Managerial Practices on Performance of SME's In Ghana: A Case Study of Three (3) Major Cities

Author's Details:
[(1)] Charles Mawuena Gates* [(2)]Mengyu Wu [(3)]Felix Kwame Nyarko [(3)]Winfred Okoe Addy [(4)]Gyebison Bernard Amoah [(5)]Ethel Dzidefo Asimah
[(1)(2)(3)(4)(5)]School of Economics and Finance, Jiangsu University, 212013, China
Correspondent Email: whilc@yahoo.com

Abstract
the aim of this paper was to find out the impact of managerial practices on the performance of Small and Medium-sized Enterprise's (SME's) in Ghana. The growth and development of SME's are predominantly dependent on the efficient managerial practices of SME's and subsequently the need to examine its influence on the performance of SME's as well. Data were collected through self-administered questionnaires from 200 registered SMEs operating within the three major cities in Ghana. The Cronbach's Alpha was used to check the reliability of the data which indicated high levels of consistencies. The empirical analysis was conducted using the multiple linear regression model. The results of the study indicated that there was a positive relationship between training practice and SME performance, performance appraisal, and SME performance and between incentive compensation and SME performance. This, therefore, implies that for the effective development of SME's in Ghana, the owners should pay more attention to employees' incentive motivation, capacity building of employees and the performance appraisal of employees

Keywords: *Managerial Practices; Performance of SMEs; Incentive Motivation*

Introduction

Economic system of Ghana is currently in transition. Economic reforms have been introduced after Ghana gained independence making her a mixed economy. Although the nation has experienced some difficulties during the transition period, Ghana has achieved remarkable results. The country obtained annual growth rates of eight percent during the 2000 and the 2013 growth figure of 7.2 percent made it the fastest growing economy in the West African sub-region.

This transformation has occurred in both the public and private sectors. The state has recognized private enterprises as an integral part of a "multi-sector" economy and has passed laws promoting the development of such enterprises. This has led to an increase in the number of formal private enterprises Hoskisson et al. (2000) identified as a main engine of the economy in the medium term (King-Kauanui et al. 2006). Cargill, a U.S.-based company operating animal feed manufacturing plants in Ghana, stated that the ability of private companies in Ghana to enter into private, enforceable contracts with others "demonstrates that the country has indeed moved on beyond the old days' central control to a new era of competition based on the operation of a free market". Recently, Ghanaian private companies have begun to apply managerial techniques, emphasizing training (Livingstone 2000), compensation linked to the employee and firm performance (King-Kauanui et al. 2006), and incentive compensation rather than the base wage (Lazear 2000). It can be argued that the continued success of the Ghanaian economy will depend, in part, on how well managers in the private sector can manage their financial and human resources.

This study will address certain managerial practices in Ghanaian SMEs and their impact on firm operations and profitability. Specifically, the study addresses two points: (1) how widespread is the use of training, performance appraisal systems and incentive pay in Ghanaian SMEs; and (2) what impact, if any, does the use of such practices have on the performance of the firms?

There is a great deal of literature regarding the importance of culture to the operation of the firm. This literature is explored, but ultimately the author chose to test the managerial variables against firm performance, adopting the position that there are best practices in the managerial field that will affect operations, regardless of culture.

Literature Review

Culture has been defined as "the integrated sum total of learned behavioural traits that are manifest and shared by members of a society" (Derue et al. 2011; Sparrow and Wu 1998) Inherent within culture is a set of values that drives the orientation and action of its members (Javidan et al. 2006). Two positions on the relationship between an organization's culture and its managerial practices prevail: (1) different cultures will respond to managerial practices differently, making it difficult to successfully move procedures that would have worked in one culture to another; and (2) there are managerial "best practices" that will work in all firms no matter what the culture (Riege 2005; David and Fahey 2000; Brown and Duguid 2001). (Easterby-Smith et al. 1995) argue that "much of the literature on managerial practices contain an assumption that there is an "ideal" model which comes from Western countries" and can be transferred successfully to other, very dissimilar, cultures.

(King-Kauanui et al. 2006) indicates that cultural influences on management procedures are more important in the areas of motivation, leadership, decision-making and organizational design and less important in the more measurable areas such as planning, staffing, and training. Consequently, the transfer of managerial procedures from one culture to another is more appropriate in some areas and less appropriate in others.

In an analysis of IBM employees, (Hofstede 2010) identified four cultural dimensions: power distance, individualism-collectivism, masculinity-femininity, and uncertainty avoidance. The authors found that a number of countries scored high on power distance or the acceptance of unequal distributions of power, high on collectivism or the forging of strong group identities, and in the middle of masculinity-femininity, or the values of assertiveness and competitiveness compared to nurturing values. Uncertainty avoidance or how comfortable individuals feel in unstructured situations was determined to be a uniquely Western concept while values of persistence, order, status, thrift, saving face, respect for tradition, steadiness, and stability were considered to be uniquely Eastern. While cultural differences exist between the East and the West, (Deshpande and Karypis 2004) and (Hofstede 2010) indicate that certain business practices and procedures seem to be successfully transferable between cultures. This study will examine whether training, performance appraisal systems, and incentive pay practices are three of those areas. A number of studies have led to the conclusion that certain managerial practices will result in high firm performance (Collins and Clark 2003; Kaynak 2003; Covin and Slevin 1989; Ramsay et al. 2000; White et al. 2003). Several recent studies have raised red flags about these findings, questioning whether a causal link, as opposed to a relationship, has been demonstrated (Guest et al. 2003; Xu and Meyer 2013).

Relationship between Training and SME's Performance

Studies indicating a positive impact for training on SME's performance show training to be important in enhancing competitive advantage (Simpson et al. 2004), improving quality of output (Nieman 2001), facilitating firm growth, and improving profitability (Karlan and Valdivia 2011). (Henry et al. 2003) concluded that training appeared to enhance all dimensions of SME's performance, that is, quality of the product, development of products, employee relations, growth in sales, profitability and market share. In addition, training is seen as a useful means of coping with changes fostered by technological innovation, market competition, organizational structuring, and demographic shifts (Henry et al. 2003). However, the (Dewhurst and Thomas 2003) study of fast-growth SMEs in the United Kingdom was unable to find a link between firm performance and the provision of training. Similarly, (Siegel et al. 2003) reported there was little evidence that start-up enterprises where founders received training performed better than those who had not, although the authors argue that the inability to find a positive impact for training on SME's performance may be more a function of the quality of the training offered than training itself.

(Huang 2001) found that both the proportion of employees and the expenditure per employee on training were negatively correlated with business profitability. The authors also observed that the most successful enterprises tended to train fewer workers than less successful groups of firms. In summary, previous studies have indicated conflicting findings regarding the relationship between training practices and SME's performance. However, in general, it appears that a positive relationship is supported. It is therefore hypothesized that:

H1: *A positive relationship exists between training and SME performance in Ghanaian SMEs.*

Relationships between Performance Appraisal and SME's Performance

Performance appraisal plays a role in improving company operations, increasing efficiency (Laudon and Laudon 2016), eliminating defects (Skaggs and Youndt 2004), increasing product reliability, and productivity (Singh et al. 2008), and improving overall organization performance (Ismail Salaheldin 2009). (King-Kauanui et al. 2006) reported that four appraisal variables (frequency of informal appraisals, use of objective criteria, use of subjective criteria, and utilization of appraisal results) were positively correlated with firm performance. Linking performance appraisals to compensation have shown increased firm profitability (Becker et al. 2001). In a study of 3000 enterprises worldwide, (Jessica Hwang and Lockwood 2006) showed that a well-run, professional appraisal system could significantly improve employee performance and SME's profitability. However, (Pelham 2000) could find no positive link between Strategic Business Unit (SBU) performance and frequency of formal performance appraisals or performance appraisal based on actual outcomes.

To summarize, previous research has generally found positive links between performance appraisal and SME's performance. It is therefore hypothesized that:

H2: *A positive relationship exists between the use of performance appraisal systems and SME performance in Ghanaian SMEs.*

Relationships between Incentive Compensation and SME's Performance

Relationships between incentive compensation systems and SME's performance suggest that incentive compensation contributes to increased product quality, greater acceptance of changes and improved SME's performance. Research has shown a small positive effect of profit-sharing programs on the financial performance of large firms in manufacturing, construction, and retailing (Lee 2009); a small positive effect of such programs on labor productivity in Vietenam firms (King-Kauanui et al. 2006) and a strong negative effect of profit sharing and employee share-ownership plans on absenteeism and turnover (Coyle-Shapiro et al. 2002). (Ramsay et al. 2000) observed a five to 25 percent increase in value-added in establishments with incentive pay. Meanwhile, (Blasi et al. 2008) examined the relationship between profit sharing and productivity for 250 firms and showed that profit sharing was associated with three to five percent increases in productivity. (Sengupta et al. 2007) examined relationships between SME's performance and incentive compensation of 461 executives in 72 firms over an 18-year period and found that executive compensation, including salary and bonus as well as and stock options, stock holdings, and deferred compensation, was strongly and positively related to both shareholder returns and sales growth.

(Chiu et al. 2002) studied profit sharing, bonus payments, and productivity based on a survey of 400 state-owned manufacturing enterprises in China. The author concluded that the impact of retained profits and bonus payments was so strong that the incentive system explained much of the productivity growth. The results suggest that an economy under transition might obtain significant gains in productivity and profitability if a bonus payment system is implemented. (Tosi et al. 2000) investigated effects of executive compensation policy and organization structure on performance of 439 large U.S. corporations. The author found that companies with long-term incentive plans enjoyed significantly greater increases in return on equity than did companies without such plans. (Elayan et al. 2003), however, reported that certain bonus characteristics did not significantly impact strategic business unit performance. This was supported by (Lazear 2000), who found no relationship between executive compensation and SBU performance, except for the competitiveness of compensation packages. (White et al. 2003) found that employee financial participation programs had no significant effect on small firm performance, but were more effective for large firms.

Evaluating the research in the field indicates that, while results are mixed, most studies indicate a positive impact on incentive compensation programs on small and medium enterprises performance. It is therefore hypothesized that:

H3: *A positive relationship exists between incentive compensation and SME performance in Ghanaian SMEs.*

Methodology

This research is designed to investigate the impact of training, performance appraisal, and incentive pay on SME's performance for SMEs in Ghana. This study is geared toward helping Ghanaian owners/managers make informed decisions regarding which managerial policies to adopt for their particular circumstances and environment. It is hoped that this study will be a start in building an empirical database relating to Ghanaian SME's. It may also provide a baseline for other developing countries.

Sample

All of the firms involved in the study are located in Accra, Kumasi and Tema, the main cities in Ghana. These cities play a crucial role in the economic development of the country. A total of 200 SME's was compiled from the following sources: The National Board for Small Scale Industries, Ghana Revenue Authority, and Registrar General Department.

Measures

Perceptual measures in research on managerial practices developed by (Gupta and Govindarajan 1984) and adopted by (Patterson et al. 2005) was used for this study. The measures were slightly modified based on consultations with Ghanaian SME and management experts and pilot studies conducted in Ghana. Specifically, a multi-dimensional performance measure, based on self-reported ratings, was employed to estimate SME performance. Owner/managers were asked to indicate on seven-point scales, ranging from one = "not at all important" to seven = "very important", the degree of importance they attached to each of eight performance dimensions (both financial and non-financial). These dimensions were operating profit, return on assets, growth in profits, sales growth, productivity, product quality, new product development, and market development.

The respondents were further asked to indicate the extent of their satisfaction with their SME's performance along each of the eight performance dimensions. The seven-point scales used for this measurement range from one = very dissatisfied to seven = very satisfied. The eight satisfaction scores were then multiplied by their respective importance ratings.

The resulting eight scales were averaged to construct a composite measure of SME's performance. Multiple measures were employed to assess training efforts of SMEs; specifically, number of informal training hours per employee, number of formal training hours per employee, percentage of the employees receiving formal training, percentage of the employees receiving informal training, and average training expenditure per employee were used. Informal training, generally thought of like on-the-job training, consists primarily of one-on-one coaching, mentoring, demonstration and practice. Formal training is more structured and involves instruction as opposed to mentoring or coaching.

Performance appraisal measures covering both the appraisal itself and the utilization of evaluation results were employed to measure appraisal practices of SMEs. The measures were a percentage of the employees receiving formal performance appraisal, percentage of the employees having performance appraisal used in determining their incentive compensation, percentage of the employees having job performance evaluated based on objective criteria, and percentage of the employees having job performance evaluated based on subjective criteria.

Multiple measures were employed to assess incentive compensation practices of SMEs. Specifically, percentage of the employee's total compensation accounted for by bonuses, percentage of employees receiving incentive compensation, the importance of employee's performance in determining the employee's earnings, and importance of firm performance in determining the employee's earnings were used for this study. The first estimator captured the importance of incentive compensation in contributing to the total income of the employee. The second measure reflected the scope of incentive compensation used. The last two indicators reflected the ties between compensation and employee and SME's performance.

Questionnaire Design

The survey was designed after specifying the data needed based on the research problem and research questions. The questionnaire was organized into five sections using both open ended and closed-ended

questions. Section one consisted of eight questions concerning the demographics. Section two focused on information about SME training practices while section three was concerned with performance appraisal practices of SMEs. Section four was designed to collect information about incentive compensation practices of SMEs and section five dealt with information about SME performance.

Two pilot tests were carried out. First, Ghanaian management and SME experts were consulted to obtain their comments on the chosen measurements, question content and wording, and questionnaire appearance. Their contributions were incorporated into the questionnaire that was used for the second pilot test. The second pilot test was conducted using a group of 20 owners and from the target population. The questionnaire was hand delivered to the respondents. After the questionnaires were completed, the researcher discussed the questionnaire with the respondents and asked them for comments. In this way, the researcher could determine if there was any confusion regarding the measurement instrument. The results of the pilot test were incorporated into the final draft of the questionnaire. The revised questionnaire was then personally delivered to 250 SME's in Ghana. Completed questionnaires were collected from 145 firms, for a response rate of 72.5%.

Results and Findings

Demographics of the Sample

The majority (76.5 percent) of the respondents were male. This reflects the fact that the survey was conducted in the manufacturing sector, which is dominated by male managers. A majority (65.5 percent) had been in business for more than six years. Fifty-seven percent of the respondents were under the age of 40 with close to 60 percent having a college education. A majority (79.5 percent) of the respondents were owners/managers. Seventy six percent of the businesses did not have an HR department. Seventy-five percent had 100 or fewer employees. In summary, the respondents were young male owners/managers who were relatively well educated. Most firms were small and did not have a human resource department.

Measures Outcomes

Most SMEs provided some training to employees. About 84 percent of the surveyed SME's used informal training while 62 percent offered formal training. However, no SME's offered formal training to more than 40 percent of their employees. The mean percentage of employees receiving formal training was 11 percent while the mean percentage of informal training was 34 percent. These findings are consistent with results reported by (Salas et al. 2012; Shuffler) who found that training in small enterprises was more likely to be informal than formal.

Respondents were asked to indicate training expenditures per employee within the last two years. In general, training expenditures per employee were small, averaging US$200.

Close to 70 percent of the respondents reported that at least some of their employees received formal performance appraisals. For the total sample, on average, formal performance appraisal was provided to 38 percent of the total employees. Thirty-nine percent gave formal feedback on job performance to the majority of their employees, while 30.5 percent of the surveyed firms did not provide this form of feedback to any employee. This is consistent with the results reported by (Gray 2006) who found that almost three-quarters of the small enterprises sampled had a formal appraisal system.

Both objective and subjective criteria were used to evaluate employee performance. Averages for the total sample indicated that 42.24 percent of employees were evaluated based on objective standards, while 39.37 percent were appraised based on subjective criteria. Forty-eight percent of the surveyed firms used objective criteria to assess the job performance of the majority of their employees, while 34 percent employed subjective standards.

Ninety-one percent of the surveyed SME's used some form of incentive compensation with close to 63 percent reporting that the majority of their employees received incentive compensation. On average, 62.4 percent of employees earned incentive compensation. Most SMEs (91 percent) used bonuses in their compensation system. On average, bonuses accounted for 31.38 percent of the employee's total compensation. Firms saw both job and firm performance as important determinants of employee compensation.

To summarize, most SMEs in the sample provided training although most training were likely to be informal. Financial investment in training, number of training hours per employee and training expenditures per employee were all small. This suggests that Ghanaian SMEs might not be putting enough emphasis on training. In regards to performance appraisal, most SMEs conducted performance evaluations for at least some of their employees, and the results were incorporated into compensation decisions. Use of subjective and objective criteria was found to be similar. In addition, most SMEs used some form of incentive compensation and bonuses in their compensation system. However, a large proportion of SMEs paid small bonuses to employees, and this small incentive might be insufficient to motivate employees effectively. Both job and firm performance were considered important when making decisions on employee compensation.

Reliability

As shown in Table 1, the coefficient alpha of all variables was more than 0.50. This criterion suggests that the minimum coefficient alpha 0.50 was adequately specified. The reliability alpha values of all variables are relatively high. It can, therefore, be concluded that the scales employed in this study indicated high internal consistencies.

Factor Analysis

Factor analysis was used to identify a new, smaller set of uncorrelated variables to replace the original set of correlated variables. Items, which measure variables (training, performance appraisal, and incentive compensation), were reduced to factors to ensure the reliability of the subsequent analysis, in particular, multiple linear regression, and to clarify the interpretation of the results. The principal component technique was used to conduct a factor analysis.

Training

As shown in Table 2, the results of the total variance in training, based on the five factors indicate only one component with an eigenvalue greater than one (3.512) and this represented more than 70 percent of the variance in the set of the training items. Factor loadings for training items showed "percentage of employees receiving formal training" had the largest factor loading (0.881). However, it is very close to the "number"

Table 1: Reliability of the variables

Variables	Cronbach alpha
T	0.8698
PA	0.8434
IC	0.6147

T = Training; PA = Performance appraisal;
IC = Incentive compensation.

Table 2: Training: Variance and Factor Loading.

Variance

Component	Initial Eigenvalues			Extraction Sums of Squared Loading		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.512	70.241	70.241	3.512	70.241	70.241
2	0.828	16.554	86.794			
3	0.337	6.730	93.525			
4	0.197	3.940	97.465			
5	0.127	2.535	100.000			

PERFT = Percentage of the employees receiving formal training

PERIT = Percentage of the employees receiving informal training
FTHE = Number of formal training hours per employee
ITHE = Number of informal training hours per employee
ATEE = Average training expenditure per employee
From Table 2 above, informal training hours per employee (0.860) and average training expenditure per employee (0.858). This indicates that these items have similar levels of importance in the factor.
In summary, as shown in Table 2, five observed variables became one factor, namely, training. This latent variable was used in multiple linear regression analysis, illustrated later.

Performance Appraisal

All performance appraisal items were included in the factor analysis. As shown in Table 3, there was only one component with an eigenvalue greater than one (2.766) and this

Table 3: Performance appraisal: Variance and Factor Loadings

Factor Loading

Items	Commonalities	Extraction Factor Loadings
PERFT	0.776	0.881
PERIT	0.567	0.753
FTHE	0.692	0.832
ITHE	0.740	0.860
ATEE	0.736	0.858

Variance

Component	Initial Eigenvalues			Extraction Sums of Squared Loading		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.766	69.148	69.148	2.766	69.148	69.148
2	0.575	14.368	83.516			
3	0.365	9.116	92.631			
4	0.295	7.369	100.000			

PERPA = Percentage of the employees receiving a formal performance appraisal
PEOC = Percentage of the employees having job performance appraised based on objective criteria
PESC = Percentage of the employees having job performance appraised based on subjective criteria
(PEAIC) Percentage of the employees having performance appraisal used in determining incentive compensation represented more than 69 percent of the variance in the set of the performance appraisal items.
Factor loadings indicate "percentage of employees having job performance appraised based on objective criteria" received the highest loading (0.866) and has the greatest influence on the factor. However, "percentage of employees receiving formal performance appraisal (0.854)" and "percentage of employees having performance appraisal used in determining incentive compensation (0.860)" are very close to highest loading, indicating that these items have similar levels of importance in the factor.
In summary, as shown in Table 3, four observed variables became one factor, namely, performance appraisal. This latent variable was used in the multiple linear regression analysis, illustrated later.

Incentive compensation

As illustrated in Table 4 under variance, only one component had an eigenvalue greater than one (3.056) and this represented about 76 percent of the variance in the set of the incentive compensation items.

Table 4: Incentive compensation: Variance and Factor Loadings.

Factor loading

Items	Commonalities Extraction	Factor loadings

PERPA	0.729		0.854	
PEOC		0.750		0.866
PESC		0.548		0.740
PEAIC	0.740		0.860	

Variance

Component	Initial Eigenvalues			Extraction Sums of Squared Loading		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.056	76.403	76.403	3.056	76.403	76.403
2	0.421	10.522	86.925			
3	0.275	6.872	93.797			
4	0.248	6.203	100.000			

Factor loading

Items	Commonalities Extraction		Factor Loadings	
PERIC	0.714		0.845	
PECB		0.795		0.892
IJPE		0.788		0.888
IFPE		0.759		0.871

PERIC = Percentage of the employees receiving incentive compensation
PECB = Percentage of the employee's total compensation accounted for by bonuses
IJPE = Importance of job performance in determining the employee's earnings
IFPE = Importance of firm performance in determining the employee's earnings

Factor loadings of observed variables of incentive compensation show "percentage of the employee's total compensation accounted for by bonuses" to have the greatest influence on the factor (0.892). However, all four variables recorded similar loadings— "the importance of job performance in determining earnings (0.888)", "the importance of firm performance in determining earnings (0.871)" and "percentage of employees receiving incentive compensation (0.845)"— indicating similar levels of importance in the factor. Please see Table 4 under factor loading.
In summary, four observed variables became one factor, namely, incentive compensation.
This latent variable was used in multiple linear regression analysis.

Correlation Analysis

Training, performance appraisal, and incentive compensation were positively and significantly correlated with SME performance. Coefficient of incentive compensation was found to be 0.559 with a significance level of 0.000. This was the strongest of these relationships. Therefore, incentive compensation was the most important factor impacting business performance. Correlation coefficients between pairs of training, performance appraisal, and incentive compensation were weak. As shown in Table 5, all of these coefficients were less than 0.300.

Multiple Linear Regression Analysis

For the multiple linear regression analysis, the dependent variable was SME performance (FP) and the independent variables were training (T), performance appraisal (PA), and incentive compensation (IC). Because the performance of certain SMEs might be partly attributable to the specific nature of the industry in which they operate, dummy variables were introduced to capture the effects of different industries on firm performance.

Table 6 summarizes the results of multiple linear regression analysis and illustrates that values of unstandardized coefficients (see the section headed "coefficients") provide the regression equation that could be used for forecast purpose. From the column labeled "unstandardized coefficients," the constant term was 4.959. Coefficient of variable T was found to be 0.171, while the coefficient of PA was 0.114. Coefficient of IC obtained the greatest value, 0.301.

Table 5: Correlation Analysis

	FP	T	PA	IC
FP Pearson correlation	1.000	0.406	0.392	0.559
Sig. (2-tailed)		0.000	0.000	0.000
T Pearson correlation	0.406	1.000	0.296	0.215
Sig. (2-tailed)		0.000	0.000	0.004
PA Pearson correlation	0.392	0.296	1.000	0.291
Sig. (2-tailed)		0.000	0.000	0.000
IC Pearson correlation	0.559	0.215	0.291	1.000
Sig. (2-tailed)		0.000	0.004	0.000

FP = SME performance; T = Training; PA = Performance appraisal;
IC = Incentive compensation.

Table 6: Multiple Linear Regression Analysis

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.672	0.452	0.423	0.5179

Anova

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.632	9	4.292	16.006	0.000
	Residual	46.930	175	0.268		
	Total	85.562	184			

Coefficients

	Unstandardized coefficients		Standardized coefficients		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	4.959	0.093		53.362	0.000
T	0.171	0.042	0.249	4.111	0.000
PA	0.114	0.042	0.169	2.714	0.007
IC	0.301	0.041	0.443	7.387	0.000

Dependent variable: FP (SME performance). Independent variables: T (Training);
PA (Performance appraisal); IC (Incentive compensation).

In Table 6, the beta coefficients are listed in the column headed "standardized coefficients." The beta coefficient of IC (incentive compensation) obtained the greatest value, 0.443.
Therefore, IC was considered the most important, followed by T (0.249). The beta coefficient of PA (performance appraisal) was found to be 0.169, the smallest value. This variable was notably lower in importance.
*R*2 was equal to 0.452. This means that 45 percent of the variance in the dependent variable could be attributed to changes in the independent variables. As demonstrated in the section headed "ANOVA," *F*-statistic was

found to be 16.0, at a significance level of 0.000. It is concluded that the set of independent variables (T, PA, IC) as a whole was contributing to the variance in the dependent variable (SME performance).

In addition to the significance of the overall regression equation, the significance of individual regression coefficients was examined to identify which individual variables significantly related to the dependent variable. As shown in the section labeled "coefficients," significant levels for coefficients of T and IC were found to be 0.000, and for the coefficient of PA was 0.007. It is concluded that training (T), performance appraisal (PA), incentive compensation (IC) all had positive and significant effects on SME performance (FP).

Summary

Hypothesis 1 states that a positive relationship exists between training practice and SME performance. As shown in Table 7 below, the standardized coefficient of training was found to be 0.249. The value of a *t* statistic (4.111) was significant at 0.000 level. This means that training had a positive and significant impact on SME performance. Therefore, hypothesis 1 was accepted.

Standardized coefficient of performance appraisal (PA) was found to be 0.169. The value of a *t* statistic (2.714) was significant at 0.007 level (Table 7) concluding that there was a positive significant relationship between performance appraisal and SME performance.

Therefore, hypothesis 2 was also accepted. The fact that the standardized coefficient of incentive compensation obtained a value of 0.443 and the value of a *t* statistic (7.387) was significant at 0.000 level in Table 7 indicates that incentive compensation had a positive and significant impact on SME performance.

Therefore, hypothesis 3 was accepted as well. In summary, all three hypotheses were supported. Except for the combined effect of training, performance appraisal, and incentive compensation on firm performance, the relationship between incentive compensation and SME performance was strongest. This was followed by the effect of training on SME performance. The relationship between performance appraisal and SME performance was found to be weakest.

Conclusion

The results of this study provide empirical support for the importance of training, performance appraisal systems and incentive compensation on the overall performance of SMEs in Ghana.

Table 7: Summary of Multiple Linear Regression Analysis Results

	Unstandardized coefficients		Standardized coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	4.959	0.093	53.362	0.000	
T	0.171	0.042	0.249	04.111	0.000
PA	0.114	0.042	0.169	02.714	0.007
IC	0.301	0.041	0.443	07.387	0.000

These results track the results of many studies in Western countries and seem to indicate that firm performance in these areas can best be explained by managerial best practices as opposed to cultural differences. While the author understands the importance of culture in forming organizational norms and practices, some practices, arguably, can be transferred between cultures and render similar results.

The strength of these variables' impact on performance would lead to the conclusion that managerial practices may be particularly relevant in transition economies that rely more heavily on human labor. Consequently, investments in personnel programs and policies that render positive results for the workforce may be the most beneficial route for small and medium enterprises in newly emerging market economies.

This research also suggests greater importance for incentive compensation in the managerial systems of Ghanaian SMEs when compared to measurements of training and performance appraisals. Given these results, Ghanaian SMEs should be able to make significant gains in firm performance if they implement strong programs focusing first on incentive compensation, followed by training and performance appraisal.

Limitations

The self-reporting nature of the information used for study, as opposed to verifiable, objective data, necessarily limits the value of the reported numbers, and, consequently, the conclusions drawn from the information. However, given the country specific problems with obtaining objective company data, this information is the best that could be obtained at this point in time. Additionally, this study is one of the few to specifically focus on specific managerial practices within Ghana and, therefore, would need to be replicated to draw any long-term conclusions.

Recommendation

Further research in this area is needed since this is one of the few studies on the impact of managerial practices on the performance of SME's in Ghana. It would be particularly helpful if actual company data could be used to measure the impact of both the dependent and the independent variables.

Acknowledgment

This paper is supported by China Postdoctoral Science Foundation Fund Project (2015M571708)

References

i. *Becker, B. E., M. A. Huselid, and D. Ulrich. 2001. The HR scorecard: Linking people, strategy, and performance: Harvard Business Press.*
ii. *Blasi, J. R., R. B. Freeman, C. Mackin, and D. L. Kruse. 2008. Creating a bigger pie? The effects of employee ownership, profit sharing, and stock options on workplace performance: National Bureau of Economic Research.*
iii. *Brown, J. S., and P. Duguid. 2001. Knowledge and organization: A social-practice perspective. Organization science 12 (2):198-213.*
iv. *Chiu, R. K., V. Wai-Mei Luk, and T. Li-Ping Tang. 2002. Retaining and motivating employees: Compensation preferences in Hong Kong and China. Personnel Review 31 (4):402-431.*
v. *Collins, C. J., and K. D. Clark. 2003. Strategic human resource practices, top management team social networks, and firm performance: The role of human resource practices in creating organizational competitive advantage. Academy of management journal 46 (6):740-751.*
vi. *Covin, J. G., and D. P. Slevin. 1989. Strategic management of small firms in hostile and benign environments. Strategic management journal 10 (1):75-87.*
vii. *Coyle-Shapiro, J. A. M., P. C. Morrow, R. Richardson, and S. R. Dunn. 2002. Using profit sharing to enhance employee attitudes: A longitudinal examination of the effects on trust and commitment. Human resource management 41 (4):423-439.*
viii. *David, W., and L. Fahey. 2000. Diagnosing cultural barriers to knowledge management. The Academy of management executive 14 (4):113-127.*
ix. *Derue, D. S., J. D. Nahrgang, N. Wellman, and S. E. Humphrey. 2011. Trait and behavioral theories of leadership: An integration and meta-analytic test of their relative validity. Personnel psychology 64 (1):7-52.*
x. *Deshpande, M., and G. Karypis. 2004. Item-based top-n recommendation algorithms. ACM Transactions on Information Systems (TOIS) 22 (1):143-177.*
xi. *Dewhurst, H., and R. Thomas. 2003. Encouraging sustainable business practices in a non-regulatory environment: A case study of small tourism firms in a UK national park. Journal of Sustainable Tourism 11 (5):383-403.*
xii. *Easterby-Smith, M., D. Malina, and L. Yuan. 1995. How culture-sensitive is HRM? A comparative analysis of practice in Chinese and UK companies. International Journal of Human Resource Management 6 (1):31-59.*
xiii. *Elayan, F. A., J. S. Lau, and T. O. Meyer. 2003. Executive incentive compensation schemes and their impact on corporate performance: evidence from New Zealand since compensation disclosure requirements became effective. Studies in Economics and Finance 21 (1):54-92.*

xiv. *Gray, C. 2006. Absorptive capacity, knowledge management and innovation in entrepreneurial small firms. International Journal of Entrepreneurial Behavior & Research 12 (6):345-360.*

xv. *Guest, D. E., J. Michie, N. Conway, and M. Sheehan. 2003. Human resource management and corporate performance in the UK. British Journal of industrial relations 41 (2):291-314.*

xvi. *Gupta, A. K., and V. Govindarajan. 1984. Business unit strategy, managerial characteristics, and business unit effectiveness at strategy implementation. Academy of management journal 27 (1):25-41.*

xvii. *Henry, C., F. Hill, and C. Leitch. 2003. Entrepreneurship education and training: Gower Publishing, Ltd.*

xviii. *Hofstede, G. 2010. Geert hofstede. National cultural dimensions.*

xix. *Hoskisson, R. E., L. Eden, C. M. Lau, and M. Wright. 2000. Strategy in emerging economies. Academy of management journal 43 (3):249-267.*

xx. *Huang, T.-C. 2001. The relation of training practices and organizational performance in small and medium size enterprises. Education+ Training 43 (8/9):437-444.*

xxi. *Ismail Salaheldin, S. 2009. Critical success factors for TQM implementation and their impact on performance of SMEs. International journal of productivity and performance management 58 (3):215-237.*

xxii. *Javidan, M., R. J. House, P. W. Dorfman, P. J. Hanges, and M. S. De Luque. 2006. Conceptualizing and measuring cultures and their consequences: a comparative review of GLOBE's and Hofstede's approaches. Journal of international business studies 37 (6):897-914.*

xxiii. *Jessica Hwang, L.-J., and A. Lockwood. 2006. Understanding the challenges of implementing best practices in hospitality and tourism SMEs. Benchmarking: An International Journal 13 (3):337-354.*

xxiv. *Karlan, D., and M. Valdivia. 2011. Teaching entrepreneurship: Impact of business training on microfinance clients and institutions. Review of Economics and statistics 93 (2):510-527.*

xxv. *Kaynak, H. 2003. The relationship between total quality management practices and their effects on firm performance. Journal of operations management 21 (4):405-435.*

xxvi. *King-Kauanui, S., S. D. Ngoc, and C. Ashley-Cotleur. 2006. Impact of human resource management: SME performance in Vietnam. Journal of developmental entrepreneurship 11 (01):79-95.*

xxvii. *Laudon, K. C., and J. P. Laudon. 2016. Management information system: Pearson Education India.*

xxviii. *Lazear, E. P. 2000. Performance pay and productivity. American Economic Review 90 (5):1346-1361.*

xxix. *Lee, K.-H. 2009. Why and how to adopt green management into business organizations? The case study of Korean SMEs in manufacturing industry. Management Decision 47 (7):1101-1121.*

xxx. *Livingstone, I. 2000. Agriculture, small enterprise development and poverty eradication in Vietnam. Journal of the Asia Pacific Economy 5 (3):173-189.*

xxxi. *Nieman, G. 2001. Training entrepreneurs and small business enterprises in South Africa: a situational analysis. Education+ Training 43 (8/9):445-450.*

xxxii. *Patterson, M. G., M. A. West, V. J. Shackleton, J. F. Dawson, R. Lawthom, S. Maitlis, D. L. Robinson, and A. M. Wallace. 2005. Validating the organizational climate measure: links to managerial practices, productivity and innovation. Journal of organizational behavior 26 (4):379-408.*

xxxiii. *Pelham, A. M. 2000. Market orientation and other potential influences on performance in small and medium-sized manufacturing firms. Journal of small business management 38 (1):48.*

xxxiv. *Ramsay, H., D. Scholarios, and B. Harley. 2000. Employees and high-performance work systems: testing inside the black box. British Journal of industrial relations 38 (4):501-531.*

xxxv. *Riege, A. 2005. Three-dozen knowledge-sharing barriers managers must consider. Journal of knowledge management 9 (3):18-35.*

xxxvi. *Salas, E., S. J. Weaver, and M. L. Shuffler. 2012. Learning, training, and development in organizations. The Oxford handbook of organizational psychology 1:330-372.*

xxxvii. *Sengupta, S., K. Whitfield, and B. McNabb. 2007. Employee share ownership and performance: golden path or golden handcuffs? The International Journal of Human Resource Management 18 (8):1507-1538.*

xxxviii. *Shuffler, M. L. Learning, Training, and Development in Organizations Eduardo Salas Sallie J. Weaver &.*

xxxix. *Siegel, D. S., P. Westhead, and M. Wright. 2003. Science parks and the performance of new technology-based firms: a review of recent UK evidence and an agenda for future research. Small Business Economics 20 (2):177-184.*

xl. *Simpson, M., N. Tuck, and S. Bellamy. 2004. Small business success factors: the role of education and training. Education+ Training 46 (8/9):481-491.*

xli. *Singh, R. K., S. K. Garg, and S. Deshmukh. 2008. Strategy development by SMEs for competitiveness: a review. Benchmarking: An International Journal 15 (5):525-547.*

xlii. *Skaggs, B. C., and M. Youndt. 2004. Strategic positioning, human capital, and performance in service organizations: A customer interaction approach. Strategic management journal 25 (1):85-99.*

xliii. *Sparrow, P., and P.-C. Wu. 1998. Does national culture really matter? Predicting HRM preferences of Taiwanese employees. Employee Relations 20 (1):26-56.*

xliv. *Tosi, H. L., S. Werner, J. P. Katz, and L. R. Gomez-Mejia. 2000. How much does performance matter? A meta-analysis of CEO pay studies. Journal of Management 26 (2):301-339.*

xlv. *White, M., S. Hill, P. McGovern, C. Mills, and D. Smeaton. 2003. 'High-performance'Management Practices, Working Hours and Work–Life Balance. British Journal of industrial relations 41 (2):175-195.*

xlvi. *Xu, D., and K. E. Meyer. 2013. Linking theory and context: 'Strategy research in emerging economies' after Wright et al.(2005). Journal of Management Studies 50 (7):1322-1346.*