

Financial Decision-Making and SME Growth in China: The Mediating Role of Corporate Culture

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Abstract

This study delves into the intricate relationship between financial decision-making and the growth of small and medium-sized private enterprises (SMEs) in China, emphasizing the mediating role of corporate culture. Through a comprehensive analysis of data collected from 405 SMEs via a questionnaire survey, this research employ multiple regression analysis to test the hypotheses. The findings underscore the significant influence of corporate culture, which categorize into four dimensions: values, relationship culture, innovative culture, and risk culture. These cultural aspects shape financial decision-making processes, subsequently impacting SME growth as measured by profitability, development scale, and growth stage. Notably, financial stability emerges as a pivotal factor; more aggressive financial strategies are associated with higher profitability but may result in a smaller development scale and lower growth stage. This research not only contributes to the existing literature by elucidating the complex interplay between corporate culture, financial decision-making, and SME growth within the Chinese context but also offers practical insights and strategies for SME managers seeking to optimize their financial decisions and foster sustainable growth.

Keywords: *Financial Decision-Making, Small and Medium-Sized Private Enterprises, Corporate Culture; Growth Potential, Mediating Role & China*

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1. Introduction

Small and medium-sized private enterprises (SMEs) are the cornerstone of China's economic landscape, serving as a vital source of employment, innovation, and economic vitality. These enterprises are renowned for their flexibility, responsiveness to market changes, and capacity to foster entrepreneurship (Allensbach Institute, 2019). Despite their significance, SMEs frequently encounter numerous challenges, with financing and sustainable growth being particularly prominent (Wang et al., 2021). The complex and often unpredictable nature of the business environment in China necessitates a nuanced understanding of the factors that contribute to SME success. Previous research has extensively explored various determinants of SME growth, including market conditions, government policies, and entrepreneurial capabilities (Li & Wang, 2019). However, one critical aspect that has received limited attention is the role of corporate culture. Corporate culture, defined as the shared values, beliefs, and norms that shape organizational behavior (Schein, 2010), has been recognized as a fundamental driver of organizational performance in larger firms. Yet, its impact on SMEs, particularly in the context

of financial decision-making, remains underexplored. Financial decision-making is a critical aspect of SME management, encompassing strategic choices related to investment, financing, and capital structure. These decisions are not only influenced by economic factors but are also deeply embedded in the organizational culture and values of the enterprise (Jensen & Meckling, 1976). A positive and well-defined corporate culture can foster a risk-taking environment, encourage innovation, and enhance decision-making efficiency, ultimately contributing to sustainable growth. Conversely, a weak or toxic culture can lead to suboptimal financial decisions, hindering the enterprise's progress. This study aims to fill the existing gap in the literature by examining the intricate relationship between corporate culture and financial decision-making in SMEs in China. By doing so, the author seek to provide a deeper understanding of how corporate culture influences strategic financial choices, which in turn, affect the growth trajectory of these enterprises. The research is guided by the premise that corporate culture is a pivotal factor in shaping the financial decision-making processes of SMEs, and that by nurturing a positive culture, these enterprises can overcome financing challenges and achieve sustainable growth. Through a comprehensive analysis, the author aim to offer insights that will inform both practitioners and policymakers, contributing to the overall development and resilience of SMEs in China.

2. Literature Review

2.1 SME Growth

SME growth is a complex and dynamic process that encompasses various aspects such as financial performance, market expansion, technological innovation, and organizational capabilities (Zhou & Wang, 2017). This multifaceted nature of SME growth highlights the need for a comprehensive understanding of the factors that influence it. Researchers have extensively studied the determinants of SME growth, focusing on internal resources and capabilities (Li & Zhang, 2018), external market opportunities (Chen, 2019), and policy environments (Yang & Gao, 2023). However, one factor that has received limited attention in the literature is corporate culture, despite its potential to shape organizational behaviors and strategic decisions. Corporate culture, as defined by Schein (2010), refers to the shared values, beliefs, and norms that guide employee behaviors and shape organizational practices. It serves as a critical component of an organization's identity, influencing how decisions are made, resources are allocated, and interactions with external stakeholders occur (Cameron & Quinn, 2018). In the context of SMEs, where resources are often limited and management structures are informal, corporate culture plays an even more crucial role in shaping the organization's trajectory. Research has shown that a strong corporate culture can have a positive impact on SME growth. For instance, a culture that fosters employee cohesion and collaboration can enhance productivity and innovation capabilities (Tang & Li, 2022). Similarly, a culture that promotes risk-taking and experimentation can encourage SMEs to explore new markets and technologies, thereby driving growth. Conversely, a weak or toxic corporate culture can lead to employee disengagement, poor decision-making, and ultimately, stagnation or decline.

2.2 Corporate Culture

The importance of corporate culture in SME growth cannot be overstated. As SMEs navigate the challenges of a rapidly changing business environment, their corporate culture serves as a compass, guiding them towards strategic decisions that align with their values and goals. A well-defined corporate culture can also help SMEs attract and retain talent, as employees are more likely to be attracted to organizations that share their values and beliefs (Sun & Zuo, 2023). Furthermore, corporate culture can play a crucial role in fostering a sense of identity and belonging among employees. When employees feel a strong connection to their organization's culture, they are more likely to be motivated to contribute to its success (Sun, Zuo, Liu, Huang, & Wen, 2024). This sense of identity and belonging can also facilitate cross-cultural collaboration, as employees from diverse backgrounds come together to achieve common goals (Sun, Zuo, Huang, & Wen, 2024).

2.3 Financial Decision-Making

Financial decision-making is another critical factor that influences SME growth. It involves choosing the optimal financing mix to support an organization's operations and growth aspirations. The financial decisions made by SMEs are influenced by various factors, including firm size, profitability, industry characteristics, and economic conditions (Myers, 2020). For SMEs, financial decision-making is particularly challenging due to their limited access to capital markets and higher reliance on internal financing and informal channels (Berger & Udell, 2022). The impact of financial decision-making on SME growth has been a subject of extensive research. Some studies have found that aggressive financial decisions, such as taking on high levels of debt or pursuing equity financing, can enhance profitability and expand development scale (Titman & Wessels, 2021). However, other studies have noted the potential risks associated with aggressive financial decisions, including increased financial instability and the potential for bankruptcy (Li & Hu, 2021).

2.4 Mediating Role of Corporate Culture

Given the importance of both corporate culture and financial decision-making in SME growth, it is plausible to hypothesize that corporate culture may mediate the relationship between financial decision-making and SME growth. In other words, the way in which SMEs make financial decisions may be influenced by their corporate culture, and this, in turn, may impact their growth trajectories. For instance, a corporate culture that promotes innovation and risk-taking may encourage SMEs to pursue more aggressive financial strategies, such as investing in new technologies or expanding into new markets. This, in turn, may lead to faster growth but also higher risks. Conversely, a conservative corporate culture may foster stability and risk aversion, leading SMEs to adopt more cautious financial strategies. While this may limit growth opportunities, it may also protect SMEs from potential financial crises.

2.5 Research Hypotheses

Based on the literature review, the following hypotheses are proposed to investigate the relationships among corporate culture, financial decision-making, and SME growth:

H1: Corporate culture has a significant impact on SME growth. Corporate culture plays a crucial role in shaping the trajectory of SME growth. The values embedded within an organization's culture serve as a guiding force that influences various aspects of business operations, from decision-making to employee interactions. First, H1a posits that unified values within an organization promote SME growth by fostering employee cohesion and collaboration. When employees share common values, they are more likely to work cohesively toward achieving the organization's goals, leading to increased productivity and growth. Second, H1b argues that an innovative culture supports SME growth by encouraging experimentation and risk-taking. A culture that values innovation stimulates creativity and allows businesses to adapt to changing market conditions, driving expansion. Third, H1c suggests that a relationship culture promotes SME growth by facilitating cross-cultural collaboration and partnerships. When an organization fosters strong interpersonal and interorganizational relationships, it can expand its reach and form strategic alliances, ultimately contributing to its growth. Lastly, H1d proposes that a risk culture promotes SME growth by encouraging bold financial decisions and strategic risks. By prioritizing risk-taking, SMEs can capitalize on new opportunities and pursue growth strategies that might otherwise seem too risky, ultimately leading to substantial growth in a competitive marketplace.

H2: Corporate culture significantly influences SMEs' financial decision-making. Corporate culture is a significant determinant of the financial strategies employed by SMEs, as it shapes how organizations approach risk, investment, and long-term financial goals. H2a suggests that unified values encourage aggressive financial decisions by aligning employee and organizational goals, enabling the organization to take decisive action in pursuit of growth and profitability. When employees share a unified vision, their collective efforts contribute to an aggressive

pursuit of financial outcomes, such as high-risk investments or significant capital expenditures. H2b extends this notion by arguing that an innovative culture encourages aggressive financial decisions through a willingness to embrace risks. In an environment that celebrates innovation, SMEs are more likely to pursue unorthodox financial strategies that foster new ventures or disruptive technologies, even at the risk of failure. H2c supports this idea by stating that a risk culture encourages aggressive financial decisions by prioritizing growth over stability. Organizations with a strong focus on risk are more inclined to take bold financial actions, often pushing the boundaries of traditional financial decision-making in order to scale rapidly. On the other hand, H2d highlights the contrasting effect of a relationship culture, suggesting that it encourages more conservative financial decisions by emphasizing long-term relationships and stability. In a relationship-driven culture, the focus is on ensuring financial sustainability and fostering trust over short-term profitability, often resulting in more cautious, long-term-oriented financial strategies.

H3: Financial decision-making has a significant impact on SME growth. The financial decisions made by SMEs have a direct and profound impact on their ability to grow and expand within competitive markets. H3a proposes that aggressive financial decisions enhance profitability by leveraging debt and equity to finance growth. By utilizing external funding sources, SMEs can fuel rapid expansion, driving increased revenue and market share. H3b suggests that aggressive financial decisions also contribute to scaling up operations by enabling investment in new technologies and markets. When SMEs make bold financial moves, they can enter new markets or invest in cutting-edge technologies, accelerating their development and broadening their scope. Furthermore, H3c argues that aggressive financial decisions advance the growth stage of an SME by accelerating its development trajectory. SMEs that make calculated yet aggressive financial decisions can speed up their growth process, advancing more quickly through various stages of business development, from startup to mature enterprise.

H4: Financial decision-making plays a mediating role between corporate culture and SME growth. Financial decision-making acts as a critical intermediary between corporate culture and SME growth, shaping how cultural values are translated into tangible growth outcomes. H4a posits that the relationship between corporate culture and SME growth is mediated by the aggressiveness of financial decisions. In other words, an organization's culture influences its financial decision-making style, and the aggressiveness of those decisions, in turn, impacts growth. A culture that promotes innovation, risk-taking, and bold action is more likely to make aggressive financial decisions that accelerate growth. H4b further elaborates on this by stating that the impact of corporate culture on SME growth is contingent on the financial decisions made by the organization. Even if an organization possesses a strong culture that theoretically supports growth, it is the financial decisions—whether aggressive or conservative—that ultimately determine the extent of the organization's growth. Therefore, corporate culture indirectly influences SME growth through its effect on financial decision-making, which serves as the mechanism by which cultural values are realized in practical business strategies.

In sum, these hypotheses collectively shed light on the intricate relationships between corporate culture, financial decision-making, and SME growth, offering a comprehensive framework for understanding how cultural dynamics shape financial outcomes and, ultimately, organizational success.

3. Methodology

3.1 Sampling and Data Collection

To gather comprehensive data, the study utilized a well-structured questionnaire survey targeting 405 small and medium-sized enterprises (SMEs) primarily situated in the eastern region of China. This geographical focus was chosen due to the region's economic significance and the density of SMEs. The questionnaire was meticulously designed to capture detailed information on corporate culture, financial decision-making processes, and SME growth dynamics. The survey participants comprised SME owners and senior managers, who offered invaluable insights into the operational strategies and financial management of their respective

enterprises. This approach ensured that the data collected were both relevant and representative of the SME sector in China. The selection of SMEs and the focus on corporate culture, financial decision-making, and growth dynamics align with broader research on the relationship between organizational factors and business outcomes (Sun & Zuo, 2024a; Sun & Zuo, 2024b).

3.2 Measurement Instruments

Corporate culture was measured using an extensive 19-item scale, which was carefully adapted from established studies in the field. This scale encompassed a wide range of cultural dimensions, including core values, relationship culture, innovative culture, and risk culture. The selection of these dimensions was based on their known influence on organizational behavior, as identified in previous literature on management research philosophy (Sun & Zuo, 2024a), and their ability to provide a comprehensive understanding of corporate culture within SMEs. Each item was designed to elicit responses that reflected the prevailing cultural norms and practices within the organizations. Financial decision-making was assessed through a comprehensive set of four items, focusing on crucial aspects of financial management within SMEs. These items encompassed financial stability, preferred sources of funding, loan-to-debt ratio, and asset-liability ratio. By analyzing these key financial indicators, the study aimed to gain deeper insights into the financial strategies employed by SMEs and how they manage their financial resources to support growth and stability. The approach to understanding financial decision-making is grounded in historical research on organizational management practices (Sun & Zuo, 2024b). SME growth was evaluated using a robust nine-item scale that captured various indicators of growth, including profitability, development scale, and growth stage. These indicators were chosen to provide a holistic measure of SME growth and to facilitate a detailed analysis of the factors that contribute to it. The scale was designed to reflect the multifaceted nature of growth, encompassing both quantitative and qualitative aspects. This approach resonates with the evolving research on SME development, particularly regarding the integration of cultural and financial dimensions into growth analysis (Sun & Zuo, 2024a).

3.3 Data Analysis Approach

The data collected from the questionnaire survey were subjected to a rigorous analysis process using a combination of statistical methods. Initially, descriptive statistics were employed to summarize and describe the key characteristics of the sample, providing an overview of the SMEs participating in the study. To delve deeper into the data, exploratory factor analysis (EFA) was conducted to identify the underlying structure and to determine the optimal number of factors for subsequent analyses. This was followed by confirmatory factor analysis (CFA) to validate the factor structure and assess the model's fit. Finally, multiple regression analysis was utilized to test the study's hypotheses, examining the intricate relationships between corporate culture, financial decision-making, and SME growth. This comprehensive analytical approach ensured the robustness and reliability of the study's findings, aligning with established methodologies for examining complex organizational phenomena (Sun & Zuo, 2024b).

4. Findings and Discussion

4.1 Corporate Culture and SME Growth

The first set of analyses examined the direct relationship between corporate culture dimensions and SME growth. The results indicate that values and relationship culture have a positive impact on SME growth, while innovative culture negatively influences growth. Specifically, the regression analysis revealed that values ($\beta = 0.188$, $p < 0.01$) and relationship culture ($\beta = 0.407$, $p < 0.01$) are significant predictors of SME growth, supporting hypotheses H1a and H1c, respectively. These findings suggest that SMEs with strongly embedded values and a culture that emphasizes relationships are more likely to experience growth. Conversely, the results for innovative culture were unexpected. The analysis showed that innovative culture negatively impacts SME growth ($\beta = -0.169$, $p < 0.01$), contradicting hypothesis H1b. This finding suggests

that, in the context of SMEs, an overemphasis on innovation may hinder growth, possibly due to the resource constraints and risk associated with innovative activities. Risk culture was also found to have a significant positive effect on profitability ($\beta = 0.213$, $p < 0.01$), indicating that SMEs with a culture that tolerates and manages risk are more likely to be profitable. However, risk culture did not have a significant effect on development scale or growth stage, partially supporting hypothesis H1d. These results are summarized in Table 1, which provides a detailed breakdown of the regression coefficients and significance levels for each corporate culture dimension and its impact on SME growth.

Table 1: Regression Analysis of Corporate Culture on SME Growth

Corporate Culture Dimension	Profitability (β)	Development Scale (β)	Growth Stage (β)	p-value
Values	0.188**	-	-	<0.01
Innovative Culture	-0.169**	-	-	<0.01
Relationship Culture	0.407**	-	-	<0.01
Risk Culture	0.213**	ns	ns	<0.01

**Significant at the 0.01 level; ns = not significant

4.2 Corporate Culture and Financial Decision-Making

The second set of analyses focused on the relationship between corporate culture and financial decision-making. The results indicate that corporate culture dimensions have a significant influence on the financial decisions made by SMEs. Specifically, values and innovative culture encourage aggressive financial decisions, while relationship culture promotes conservative decisions. Risk culture, on the other hand, positively correlates with loan-to-debt ratio. The regression analysis revealed that values ($\beta = -0.282$, $p < 0.01$) and innovative culture ($\beta = -0.233$, $p < 0.01$) are significant predictors of aggressive financial decisions, supporting hypotheses H2a and H2b, respectively. These findings suggest that SMEs with strong values and an innovative culture are more likely to adopt aggressive financial strategies, such as taking on more debt or investing in risky projects. In contrast, relationship culture was found to promote conservative financial decisions ($\beta = 0.350$, $p < 0.01$), supporting hypothesis H2d. This finding suggests that SMEs with a culture that emphasizes relationships and trust are more likely to adopt a cautious approach to financial decision-making, prioritizing stability and risk mitigation over potential gains. Risk culture positively correlates with loan-to-debt ratio ($\beta = 0.166$, $p < 0.01$), partially supporting hypothesis H2c. This result indicates that SMEs with a culture that tolerates risk are more likely to have a higher loan-to-debt ratio, reflecting a willingness to take on more debt to finance their operations. These results are summarized in Table 2, which provides a detailed breakdown of the regression coefficients and significance levels for each corporate culture dimension and its impact on financial decision-making.

Table 2: Regression Analysis of Corporate Culture on Financial Decision-Making

Corporate Culture Dimension	Aggressive Financial Decisions (β)	Loan-to-Debt Ratio (β)	p-value
Values	-0.282**	-	<0.01
Innovative Culture	-0.233**	-	<0.01
Relationship Culture	0.350**	-	<0.01
Risk Culture	-	0.166**	<0.01

**Significant at the 0.01 level

4.3 Financial Decision-Making and SME Growth

The third set of analyses examined the relationship between financial decision-making and SME growth. The results indicate that aggressive financial decisions have a mixed impact on SME growth. Specifically, aggressive financial decisions enhance profitability and development scale but negatively impact growth stage. The regression analysis revealed that aggressive financial decisions positively correlate with profitability ($\beta = -0.072$, $p < 0.01$) and development scale ($\beta = -0.130$, $p < 0.01$), partially supporting hypotheses H3a and H3b, respectively. These findings suggest that SMEs that adopt aggressive financial strategies are more likely to experience increased profitability and expansion in their operations. However, aggressive financial

decisions were found to negatively impact growth stage ($\beta = -0.315, p < 0.01$), contradicting hypothesis H3c. This finding suggests that, while aggressive financial strategies may lead to short-term gains in profitability and development scale, they may also hinder the long-term growth and maturity of SMEs. These results are summarized in Table 3, which provides a detailed breakdown of the regression coefficients and significance levels for the impact of financial decision-making on SME growth.

Table 3: Regression Analysis of Financial Decision-Making on SME Growth

Financial Decision-Making	Profitability (β)	Development Scale (β)	Growth Stage (β)	p-value
Aggressive Financial Decisions	-0.072**	-0.130**	-0.315**	<0.01

**Significant at the 0.01 level

4.4 Mediating Role of Financial Decision-Making

The final set of analyses examined the mediating role of financial decision-making in the relationship between corporate culture and SME growth. The results indicate that financial decision-making partially mediates the relationship between corporate culture and various aspects of SME growth, including profitability, development scale, and growth stage, supporting hypothesis H4. This finding suggests that the impact of corporate culture on SME growth is, in part, transmitted through the financial decisions made by SMEs. To test the mediating effect, a series of regression analyses were conducted. The results are summarized in Table 4, which consolidates the key findings from the mediation tests for profitability, development scale, and growth stage of SMEs. The table presents the t-values and significance levels for the relationships between corporate culture dimensions (values, relational culture, innovative culture, and risk culture), financial decision-making, and SME growth indicators before and after introducing the mediating variable of financial decision-making.

Table 4: Mediating Effect Test Summary

Culture Dim.	Growth Ind.	Direct Eff. (t)	Mediated Eff. (t)	Sig. Change
Values	Profitability	0.063 (-0.97)	Not applicable	Decreased
	Development Scale	0.277 (2.41)**	0.154 (2.17)**	Decreased
	Growth Stage	0.061 (0.96)	Not applicable	Decreased
Relational Culture	Profitability	0.038 (0.96)	0.043 (0.98)	Decreased
	Development Scale	0.157 (2.02)**	0.094 (1.92)	Decreased
	Growth Stage	0.146 (2.21)*	0.13 (2.08)**	Decreased
Innovative Culture	Profitability	-0.128 (-2.01)**	-0.12 (-3.41)***	Decreased
	Development Scale	-0.233 (-3.76)**	-0.195 (-2.37)**	No significant change
	Growth Stage	-0.187 (-2.02)**	-0.172 (-1.94)*	Decreased
Risk Culture	Profitability	0.212 (3.58)***	0.162 (2.76)***	No significant change
	Development Scale	Not applicable	Not applicable	Not applicable
	Growth Stage	0.013 (0.22)	-0.01 (-0.16)	Not applicable

Note: Control variables have been controlled and will not be reported here. *** means significant at the 1% level, ** means significant at the 5% level, and * means significant at the 10% level.

The results showed that the indirect effect of corporate culture on SME growth through financial decision-making is significant for most culture dimensions and growth indicators, indicating that financial decision-making acts as a mediator. The mediating effect is particularly pronounced for profitability and development scale, suggesting that financial decision-making plays a more critical role in transmitting the impact of corporate culture on these aspects of SME growth. For the growth stage, while the mediating effect is present, it is less pronounced compared to the other growth indicators. In summary, the findings of this study provide insights into the complex relationships between corporate culture, financial decision-making, and SME growth. The results indicate that corporate culture dimensions have a significant impact on SME growth, both directly and indirectly through financial decision-making. These findings highlight the importance of considering the mediating role of financial decision-making in understanding the relationship between corporate culture and SME growth. The results have important implications for SME managers and policymakers, as they suggest that fostering a

positive corporate culture and making informed financial decisions can contribute to the growth and success of SMEs.

5. Conclusion

5.1 Corporate Culture and SME Growth: A Nuanced Perspective

The findings of this study reveal a nuanced relationship between corporate culture and SME growth, challenging the conventional wisdom that all dimensions of corporate culture uniformly contribute to business success. Specifically, the results indicate that values and relationship culture positively influence SME growth, while innovative culture, contrary to expectations, has a negative impact. This counterintuitive finding may be attributed to the unique challenges faced by SMEs in resource-constrained environments. As Sun and Zuo (2023) note, SMEs often lack the necessary resources to effectively translate innovative ideas into practical solutions, leading to a potential disconnect between innovation and growth. The negative relationship between innovative culture and SME growth observed in this study underscores the importance of context-specific considerations. For SMEs, the pursuit of innovation must be balanced with the practical constraints of limited resources. This suggests that SMEs should focus on fostering an innovative culture that is grounded in reality, emphasizing feasible and resource-efficient innovation strategies. Additionally, the finding that risk culture primarily benefits profitability but does not significantly influence development scale or growth stage highlights the need for SMEs to carefully manage risk in a way that aligns with their growth objectives.

5.2 Financial Decision-Making: Balancing Risk and Stability

The results indicate that aggressive financial decisions, characterized by lower financial stability and higher debt ratios, enhance profitability and development scale but may hinder long-term growth. This finding resonates with the broader literature on financial decision-making and firm performance, which often emphasizes the trade-offs between risk-taking and financial stability (Sun & Zuo, 2023). For SMEs, the challenge lies in striking a delicate balance between these competing forces. The implication for SMEs is clear: while aggressive financial strategies can yield short-term gains, they must be carefully managed to avoid undermining long-term growth prospects. This requires a sophisticated understanding of financial markets, as well as the ability to adapt financial strategies in response to changing market conditions. SMEs should consider adopting a more flexible financial approach, combining aggressive and conservative strategies based on their growth stage and resource availability.

5.3 The Mediating Role of Financial Decision-Making

One of the most striking findings of this study is the mediating role of financial decision-making between corporate culture and SME growth. This result highlights the importance of considering financial strategies when shaping corporate culture, as financial decisions can either facilitate or hinder the positive effects of cultural dimensions on growth. The mediating role of financial decision-making suggests that SMEs should view corporate culture and financial strategy as interconnected elements of their overall business strategy. By aligning these elements, SMEs can create a synergistic effect that maximizes the positive impact on growth. For example, a strong values culture can be supported by financially responsible decisions that reinforce the organization's commitment to ethical and sustainable practices. Similarly, a relationship culture can be enhanced through financial strategies that prioritize long-term partnerships and collaboration.

5.4 Practical Implications for SMEs in China

The findings of this study have several practical implications for SMEs in China, a context characterized by rapid economic growth and a dynamic business environment. First, SMEs should prioritize the development of a unified set of values and a strong relationship culture. As Sun et al. (2024) emphasize, inclusive leadership that promotes diversity and equity can foster a sense of shared purpose and collaboration within the organization, contributing to growth.

Second, SMEs should approach innovative culture with caution, ensuring that they have the resources and capabilities to translate innovative ideas into practical applications. This may involve investing in research and development, establishing partnerships with other organizations, or seeking external funding to support innovation initiatives. Third, SMEs should adopt a balanced financial strategy that takes into account their unique growth stage and resource availability. This may involve a combination of aggressive and conservative financial decisions, as well as a willingness to adapt strategies in response to changing market conditions. By striking a balance between risk-taking and financial stability, SMEs can enhance their profitability and development scale while maintaining a sustainable growth trajectory.

5.5 Theoretical Contributions and Future Research Directions

This study contributes to the existing literature on corporate culture, financial decision-making, and SME growth by providing empirical evidence that challenges conventional wisdom and highlights the nuanced nature of these relationships. The findings offer several theoretical contributions, including the identification of the mediating role of financial decision-making between corporate culture and SME growth. Future research can build on these findings by exploring the relationship between corporate culture and SME growth in different contexts, such as different industries or regions. Additionally, studies could investigate the impact of specific corporate culture dimensions on various aspects of SME performance, such as customer satisfaction or employee retention. Furthermore, research could examine the interplay between corporate culture and other strategic decisions, such as marketing or operational strategies, and their joint impact on SME growth. Moreover, future studies could adopt a longitudinal approach to better understand the evolution of corporate culture and its impact on SME growth over time. This would allow researchers to capture the dynamic nature of these relationships and provide insights into how SMEs can adapt their cultural and financial strategies as they grow and evolve.

6. Conclusion

This study has made a significant contribution to the field of SME growth in China by providing a comprehensive analysis of the intricate interplay between corporate culture, financial decision-making, and firm growth. The findings presented in this research underscore the importance of aligning corporate culture with financial strategies to foster optimal growth in SMEs. This alignment is crucial as it enables firms to leverage their cultural values and norms to guide financial decision-making processes, ultimately leading to more sustainable and profitable growth. The insights gained from this study offer valuable implications for SME managers and policymakers. For managers, the findings highlight the need to cultivate a corporate culture that is conducive to financial prudence and innovation. By doing so, SMEs can enhance their financial performance and growth prospects. On the other hand, policymakers should consider incorporating cultural factors into their support programs for SMEs, recognizing that corporate culture plays a pivotal role in shaping financial decision-making and growth outcomes. Moreover, this study has demonstrated the complexity of the relationship between corporate culture, financial decision-making, and SME growth. Future research should delve deeper into the various contextual factors that may influence this relationship, such as industry characteristics, market conditions, and institutional environments. Longitudinal studies would also be particularly valuable, as they would allow researchers to observe changes in corporate culture, financial strategies, and growth over time, providing a more dynamic understanding of the interplay between these factors. In conclusion, this study represents a significant step forward in the understanding of SME growth in China, emphasizing the critical role of corporate culture in shaping financial decision-making and growth outcomes. The insights gained from this research not only offer practical implications for SME managers and policymakers but also pave the way for future research to explore the nuanced and multifaceted nature of SME growth in the Chinese context. By continuing to refine the understanding of the interplay between corporate culture, financial decision-making, and growth, this research can better support the development and success of SMEs in China and beyond.

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