

Anchoring and Adjustment Bias in Working Capital Management and Performance of Small and Medium Enterprises (SMEs): The perspectives of Ghanaian SMEs Managers

Jeff Lamptey, Asri Bin Marsidi

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v10-i5/7181>

DOI:10.6007/IJARBSS/v10-i5/7181

Received: 02 March 2020, **Revised:** 08 April 2020, **Accepted:** 23 April 2020

Published Online: 06 May 2020

In-Text Citation: (Lamptey & Marsidi, 2020)

To Cite this Article: Lamptey, J., & Marsidi, A. Bin. (2020). Anchoring and Adjustment Bias in Working Capital Management and Performance of Small and Medium Enterprises (SMEs): The perspectives of Ghanaian SMEs Managers. *International Journal of Academic Research in Business and Social Sciences*, 10(5), 143–156.

Copyright: © 2020 The Author(s)

Published by Human Resource Management Academic Research Society (www.hrmars.com)

This article is published under the Creative Commons Attribution (CC BY 4.0) license. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this license may be seen at: <http://creativecommons.org/licenses/by/4.0/legalcode>

Vol. 10, No. 5, 2020, Pg. 143 - 156

<http://hrmars.com/index.php/pages/detail/IJARBSS>

JOURNAL HOMEPAGE

Full Terms & Conditions of access and use can be found at
<http://hrmars.com/index.php/pages/detail/publication-ethics>



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



Anchoring and Adjustment Bias in Working Capital Management and Performance of Small and Medium Enterprises (SMEs): The perspectives of Ghanaian SMEs Managers

Jeff Lamptey, Asri Bin Marsidi

Faculty of Economics and Business, Universiti of Malaysia Sarawak

Email: jefflampt@gmail.com maasri@animas.my

Abstract

This paper explored Anchoring and Adjustment in working capital management and performance of small and medium-sized enterprises (SMEs) in Accra, Ghana. We adopted a qualitative case study design and employed in-depth interviews to obtain data from thirty-five (35) managers drawn from trading manufacturing sectors. We found that SME managers(owners) primarily rely on self-generated and provided anchor. More specifically, managers anchor on customer's trust, price list and quotation, current and past sales trends which results to overinvestment and underinvestment in working capital and higher or lower performance. Therefore, we conclude that anchoring and adjustment in working capital management and performance matter.

Keywords: Anchoring and Adjustment, Working Capital Management, Performance, SMEs Managers, Ghana.

Introduction

Managerial bias and particularly anchoring and adjustment appears to influence economic decision under uncertainty. When people face complex economic decision problem requiring substantial time and cognitive ability, they have difficulty in following rational approach developed for analysing and selecting optimal choice, but rather adopt more subjective method of reasoning to determine appropriate course of action consistent with their desired preference and outcomes(Pompian, 2012; Maharani, & Witiastuti, 2015) In the course of making estimate or judgement, they usually start with initial value which is adjusted to attain the desired estimate. The initial value, which is the anchor can be suggested or personally computed based on the nature of the problem. In each case, adjustment is insufficient because different initial values lead to different final estimates (Tversky and Kahneman, 1974). It has been reported that anchoring and adjustment influence many intuition decisions. However, there is a growing concern that influence of anchoring and adjustment is lagged in working capital management many years. And as of today, literature in