

Performance Measurement that Affects Business Profits: A Case Study of SMEs in Food Industry Sector in Cambodia

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Abstract

The purpose of this paper is to study the performance measurement that affects business profits of small and medium-sized enterprises (SMEs) in the food industry sector in Cambodia and to propose the findings for entrepreneurs to monitor their business operation and profit. The data was collected from 291 samples from the population of SMEs in the food industry sector in Phnom Penh, Cambodia. In addition, the researcher employed questionnaire survey as a tool for data collection, and the sample was randomly selected from the population of 1,210 owners or managers of the business. Furthermore, the data in this study was analyzed by using SPSS regarding with the descriptive statistics such as mean, standard deviation, percentage, and multiple discriminant technique. Moreover, based on the results from the discriminant analysis, it found that there are two independent variables of performance measurements namely, capital and customer satisfaction affect the business profits of SMEs in food industry sector. Apart from that, based on the results of this study the researcher be able to propose some guidelines for entrepreneurs in order to monitor their business operation and profit such as entrepreneurs must effectively manage

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the inventory, expenditures, revenues, cash flow, and entrepreneurs must carefully manage customer problems, and product return as it all found at the medium level of opinion. Therefore, according to the results it might be concluded that SME entrepreneurs, especially entrepreneurs in the food industry sector should focus more on performance measurement in term of customer satisfaction by building good relationships with customers, retaining existing customers and acquiring new customers as many as possible, and improving entrepreneurship skills in order to have the ability to manage the capital performance and thus would gain the financial growth and sustain the business in the competitive environment.

Keywords: Performance measurement, business profits, SMEs, food industry

Introduction

Small and Medium-sized Enterprises (SMEs) have been playing a significant role in raising living standards and decreasing poverty in Cambodia (Thy, 2021). Similarly, as the number of SMEs in Cambodia is growing each year, one more of the most vital roles of SMEs is to generate income for low-income individuals and vulnerable populations in Cambodia. As a result, every year has seen a dramatic decrease in Cambodia's poverty rate (The World Bank, 2021b). According to the Ministry of Industry, Science, Technology, and Innovation's Annual Report 2018, SMEs provided 70% of employment in Cambodia, employed approximately 3.5 million to 4 million people (Sok & Poovenraj, 2019). Additionally, SMEs have played an essential role in the development, growth, and industrialization of many economies all over the world. In Cambodia, small and medium-sized enterprises are the backbone of economic growth, making major contributions to the GDP almost 14.2 billion US dollars and supporting thousands of employments in the country (The World Bank, 2021a). What is more, the prosperity of

Cambodia's small and medium-sized enterprises (SMEs) sector is essential to the growth and advancement of the nation's economy. As a result, the increasing sector performance will thus be essential to overcoming the economic obstacles in 2020 and 2021 (International Trade Center, 2022).

In addition to this, SMEs in the food industry sector have also played significant roles in Cambodia's economy in the past decades. For instance, SMEs in the food sector have contributed to the country's economy by creating more jobs, raw materials purchasing for production, exporting products, and having shared in increasing GDP (Kimseng & Chareounsdajai, 2017). As SMEs and SMEs in the food industry sector is a major part of driving the nation's economic growth, government agencies, private institutions, NGOs, and other enterprise support organizations are looking for strategies that will be able to increase its performance, resilience, and increase profitability. For instance, the National Strategic Development Plan 2009–2013 placed a strong emphasis on supporting SMEs in the food for export and assisting them in becoming a part of global value chains (Royal Government of Cambodia, 2010). Moreover, a National Strategic Development Plan (NSDP) was developed in order to deepen the developments, modernize SMEs, encourage entrepreneurship, engage in investment, and boost exports (Royal Government of Cambodia, 2019). What is more, the SME Committee under the Committee of Economic and Finance Policy was authorized in order to lead, formulate and approve policy actions, strategies to promote SMEs particularly in food industry sector, encouraging local commerce, productivity, reliability, science, innovation, strengthening connections to global and international markets, and facilitating the development of human resource capacity. Despite from a successful growth over the past decade, and from additional support from the Royal Government of Cambodia, NGOs, and others private sectors, the industrial sector in Cambodia especially SMEs

in food industry sector remain weak in term of entrepreneurship (Royal Government of Cambodia, 2015). Moreover, the SMEs in Cambodia particularly in the food industry sector had worse performances and experienced decrease their profits (Thy, 2021).

SME's entrepreneurs should have proper performance measurement in order to keep sustain and improve short-term and long-term performance (Ates, Garengo, Cocco & Bititci, 2013). As well as that, performance measurement is the procedure of measuring actual results that have been accomplished or the end goals of operating business activities, as well as the average of the means of achieving those results as represented by in-process measures (Harbour, 2009). Furthermore, Tonchia & Quagini (2010) revealed that Performance measurement is a crucial aspect of business management since it enables a comprehensive understanding of the past performance, the current position, the desired future state, the criteria for evaluating our progress towards the intended goal. In the past two decades, there are many studies and research related to performance measurement of SMEs. These studies have address difference perspective both financial and non-financial perspectives such as finance, quality, human resource, customer perspective (Ahmad, 2014; Ahmad & Zabri, 2016; Kotane, 2015; Sondakh, Christiannata, & Ellitan, 2017; Adomako & Danso, 2014). These studies have obviously proposed and used the performance measurement that measures the business operation and profits of SMEs. However, there is very few studies focused on the performance measurement that affect the business profits of SMEs in the food industry sector.

For this reason, the researcher is aimed to study this topic in order to fill the gap. In addition, the result of this study might be useful for SME's entrepreneur in the food industry sector not only in Cambodia but also in the ASEAN countries that used performance measurement in the same business

manner. Thus, the results of this study would be utilized as guideline to monitor the business operations and profits among SMEs, especially in the food industry sector. Apart from that, the results of this study would be used to assist and ease the stakeholder such as government, NGOs, private sectors, and association related to form the policies support and implementing strategies for assists SMEs in the country.

Objectives of the research

The objective of this study is:

- 1) To find out the performance measurement that affects business profits of SMEs in food industry sector in Cambodia.
- 2) To propose the findings as guidelines to monitor business operations and profits among SMEs, especially in the food industry sector.

Literature Review

To study the performance measurement that affects SMEs' business profits in food industry sector in Cambodia, the researcher investigates the relevant definitions, theories, and concept of performance measurement that related to business profits in order to build the research conceptual framework in this section.

Small and Medium-Sized Enterprise in Food Industry Sector

In Cambodia, the government has classified the meaning of small and medium-sized enterprises by the number of employees, the annual sale turnover and/or the productive assets. For small and medium-sized enterprise in food industry sector is definite as in table 1.

1. The Classification of Business profits

Ruangchoengchum (2017) pointed out that the net profit of small and medium-sized enterprises can be divided into five levels base on the annual net income generated annually:

- 1) Net profit more than 15% (strong profit)
- 2) Net profit between 11% - 15% (normal profit)
- 3) Net profit between 8% - 10% (not strong profit)
- 4) Net profit between 5% - 7% (poor profit but still have fund to supports)
- 5) Net profit less than 5% (getting lose and lose fund to survive)

2. Performance Measurement

Performance measurement as the process of evaluating the effectiveness and efficiency of previous actions that the business has been accomplished or performance measurement is the process of gathering, analyzing, and reporting data on how well a certain activity is performed. Moreover, the purpose of performance measurement is to provide insights into performance and enable decision-makers to make informed decisions based on data. It can help organizations to identify areas for improvement, track progress, and make informed decisions about resource allocation (Neely, Adams and Kennerley, 2002). Apart from that, Taticchi (2010) stated that performance measurement is the language of development. It reveals the organization's status and direction. It serves as a tool for determining if the organization is on track to meet its goals. Also, performance measurement is an essential tool to drive businesses performance and declare to be satisfied with the effectiveness of their today operation systems that affect business profits and owner or manager must consider different aspect of performance measurement in SMEs business (Simons, 2014; Parmenter, 2020).

Similarly, Chumphong, Srimai, & Potapiroon (2020) stated that measurements of performance enable the company to comprehend business effectiveness, perceive existing circumstances, and evaluate the efficacy of the plans and degrees of financial success.

3. Performance Measurement Related to Business Profit

Simons (2014) stated that SME entrepreneurs must consider different aspect of performance dimensions in businesses such as customer satisfaction, product quality, human resource, suppliers, time and most importantly is financial dimension. These performance measurements are the key factors that determine the business profits.

Harbour (2009) pointed out that the performance measures should be custom designed to fit the enterprise's unique needs and correlated to their business and financial growth. However, the key components of performance that correlated to the growth includes quality, time, cost customer satisfaction, suppliers and safety of employees.

Moreover, performance measurement is the indicator of outcome in each area of business that measures the key success achievement that associated to the business profits and those indicators are both financial and non-financial (Hudson, Smart & Bourne, 2001; Garengo, Biazzo & Bititci, 2005; Ahmad, 2014; Ahmad & Zabri, 2016; Kotane, 2015; Maduekwe & Kamala, 2016; Ruangchoengchum (2017), Sondakh et al., 2017)

In addition, in order to gain financial success and survive in the tough competitive market, the SMEs entrepreneurs must advance the competencies in term of entrepreneurship, human relationship and business administration. Indeed, the human relations competences were found to have a significant influence on the financial success of SMEs and the good

performance of SMEs is related with the strong entrepreneurship (Amed, Halim, & Zainal 2010; Tonvongval & Tantivong, 2020). Apart from that, entrepreneurs should build strong financial literacy in order to manage their cash and capital effectively (Pattarabanjird, 2016). Furthermore, retaining and acquiring customers is a key driver of profitability for businesses (Hill, Self, and Roche, 2002).

Thus, from the literature review, the researcher determined the independent variables of performance measurement that linked to business profits such as quality, time, capital, labor, and customer satisfaction. In addition to this, the researcher will use these independent variables to create the control variables that related with the business profits of SMEs in the food industry sector in Cambodia. Indeed, each independent variable is established different control variable as shown in the table 2.

Business Operation

Business operations refer to the activities and processes that a company engages in to produce and deliver its products or services. It refers to all activities that relate to the creation of goods and services through the transformation of inputs to outputs. It encompasses all day-to-day functions and tasks necessary for running a business and generating revenue (Heizer & Render, 2014). In addition, in order to create goods and services, all organizations perform three functions. These functions are the necessary ingredients not only for production but also for an organization's survival. They are: 1) Marketing: generates the demand, or at least takes the order for a product or service, nothing happens until there is a sale. 2) Production and operations: how the products are created. 3) Finance and accounting: tracks how well the organization is doing, pays the bills, and collects the money.

Similarly, Stevenson (2021) stated that business operations refer to the activities, processes, and systems that a company undertakes to produce goods or services and deliver them to customers. It involves the day-to-day activities that keep a business running and encompasses various functions within an organization, such as production, finance, distribution, sales, customer service, and administrative tasks. Business operations are crucial for achieving the overall objectives of a company. Moreover, the effective management of business operations is essential for improving efficiency, reducing costs, enhancing customer satisfaction, and achieving business objectives. Continuous evaluation, optimization, and adaptation of operations are important to keep up with changing market conditions and customer demands.

Thus, from these concept and theory, the entrepreneurs must monitor these functions well in the areas of operation/production such as quality, marketing such as creating demand and build customer satisfaction, and the finance such as cost, expenditure and so forth in order to have the smooth business operation and sustain the growth of the business in the challenge environment.

Research Conceptual Framework

The conceptual framework of this research is derived from literature reviews and related research of performance measurement in small and medium-sized enterprises that related to business profits (Ahmad, 2014; Garengo et al., 2005; Hudson et al., 2001; Kotane, 2015, Taticchi, 2010; Simons, 2014) and the seventeen variables of performance measurement created by the researcher. Thus, the conceptual framework defined as shown in figure 1. Apart from this, from the performance measurement dimensions of 17 variables, the researcher proposed the hypothesis:

Hypothesis: The business profits of SMEs in the food industry sector depends on performance measurements.

Research Methodology

This study was conducted using a quantitative research methodology. The research methodology, which includes data collection method, determining the sample size, and data analysis approach will be discussed in this section as follow:

1. Data Collection

The researcher chose Phnom Penh capital city, Cambodia as the area of this study. This area is the hub of economic, industrials, cultural, business center and the place where most of manufacturing business is located especially small and medium-sized enterprises in food industry sector (Rastogi, 2017). According to the Ministry of Industry, Science, Technology & Innovation official registered numbers, there are 5,504 SMEs in manufacturing sector in Phnom Penh in 2022. Beside this, there are 1,210 SMEs businesses in food industry sector. Thus, the data was collected from owners or managers of this population. In addition, questionnaires are used as a research tool to collect data of this study and respondents were asked to indicate their opinion to the statement of each performance measurement in a structured questionnaire with 5-point Likert scales (Sekaran & Bougie, 2016).

2. Sampling

The samples used in this study are the owners or managers of small and medium-sized enterprises in the food industry sector in Phnom Penh, Cambodia. In addition to this, they are randomly selected from the population of 1,210 owner or manager (Cooper & Schindler, 2014).

To determine the sample size, the researcher follow the formula of Cochran (1977, as cited in Bartlett, Kotrlik and Higgins, 2001). The researcher has set the alpha level at .05 and has set the level of acceptable error at 5% and has estimated the standard deviation of the scale as 0.5. Thus, the sample size formula for categorical data is as follow:

$$\text{Formula: } n_0 = \frac{(t)^2 (p)(q)}{(d)^2}$$

Where: t is the value for selected alpha level of 0.25 in each tail = 1.96
 $(p)(q)$ is the estimated variance = .25
d is the acceptable margin of error for proportion being estimated = 0.5

$$\text{Thus, } n_0 = \frac{(1.96)^2 (.5)(.5)}{(0.5)^2} = 384$$

Therefore, for a population of 1,210, the required sample size is 384.

However, since this sample size exceeds 5% of the population ($1,210 * .05 = 60$), thus, Cochran (1977, as cited in Bartlett et al., 2001) correction formula should be used to calculate the final sample size. These calculations are as follows:

$$n_1 = \frac{n_0}{1 + n_0 / \text{Population}}$$

Where: Population is 1,210

n_0 is required return sample size according to
Cochran's formula = 384

n_1 is required return sample size because sample >
5% of population Thus, the final sample size calculation is as follow:

$$n_1 = \frac{384}{1 + 384/1,210} = 291$$

3. Reliability Test

To check the quality of the questionnaire, the researcher had checked the quality by finding the confidence value of the questionnaire (reliability) by evaluating from the Alpha Coefficient. The researcher applied a pilot test to examine the reliability of the questionnaire and questionnaire is tested with 30 respondents.

In order to ensure that the research questionnaire is reliable, the value of Cronbach's Alpha Coefficient must be at least not less than 0.7. Sekaran & Bougie (2016) recommended that, the questionnaire confidence has an alpha coefficient less than 0.6, it is considered Poor, 0.7 is considered Acceptable, and greater than 0.8 is considered Good.

The test result was found that the coefficient was 0.825, which is correlated with Cronbach's theoretical reliability coefficient of Cronbach alpha should not be less than 0.70.

4. Data Analysis

To analyze the data, the researcher using Statistical Package for the Social Sciences (SPSS) for Mac version 28.0.0.0 (Khon Kaen University's License).

In addition, to study the performance measurement of SMEs in food, beverage and tobacco industry in Phnom Penh, Cambodia, the descriptive statistics were used to identify the arithmetic mean (AM) and standard deviation (SD). Furthermore, by applying the average score for each level on a statistical basis, the examined data were evaluated and divided into numerous comment levels. Following the wide interval computation. The average level of opinion was determined in table 3.

Beside this, in order to study the performance measurement that affects business profits, the researcher utilized the multiple discriminant analysis technique. Multiple discriminant analysis (MDA) is the appropriate multivariate technique if the single dependent variable is multichotomous and nonmetric. This method is suitable in situations in which there are several metric independent variables (Hair, Black, Babin, & Anderson, 2014). Discriminant analysis involves deriving a variate. The variate for a discriminant analysis, also known as the discriminant function, is derived from an equation much like that seen in multiple regression. It can be represented by the following formula:

$$Z_i = a + W_1X_1 + W_2X_2 + \dots + W_nX_n$$

Where: Z_i is the discriminant Z score of discriminant function
 a is the intercept or the constant that shifts the discriminant score
 W is the discriminant weight for each independent variable
 X is the independent variable

By applying the stepwise estimation method in multiple discriminant analysis, the researcher groups the independent variables into group and the set the range of dependent variable range from 1 to 5 based on the range of business profits of SMEs in food industry sector.

In addition, the researcher set the significant at 0.05. The independent variables that have the significant value greater than 0.05 will be removed from discriminant function's equation.

Lastly, data analysis was based on the content analysis to propose the findings as guidelines to monitor business operations and profits among SMEs, especially in the food industry sector. The guidelines will help entrepreneurs in SMEs, especially in the food industry sector, monitor their business operations and profits in order to survive, sustain, and grow their businesses in a competitive environment.

Results

In this section, the researcher will interpret the outcome of this study as below:

1. Performance measurement that affects business profits of SMEs in the food industry sector

- 1.1 The performance measurement

In overall, the researcher found that the SMEs' entrepreneur in this sector had the performance measurements at very high and high level almost all variables especially in the area of quality and human resource. However, the results showed that in investment such as inventory, profits, cash flow, revenue, and expenditures were at medium level. Moreover, the customer satisfaction such as customers' complaints, product return and user problems were also at medium level as showed in table 4.

1.2 The business profits

In this section, the researcher illustrated the business profits. The business profits of SME in the food industry sector were found to be in four groups as shown in figure 2.

In addition, the results showed that, there are 7.22% were poor net strong, 38.83% not strong net profit, 32.65% normal profit and 21.31% were strong net profit.

1.3 Performance measurement that affects business profits

From the results of performance measurement and the business profits, the researcher used the multiple discriminant analysis to elucidate the performance measurement that affects business profits of SMEs in food industry sector in Cambodia.

The researcher grouped the control variables into group based on its independent variables (predictors) such as quality (product quality, suppliers, defects, waste), time (delivery time, work in process), capital (expenditure, inventory, profit, and cash flow, and revenue), customer satisfaction customers' complaints, product return and user problems), and labor (employee turnover, work safety, and staff training).

The results of the test of equality of group means showed that the performance measurements that, there are two independent variables that affects business profits of more than 15% namely capital and customer satisfaction as these two independent variables had the significant value 0.04 and 0.07 respectively.

In addition, to check the reliability of the outcome, the researcher found the test results had the significant value equal 0.61 which greater than 0.05. Thus, the results were accepted.

By using the multiple discriminant analysis, the researcher stated the equation as below. Noted that, the other three independent variables such as quality, time, and labor were excluded from the equation as they had the significant value greater than .05. Hence, the equation could be written as:

$$Z_i = a + w_1 \text{capital} + w_2 \text{customer satisfaction}$$

Where: $i = 1, 2, 3, 4$ is regarded as the performance measurements that affect business profit with the ensuing classifications: strong net profit (over than 15%), normal net profit (11-15%), not strong net profit (8-10%), and quite poor net profit (5-7%) respectively.

According to the canonical discriminant function coefficients, there are three equations could be written as below:

Equation 1: The performance measurement that affects business profit $>15\%$ could be written as:

$$Z_1 = -2.065 + 0.675 \text{ capital} + 1.043 \text{ customer satisfaction}$$

Equation 2: The performance measurement that affects business profit between 11- 15% could be written as:

$$Z_2 = -7.288 + 1.192 \text{ capital} - 0.968 \text{ customer satisfaction}$$

Equation 3: The performance measurement that affects business profit between 8-10% could be written as:

$$Z_3 = -7.171 - 0.995 \text{ capital} + 0.922 \text{ customer satisfaction}$$

From the equation written above, there are two dimensions of performance measurement that affects business profits, capital, and customer satisfaction. These results support the Hypothesis: The business profits of SME in the food industry sector depends on performance measurements. The guidelines will generally outline specific requirements for the results or findings in the next section.

2. The propose of the findings as guidelines to monitor the business operation and profits among SMEs, especially in the food industry sector

Based on the result of the first objective, the researcher would like to propose some guidelines for entrepreneurs of SMEs, especially in the food industry sector as follow:

1) The entrepreneurs should pay attention more on capital performance as the result found that there was at the medium level of opinion in each dimension includes: inventory (should be specific with the amount of raw materials needed in production in order to not over purchasing, over stocking or adopt Just-in-Time or Lean Inventory Principles), expenditure (should be carefully expense on the needed stuffs, monitor and optimize inventory, control overhead expenses, track and analyze expenses), cash flow (should create a cash flow forecast, monitor and track cash flow, control accounts payable, and accelerate inflows), revenues (should set revenue goals, improve sales, focus on customer acquisition and retention, price products strategically and so forth).

By effectively managing these dimensions, entrepreneurs can enhance profitability, support business growth, and be able to achieve long-term success.

2) The entrepreneurs should take customer satisfaction into account as this performance was also found to be at the medium level as well such as: product return (entrepreneurs should establish clear return policies, provide excellent customer service, ensure product quality and accuracy and so forth) and customer problems (entrepreneurs should find a solution, prompt response, and learn from feedback and so forth).

By addressing product return and customer problems, it would contribute to increased customer loyalty and satisfaction and lead to building stronger customer relationships and enhancing the business's reputation and profit. In the next section, the researcher will address the discussion and conclusion of this study.

Discussion and conclusion

Performance measurement is very crucial for SME's growth, success, and sustainability. It can help entrepreneurs identify areas for improvement, track progress, monitor the current performance and set the strategy for future goals. Hence, the outcome of this study lead to the following discussions.

First, the entrepreneurs in the food industry sector had the very high and high level of opinion of performance in terms of product quality, waste, supplier, work safety. Furthermore, at the high level of opinion such as defect, delivery time, work process, customer complaints, employees' turnover, and staff development.

However, the entrepreneur in this sector seems to be perform not well in term of capital and customer satisfaction as the results showed at the medium level of opinion. These results were consistence with the finding by Ruangchoengchum (2017), Ahmad & Zabri (2016). In addition, these findings were consistence with the finding of Anggadwita & Mustafid (2014) which revealed that the better performance of SMEs is mainly come from the competency of human and the entrepreneurship in the organization.

Based on these results, the entrepreneurs should consider of utilizing the concept of OEE (Overall Equipment Efficiency or Overall Equipment Effectiveness). This concept of OEE finding confirms with the previous studies or body of knowledge such as Muchiri & Pintel, 2008; Tsarouhas, 2019 that found that the OEE can help entrepreneurs measures the performance of equipment or a production process by assessing its availability, performance, and quality. By considering these three factors and calculating their respective ratios, OEE provides a comprehensive assessment of how effectively equipment is being utilized and how efficiently it is producing high-quality output. OEE can be used to identify areas for improvement, track progress over time, drive operational excellence in the organization. Thus, entrepreneurs can achieve high performance in business operation and enhance business profits as well.

Second, the results showed that performance measurements, capital and customer satisfaction affect business profits of five level. These finding consistence with perception of Amed et.al. (2010), Tonvongval & Tantivong (2020) which revealed that financial success and financial sustain of SMEs depends on entrepreneurs' competencies in term of entrepreneurship and human competences. These two competencies have significant effects in the areas of customer relations, cost reduction, increase sales, revenues, and profits. Besides, the finding of this study has not just filled the gap of performance measurement that affects business profits in the food industry sector that has not been previously explored in the literature but also answered to the research objective of performance measurement that affects business profits. The outcome of this study clearly defined that capital and customer satisfaction were the two performance measurements that affects business profits of SMEs in the food industry sector.

Third, the propose of this study will help and ease the SME entrepreneurs, especially in the food industry sector convenient in monitoring their business operation as well as monitoring their business profits. By utilize some of the tools that mentioned, SMEs entrepreneurs would gain some concepts and ideas to monitor the business and would gain more competitive advantage and sustain the business as well Pattarabanjird (2016).

In conclusion, the result of this study illustrated that, the entrepreneurs of SMEs in the food industry sector will be able to gain success of business profits if they monitor the performance measurement in terms of capital and customer satisfaction into account, as these two performance measurements affects their business profits of over 15% or more. The entrepreneurs of SMEs in food industry sector should be explicit focus on the capital performance in order to reduce expenses, and effectively manage inventory and cash. Apart from that, the entrepreneurs must focus on customer satisfaction by do customer satisfaction survey to gather feedback from customers to improve the products or services and provide additional services to customers in order to build good relationship with customer, retain existing customer and acquires new customers (Hill et al., 2002).

Overall, the results of this study revealed that performance measurements are very crucial tools for monitoring the business performance, gauging the performance, pinpoint opportunities for improvement, and identifying problems. The result of this study alerts the SMEs entrepreneurs in food industry sector should focus and pay attention more on the capital and customer satisfaction as both dimensions affects the business profits.

Suggestion

1. Suggestion this study results

The entrepreneurs in the food industry sector should be focus more on the performance measurement such as expenditure, inventory, profit, revenue, cashflow, product return, customer problem as these were found at medium level of opinion. The entrepreneurs must carefully monitor these performance indicators and pay attention on expending on unnecessary stuffs, not over stocking, over purchasing and focus on customer fulfillments. These will lead to build and keep sustain the business. As the finding of this study, entrepreneurs must thoughtfully in controlling their capital as it related to finance, and it is the main blood in order to continue operating the business. Customers on the other hand must carefully fulfill their needs, retain them, make good relationships with them, and acquire new groups of customers as many as possible. By doing so, the entrepreneurs will be able and have more chances to sustain the business profits in the competitive market environment.

2. Suggestion for further Study

The limitation of this study is that the researcher used quantitative methodology to gather all the information. It is vital to keep in mind that entrepreneurs could be used alternative dimensions of performance measurement that are more pertinent to their daily operations. Thus, qualitative methods should be used for identified the performance dimension that SMEs' entrepreneurs used in their business.

In addition, this study focused on performance measurement that affect business profit. Thus, further study should address the external factors or obstacles that affect business profits among SMEs in food industry sector.

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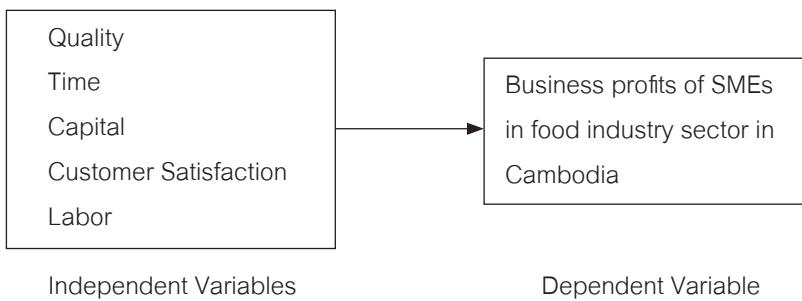


Figure 1 Research Conceptual Framework

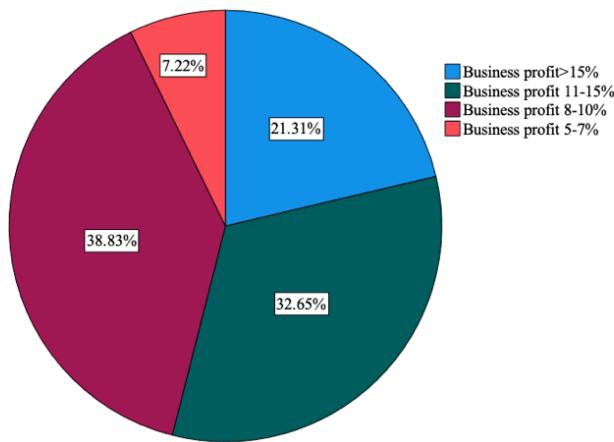


Figure 2 Business profit of SMEs in the food industry sector

Table 1 The definition of small and medium sized enterprise in food industry sector

Sector	Number of employees		Annual Sale turnover (US Dollar)		Assets (US Dollar)	
	Small	Medium	Small	Medium	Small	Medium
food industry sector	5 - 49	50 - 199	62,500 - 400,000	400,001 - 2,000,000	50,000 - 500,000	500,001 - 1,000,000

Source: Khmer SME (2023)

Table 2 Seven variables of performance measurement that related to business profits of SMEs in food sector

Independent Variables	Control Variables	Total of Variables
Quality	product quality, waste, defects, and suppliers	4
Time	delivery time, work in process	2
Capital	expenditure, inventory, profit, and cash flow, and revenue	5
Customer Satisfaction	customers' complaints, product return and user problems	3
Labor	employee turnover, work safety, and staff training	3
Total Variables		17

Table 3 Criteria for interpreting mean factors

Average	Interpretation
Average of 4.00 to 5.00	Very high-level opinion
Average of 3.50 to 3.99	High level opinion
Average of 3.00 to 3.49	Medium level opinion
Average of 2.50 to 2.99	Low level opinion
Average of 1.00 to 2.49	Very low-level opinion

Table 4 Performance measurements of SMEs in the food sector

Performance measurement Dimension	\bar{X}	S.D.	Opinion level
Product Quality	4.29	.63	Very high
Waste	4.38	.55	Very high
Suppliers	4.14	.58	Very high
Defects	3.77	.62	High
Delivery time	3.79	.59	High
Work in process	3.75	.52	High
Expenditure	3.06	.87	Medium
Inventory	3.34	1.02	Medium
Profit	3.27	.89	Medium
Cash flow	3.03	.92	Medium
Revenue	3.08	.90	Medium
Customer complaints	3.95	1.04	High
Product return	3.39	.97	Medium
Customer problems	3.43	.89	Medium
Employee turnover	3.96	.75	High
Work safety	4.47	.63	Very high
Staff development	3.91	.71	High