5696 19 5. Publisher: Delta Pijar Khatulistiwa.
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C. **Conference Publications**

1. Masyhuri, M. (2021). SMEs' Competitiveness Impact on Firms' Performance with Distinctive Competence as Mediating Variable in the Central-Eastern European Emerging Country (evidence from Hungary). *World Conference on Economics, Business & Agricultural Development : 10-12 December 2021 (WCEBAD21)*, Joint organized by National Academy of Agrarian Sciences of Ukraine, Europe; National Research Center "Institute of Agrarian Economics Odessa State Agrarian University, Ukraine and Research Culture Society. <https://researchculturesociety.org/wcebad-2021/>
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