The structure - conduct – performance paradigm: An empirical analysis of Cameroon firms

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ABSTRACT

The major objective of this study was to examine the structure, conduct and performance (SCP) paradigm in a holistic stand point of Cameroonian firms. This was done using the enterprise survey data carried out in 2016 by the World Bank in Cameroon. The multiply linear regression model was used and the results showed that the structure of the market has a negative impact on the performance of the firm, and that the behavior of the firm or conduct has a positive impact on the performance of the firm. Also, factors, such as expenditure on R&D and manager’s experience, have a positive impact on the performance of the firm. These findings have implications to enhance performance, where a competing strategy for firms should be implemented and also both local and central governments should implement educational policy to brainstorm with owners of firms on the different operational structures of the market and the behavioral pattern to follow.

Key words: SCP, linear regression model, Cameroon and firms.

INTRODUCTION

The relationship that exists between firm’s behavior and market structure has become a central point of focus in the field of industrial organization. The emphasis on firm’s behavior and market structure is largely influenced by the work of a group of economists in the 1930s. The SCP paradigm became the dominant framework for empirical work in Industrial Organization between the early 1950s until the early 1980s. The origin of the SCP paradigm can be traced to the work of the Harvard economist Edward Mason in the 1930s.

The theoretical work of Mason’s colleague; Edward Chamberlin provided inspiration for both Mason and his student Joe Bain to study empirically how pricing and production policies of firms are determined. Mason (1939: 63)’s starting point was that market share is important in determining production and pricing policy of a firm. Mason argued that empirical analysis is essential to ensure that the theories of firm are useful. This is because theories are based on mathematical constructs such as demand and cost functions which are not ascertainable. Thus, it is not that theories are not important; rather their relevance cannot be determined without empirical observations. This leads to the question of the set of empirical observations that are useful. Interestingly, Mason argued that the price and production decisions of a firm are influenced by both the internal organization of the firm and market structure.

Also, in a study, Tabi and Nzongang (1990) tested empirically the Structure - Performance hypothesis within the context of the Cameroonian Commercial banking system. The analysis is based on cross-sectional data collected from three dominant banks over the period from 1987 to 1999. Three accounting measures of a bank’s performance were utilized: return on capital (ROC), return on assets (ROA) and return on equity (ROE). The results
indicate that the market concentration power is of paramount importance in the determination of bank profitability.

Small and medium size enterprises (SMEs) are vital for the growth and development of every economy (World Bank, 2009). They create employment and this makes it necessary for these SMEs to create a suitable environment that provide the conditions they need for their growth (Farrell et al., 2008).

Therefore, the major objective of this study was to examine the structure, conduct and performance (SCP) paradigm in a holistic stand point of Cameroon. This will enable us to put in place policy recommendations that could help boast the SCP hypothesis which of course will encourage more entrepreneurial engagements and all their positive outcomes. The remaining parts of this study include: conceptual framework, the review of literature, methodology of the research, data analysis and result, and then conclusion.

CONCEPTUAL FRAMEWORK

The Structure- Conduct- Performance (SCP) Paradigm comprises three major elements:

1. Market structure: It has different meanings depending on the type of market or industry and the objectives of the research. Market structure refers to the organizational characteristics of a market, such as the volume and distribution of capital, production, and employment among the units in the industry or sector. However, structure may go beyond this to include the concentration level in the industry or sector as well as the main factors or determinants influencing it, such as barriers to entry, market growth or product differentiation. The variables mostly used to capture and measure market structure are seller concentration, degree of product differentiation and barriers of entry. Baumol (1982) describes market structure as the organizational and other characteristics of a market. These characteristics affect the nature of competition and pricing.

2. Conduct: This refers to the behaviour of firms under a given set of circumstances and is normally determined by the structural characteristics of industry. Bain (1950) identified market conduct as “patterns of behaviour that enterprises follow in adapting or adjusting to the market in which they sell”. Although industry conduct cannot be directly and accurately measured, some variables can be used to measure various aspects of the latent variable more accurately. The variables that are mostly used to capture firm behaviour include pricing strategies, collusion, advertising, research and development and capacity investment.

3. Performance: Baldrige (2010) refers to performance as output results and their outcomes obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance can be expressed in non-financial and financial terms. Alternatively, market performance can be considered as an appraisal of how much the economic results of an industry's market behaviour deviate from the best possible contribution it could make to achieve some specified goals of the economy.

A full appraisal of market performance of industries is difficult because performance has many dimensions. Nonetheless, certain broad aspects of market performance are important in all industries. We may measure an industry's performance by looking among others, at its technical efficiency, allocative efficiency, and the size of selling costs in relations to sales revenue.

The SCP paradigm posits specific causal relationships between market structure, conduct and performance. In particular, market structure determines conduct and conduct in turn determines performance: Structure - Conduct - Performance.

LITERATURE REVIEW

Theoretical review

The performance of firms which is commonly measured by profitability has hovered around some theories. Among these theories are the structure-conduct performance (SCP) paradigm, relative market performance hypothesis (RMPH), efficient structure hypothesis (ESH), the quiet-life hypothesis, the X-efficiency hypothesis (XEFF) and the scale-efficient firm hypothesis (SEFF).

The structure-conduct performance (SCP) paradigm and the efficient structure hypothesis (ESH) emanated from the earliest industrial organization theories in industrial economics and constitute both structural and non-structural approaches for examining the correlation between market structure and firm performance (Seelanatha, 2011). The SCP paradigm posits that market concentration promotes collusion among large firms in an industry and consequently aids higher profitability. It thus implies that market concentration tends to have favourable and direct impact on firm’s performance (Goldberg and Rai, 1996; Worthington et al., 2001). The SCP model is culled from the neoclassical theory.

The relative market performance hypothesis (RMPH) is an outgrowth of SCP paradigm. It submits that only firms
that control large market share and offer well-differentiated products gain market power required to increase their profits through the adoption of non-competitive price-setting strategies (Berger, 1995). Meanwhile, the efficiency structure hypothesis (ESH) offers a clearer perception of the possible relationship between market structure and firm performance. The ESH posits that when efficient firms behave aggressively in the market, their market shares and size improve. These foster their political strength, aid their ability to control prices and output, and eventually maximize their profits in their respective market (Lloyd-Williams et al., 1994). It also lays credence to the positive association between concentration and profit, which emanates from highly efficient production processes and management that lower costs of production.

On the other hand, the quiet-life hypothesis holds the assumption that individuals in charge of firms with relatively large market shares tend to trifle with efficiency in the use of resources while merely relying on their price-setting power for profit maximization (Punt and Rooij, 1999). Owing to this view, large firms will make use of their market power quietly and tactically for realization of profit. This is achieved without paying due attention to efficiency and productivity.

The scale-efficient firm (SEFF) hypothesis argues that when firms operate at an optimal scale of production, they lower their costs relative to others thereby obtaining higher profits while retaining higher market share. In addition, this view relates to the heterogeneity in economies of scale of production among firms. However, X-efficiency (XEFF) hypothesis suggests that differences in firm profitability are due to technical efficiency as well as superiority in management and production relative to others (Seelanatha, 2011).

Apart from the aforementioned hypotheses, other two broad theoretical approaches are quite relevant in studying the firm performance. These are the resource-based view (RBV) and the market-based view (MBV). The resource-based view centers on firm-specific resources employed by the business organization to increase its performance and earn more profit. However, the market-based view emphasizes firm’s environment and the features of the market (Lazar, 2016).

**Empirical literature review**

Much effort has been made in literature to establish the SCP hypothesis and efficiency hypothesis in the factors that determines firms’ performance. Most of these studies have given different results thus leading to divergent conclusions.

Ebenezer and Ogunleye (2016) carried out a study on the Relevance of Structure, Conduct and Performance Paradigm in the Nigerian Banking Industry. The main objective of the study was to examine the structure, conduct and performance (SCP) paradigm within the context of the Nigerian banking industry. The analysis was based on data collected from the annual report of twenty commercial banks listed in the Nigeria stock exchange; and Central Bank of Nigeria’s between 2005 to 2008. The study employed “Hausman specification test" which is also known as indirect least squares (ILS) to test for the simultaneity among the three variables in the model and Durbin-Watson test to detect the degree of autocorrelation among these variables. The results of these findings shows that, there is a positive relationship between the bank performance (profitability) and some of the variables under consideration (market share, index of market concentration, risk management and customer’s deposit) whereas, loan disbursement was negatively related to profitability.

Chirwa (2003) investigated the relationship between market structure and profitability of commercial banks in Malawi using time series data between 1970 and 1994. They used time-series techniques of co-integration and error-correction mechanism to test the collusion hypothesis to find out whether a long-run relationship exists between profits of commercial banks and concentration in the banking industry or not. The results show that a long-run relationship exists between profitability and market structure in Malawian banking. The collusion hypothesis is strongly supported by the positive and significant relationship between commercial bank profitability and concentration in Malawi.

In Nigeria, Ugwunta et al. (2012), in their study, applied a time-series regression analysis to a ten-year data period (2001-2010) to evaluate the relationship and the impact of banking sector structure, other explanatory variables on bank performance. Significant findings showed that the Nigerian banking sector is oligopolistic in structure and that market concentration positively and significantly impacts on bank performance. These results suggest that market concentration is a major determinant of bank profitability in Nigeria.

Grinyer and Mckiernan (1991) examined the determinants of profitability for a sample of 45 UK electrical companies using multiple regression analysis. The result showed that growth of sales, working capital, market share, decentralization and capital intensity are the most significant factors determining firms’ profitability.

Gilbert (1984) reviewed a considerable number of studies on the relationship between performance and market structure in the Banking industry. He concluded that about fifty percent of the reviewed studies showed statistically significant relationship between performance and market structure. However, of these studies with
statistically significant coefficients on market concentration, estimates of the effect of changes in the concentration ratio on the performance measures were economically very small.

Bourke (1989) investigated the factors that are likely to influence the performance of the commercial banks in Europe, North America and Australia. He used samples of 90 banks between the periods of 1972 and 1981. His results showed that liquidity ratio, concentration ratio and growth of money supply in each country are significant in determining commercial bank’s profitability. Molyneux and Thornton (1992), in applying the model used by Bourke (1989), conducted a study on banks in eighteen European countries. They used standardized accounting data published by the International bank credit Analysis Ltd (IBCL) to account for differences in accounting policies. The results showed a strong positive relationship between concentration and each of the six measures of performance.

Bhatti and Hussain (2010) examined the relationship between market structure and performance in the banking sector using data from Pakistani commercial banks, with a sample of 20 commercial banks incorporated in Pakistan using the annual and pooled data for a period of 9 years from 1996-2004. They concluded that there is a positive relationship between profitability and concentration, therefore, that market concentration determines the profitability in Pakistani commercial banks while concluding that there is a negative relationship between competition and profitability in the Pakistani commercial banks.

Chirwa (2003) investigated the relationship between market structure and profitability of commercial banks in Malawi using time series data between 1970 and 1994. They used time-series techniques of co-integration and error-correction mechanism to test the collusion hypothesis to find out whether a long-run relationship exists between profits of commercial banks and concentration in the banking industry or not. The results showed that a long-run relationship exists between profitability and market structure in Malawian banking. The collusion hypothesis is strongly supported by the positive and significant relationship between commercial bank profitability and concentration in Malawi.

Also, Tabi and Nzongang (1990) tested empirically the Structure - Performance hypothesis within the context of the Cameroonian Commercial banking system. The analysis is based on cross-sectional data collected from three dominant banks over the period from 1987 to 1999. Three accounting measures of a bank’s performance were utilized: return on capital (ROC), return on assets (ROA) and return on equity (ROE). The results indicate that the market concentration power is of paramount importance in the determination of bank profitability.

**METHODOLOGY**

**Modeling the structure-conduct-performance model**

To study the SCP model, we try to represent it by the behaviour of variables; this economic variable can on its own depend on other variables which we use to bring out a Mathematical relation. The study of an economic phenomenon always necessitate the introduction of many explicative variables, an endogenous variables (or the variable to be explained) is explained in function of many exogenous variables ( explicative variables).

The link that exists between the market structure and performance of a firm is a call for concern in the field of industrial organization. Functional relationships and associated multiple Regression models are specified for the firm's behaviour and market structure:

\[ \pi_{1i} = a_0 + a_1S_{1t} + \sum_{i=1}^{n} \varphi_iX_{1i} + \vartheta_{1i} \]

Where \( a_0, a_1 \) and \( \varphi_i \) are model coefficients denoting the effects.

\( S = \) market structure (barrier to entry and Expenditures on research and development ), \( \pi = \) performance of the firm \( \vartheta_{1i} \) is a random variable introduced to accommodate effects of other factors.

There also exists a relationship between firm’s behaviour and performance which need to be taken in to consideration:

\[ \pi_{2i} = \beta_0 + \beta_1C_{2t} + \sum_{i=1}^{n} \gamma_iX_{2i} + \vartheta_{2i} \]

Where \( \beta_0, \beta_1 \) and \( \gamma_i \) are model coefficients denoting the effects;

\( \pi_{2i} = \) performance of firms, \( C = \) behaviour of the firm;

\( \vartheta_{2i} \) is a random variable introduced to accommodate effects of other factors.

From the literature review in previous section, it is shown a relationship between the market structure, conduct and performance of SMEs in Cameroon. To investigate the relationship between these three concepts in Cameroon, the following equation was adapted based on the study of Berger (1995):
Table 1: Variables and measurement.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Measurement</th>
<th>Nature of the variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>ROE</td>
<td>Return on equity = net profits of firm divided by equity as proxy for performance</td>
<td>Independent</td>
</tr>
<tr>
<td>Age of firm</td>
<td>Age</td>
<td>Number of years of the firm from the start-up</td>
<td>Dependent</td>
</tr>
<tr>
<td>Experience of manager</td>
<td>Exp</td>
<td>Years of experience of manager when he/she started firm</td>
<td>Dependent</td>
</tr>
<tr>
<td>Product</td>
<td>product</td>
<td>The difference types of the products produced by the firms</td>
<td>Dependent</td>
</tr>
<tr>
<td>Markets</td>
<td>Markets</td>
<td>Showing the difference markets in which these products were sold</td>
<td>Dependent</td>
</tr>
<tr>
<td>Barrier to entry</td>
<td>Barrier to entry</td>
<td>Whether the firm faced obstacles with 1=Yes, 0=No</td>
<td>Dependent</td>
</tr>
<tr>
<td>Expenditures on research and development</td>
<td>Expenditure on R&amp;D</td>
<td>Which are the expenditures on research and development</td>
<td>Dependent</td>
</tr>
<tr>
<td>Conduct</td>
<td>Competition</td>
<td>These are the differences competing firms and their difference behavioral strategies</td>
<td>Dependent</td>
</tr>
<tr>
<td>Industries</td>
<td>Industries</td>
<td>Showing the difference industries</td>
<td>Dependent</td>
</tr>
</tbody>
</table>

Source: Authors’ conception using the 2016 enterprise survey.

\[ \pi_{3i} = \delta_0 + \delta_1 S_{3i} + \delta_2 C_{3i} + \sum_{i=1}^{n} \theta_i X_{3i} + \theta_{3i} \]

(3)

Where:
- \( S \) = market structure
- \( C \) = behavior of the firm
- \( X \) are other control variables and \( \delta_0, \delta_1, \delta_2, \theta \) are constants
- \( \theta_{3i} \) is the error term
- \( X \) = other factor that determines performance (Age of firm, Experience of manger, Product, Markets, Industries)

Data

The dataset used in this study is secondary data from the World Bank 2009 enterprise survey in Cameroon. In Cameroon, business owners and managers of 361 firms were interviewed from April through October 2016. The survey was carried out in 3 main towns in Cameroon: Douala, Yaoundé and Bafoussam. The enterprise survey was organized in two stages, in the first stage a telephone screening was organized to confirm eligibility and to schedule an interview. In the second stage, a face to face interview with a top manager of the firm was conducted. When needed, follow-up questions and corrections were implemented in person, by phone, through emails or web interface.

Variables

The Structure-Conduct-Performance (SCP) Paradigm comprises three major elements:

1. Structure refers to market structure. The variables that are used to describe market structure include seller concentration, degree of product differentiation and barriers of entry.
2. Conduct refers to a firm’s behavior. The variables used to capture firm behavior include pricing strategies, collusion, advertising, research and development and capacity investment. Some have interpreted conduct as whether firms collude or compete.
3. Performance refers to outcome or equilibrium assessed in terms of allocative efficiency. The variables mostly used to measure performance are profitability and price-cost margin (Table 1).

EMPIRICAL RESULTS

Descriptive statistics

Descriptive statistics of the survey data set showed that the mean value of the conduct or behavior was 213.714. The minimum value of conduct was 1, while the maximum was 277 with a standard deviation of 115.123. Also, the mean value of the expenditure on research and development was 12.301; minimum value was 10.819, while the maximum was 18.766 with a standard deviation of 0.717. Statistics equally showed that 54.8% of the individuals firms were restricted from entry the market with a minimum value of 0 and a maximum value of 1 with a standard deviation of 0.498. Further, the results showed that age had a mean value of 22.858 with a minimum value of 0 and a maximum value of 86 with a standard deviation of 19.773. Of the 361 individual interviewed, the mean value of industries was
The impact of structure and conduct on firm's performance: Regression results

From the results of the ordinary least square, the following is shown:

Model 1 shows the relationship that exists between market structure and firm's performance in Cameroon where by market structure is captured by the barriers to entry. The result shows that there exist a negative impact between barriers to entry and firm's performance, indicating that a unit increase in barrier to entry reduces firm's performance by 1.908 units and statistically significant at 10%. The nature of the product produce by the firms has a negative impact on the performance of the firm whereby a unit increase in the products produce brings about a 2.9% decrease in firm's performance and is statistically significant at 5% (Table 3). These results are in confirmation with those of Ebenezer et al (2016).

Model 2 shows the relationship that exists between conduct and firm's performance. The conduct result showed that there exist a positive impact between conduct and firm's performance. A unit increase in the behavior of a firm will lead to 0.30% increase in the firm's performance and these results are statistically insignificant. This is explained by the fact that the different strategies applied by the firms will increase their profitability which will lead to an increase in the performance of the firm. Also, barrier to entry has a negative impact on the performance of the firm where by a unit increase in barrier to entry will lead to a 2.8% increase in the profitability of the firm and is statistically significant at 5%.

Finally model 3 shows the overall results of the Structure-Conduct-performance paradigm. From the results it is shown that the conduct of a firm, that is behavior, will lead to a positive and insignificant effect on the performance of the firm. This indicates that a unit increase in the conduct of the firm will lead to a 0.309% increase in the performance of the firm. Furthermore, manager's experience insignificantly increases the performance of the firm by 8.04%. This is because when a manager has acquired a lot of experience, it increases his/her competences and skills of using profitable strategies and will avoid wasteful competition. The results of barrier to entry indicates that there exit a negative impact between barriers to entry and firm's performance, showing that a unit increase in barrier to entry reduces firm's performance by 1.908 units and statistically significant at 10%.

Finally the different products of the firm negatively affect the performance of the firm and a unit increase in the product will lead to 2.8% decrease in firm's performance which is statistically significant at 5% level.

DISCUSSION OF THE RESULTS

Even though some authors studied the SCP model in develop and developing world, literature in Cameroon is still lacking hence the objective of this study was to examine the SCP paradigm in Cameroon. This result contradict those obtained by Mustapha and Wakeel (2014) in the Nigeria banking sector which shows that market structure variables such as Market share and Herfindahl-Hirschman index are positively related with performance. Their result confirms the existence of structure-performance hypothesis within the Nigeria banking industry.

The result obtained shows that there exist a negative relationship between market structure and the performance of the firm and the negative nature of our results can be explained by the fact that barrier to entry can cause firm not to be competitive and as a result, it can lead to consumer exploitation.

Furthermore, the nature of the product produce in Cameroon has also a negative relationship with performance due to the fact that competition is limited because of the existence of monopoly which lead to the production of poor quality goods at a high price as compared with foreign products and which cause home consumers to prefer foreign products to home products, thus making the performance of the home industries to fall and becomes negative.

Also, the manager's experience has a positive impact on the firm's performance, indicating that as the manager gain more experience as years go by, the productivity of the enterprise increases and cost of production is been reduced. Thus this leads to an increase in the firm's performance and this results are justified by the fact that most Cameroonian managers are highly educated and due to the fact that the rate of unemployment is high making the labour market to be competitive and also the managers to acquire higher educational certificates and gain more experience which thus, increase performance. Experience square shows a negative effect on firm's performance. This indicates that as experience increases, it reaches a maximum where productivity is high and later falls leading to a drop in performance.

The age of the enterprise shows a positive relationship With firm's performance. The age of the enterprise shows a positive relationship with firm's performance. This
Table 2: Summary of descriptive statistics for the 2016 surveys.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct</td>
<td>361</td>
<td>213.714</td>
<td>115.123</td>
<td>1</td>
<td>277</td>
</tr>
<tr>
<td>Expenditure on R&amp;D</td>
<td>361</td>
<td>12.301</td>
<td>0.717</td>
<td>10.819</td>
<td>18.766</td>
</tr>
<tr>
<td>Barrier to entry</td>
<td>361</td>
<td>0.548</td>
<td>0.498</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Age</td>
<td>361</td>
<td>22.858</td>
<td>19.773</td>
<td>0</td>
<td>86</td>
</tr>
<tr>
<td>Age square</td>
<td>361</td>
<td>47.75</td>
<td>1.995</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Industries</td>
<td>361</td>
<td>44.736</td>
<td>14.458</td>
<td>15</td>
<td>72</td>
</tr>
<tr>
<td>Markets</td>
<td>361</td>
<td>4.775</td>
<td>1.995</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Experience</td>
<td>361</td>
<td>17.49</td>
<td>11.101</td>
<td>0</td>
<td>68</td>
</tr>
<tr>
<td>Experience square</td>
<td>361</td>
<td>428.803</td>
<td>505.738</td>
<td>0</td>
<td>4624</td>
</tr>
<tr>
<td>Profit</td>
<td>361</td>
<td>2.397</td>
<td>6.217</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Authors’ conception using stata 14 with the 2016 enterprise survey.

Table 3: Regression results of the impact of structure and conduct on firm’s performance.

<table>
<thead>
<tr>
<th>Variable</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ols1</td>
<td>Ols2</td>
<td>Overall</td>
</tr>
<tr>
<td>Conduct</td>
<td>0.00308(0.00551)</td>
<td>0.00309(0.00552)</td>
<td>0.0680(0.491)</td>
</tr>
<tr>
<td>Expenditure on R&amp;D</td>
<td>-1.908*(1.091)</td>
<td>-1.898*(1.083)</td>
<td>-1.905*(1.079)</td>
</tr>
<tr>
<td>Barrier to entry</td>
<td>-0.0289**(0.0139)</td>
<td>-0.0289**(0.0139)</td>
<td>-0.0288**(0.0139)</td>
</tr>
<tr>
<td>Product</td>
<td>-0.00978(0.0632)</td>
<td>-0.00835(0.0633)</td>
<td>-0.00898(0.0649)</td>
</tr>
<tr>
<td>Age</td>
<td>-0.00122(0.000655)</td>
<td>-0.00146(0.000658)</td>
<td>-0.000139(0.000677)</td>
</tr>
<tr>
<td>Industries</td>
<td>-0.0237(0.0536)</td>
<td>-0.0248(0.0543)</td>
<td>-0.0242(0.0543)</td>
</tr>
<tr>
<td>Markets</td>
<td>0.162(0.370)</td>
<td>0.0106(0.380)</td>
<td>0.00964(0.379)</td>
</tr>
<tr>
<td>Experience</td>
<td>0.0819(0.0743)</td>
<td>0.0802(0.0741)</td>
<td>0.0804(0.0747)</td>
</tr>
<tr>
<td>Experience square</td>
<td>-0.000831(0.00160)</td>
<td>-0.000791(0.00160)</td>
<td>-0.000784(0.00159)</td>
</tr>
<tr>
<td>Constant</td>
<td>5.792***(1.991)</td>
<td>5.892***(2.026)</td>
<td>5.037(6.534)</td>
</tr>
<tr>
<td>Observations</td>
<td>361</td>
<td>361</td>
<td>361</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.46</td>
<td>0.46</td>
<td>0.48</td>
</tr>
</tbody>
</table>

Standard errors in parentheses.
*** p<0.01, ** p<0.05, * p<0.1
Source: Authors’ conception using stata 14 with the 2016 enterprise survey.

indicates that as the enterprise is advancing in age, the profitability of the firm will increase and age square is negative, showing that as the firm reaches a certain age, its production will fall and age is a minimum turning point.

From the results above show that the conduct of a firm has a positive and insignificant impact on firm’s performance indicating that the competitive strategy applied by the firm increases the firm’s performance. Firms in Cameroon, that is, those in the service, primary and secondary sector carryout publicity which account for the increase in performance.

Finally, the nature of the industry has a negative relationship on the firm’s performance, showing that the status of the firm will reduce the performance of the firm. This is justified by the fact that when a firm is growing, the rate of tax is low and the performance can increase and when it grows into large firm, its rate of tax will increase and will reduce profitability.

CONCLUDING REMARKS

The regression results for model 1, model 2 and model 3 show that the structure of the market has a negative impact on the performance of firms and variables such as products and barrier to entry have a negative and significant
relationship on performance at 5%. This indicates that a unit increase in the structure of the market will lead to a decrease in the performance of the firm by 1.90 and 0.02 unit, respectively. But the variable expenditure on research and development has a positive but insignificant impact on the firm performance, indicating that a unit increase on expenditure on research and development will lead to 6.8% increase in the performance of the firm in model 3. Also the conduct of the firm in model 2 and model 3 shows a positive impact between conduct and firms performance. This indicates that a unit increase in the behavior of the firm will lead to a 0.3% increase in performance.

These findings have implication to enhance performance, where a competing strategy for firms should be implemented and also both local and central governments should implement educational policy to brainstorm with owners of firms on the different operational structures of the market and the behavioral pattern to follow.

REFERENCES


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